

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Climate Commitment Act**

**DOCKET U-230161**

**COMMISSION STAFF COMMENTS ON PRE-WORKSHOP QUESTIONS FOR THE  
CLIMATE COMMITMENT ACT WORKSHOP #3**

**September 7, 2023**

Commission staff (Staff) Comments on Pre-Workshop Questions for the Climate Commitment Act Workshop #3

## Introduction

Staff offers these comments in response to the Notice of Workshop and Opportunity to Provide Comments.<sup>1</sup> Staff supports the Washington Utilities and Transportation Commission's (Commission) continued efforts to convene this workshop series amidst many competing priorities.

### **1). What are the necessary elements for an equitable, fair, and reasonable risk-sharing mechanism, as required by Order 01 in Docket UG-230470?**

Staff believes developing an equitable, fair, and reasonable risk-sharing mechanism will be an iterative and collaborative process. Due to the nature of complexity that a risk-sharing mechanism would entail, Staff suggests exploring the following elements as possibilities:

- **Risk Assessment:** Conduct a risk assessment to identify and quantify a utility's various possible risks. A risk assessment, if possible, should be all-encompassing, including information such as operational, financial, and market risks.
- **Risk Allocation:** Define and consider how risks are allocated among the utility and ratepayers to ensure that allocation is based on a fair, just, reasonable, and equitable methodology that considers the sources of each risk.
- **Design Flexibility:** Consider rate design flexibility that enables the investor-owned utility (company or IOU) to recover costs associated with reasonable management and mitigation of risks.
- **Risk Mitigation:** Develop & implement risk mitigation strategies, such as hedging or reserve funds, to protect against unanticipated events, which may minimize potential impact on ratepayers or the IOU.
- **Other Considerations:** Incorporate sustainability and environmental risks into a risk-sharing mechanism design. Conduct due diligence research on these factors.

Staff reiterates the importance that any possible consideration for a risk-sharing mechanism should be a collaborative endeavor with respective advisory groups and interested persons. The goal of a risk-sharing mechanism should be to find the balance between protecting the interest of ratepayers and maintaining a utility's financial stability and reliability.

### **2). At what frequency, and under what conditions, should utilities be required to file Climate Commitment Act (CCA) forecast updates, as required by Order 02 in Docket UE-220797?**

The Commission may allow, but should not require in every case, electric utilities to submit an update to their demand and/or supply forecasts. In cases where an update is warranted, Staff suggests utilities should refile their forecasts every year by April 30, consistent with Order 02 in Docket UE-220797. In addition to providing Staff and interested persons with sufficient time to review a

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<sup>1</sup> Filed August 30, 2023, in Docket U-230161.

forecast, this proposal is aligned with the Department of Ecology's (Ecology) timeline for assigning allowances to electric utilities by October 1, and for which updated forecasts may be submitted by each electric utility by July 30 of the same calendar year.<sup>2</sup> This is consistent with the Commission's current guidance to require a forecast update if there are any "substantive changes" to a utility's approved supply and demand forecast.<sup>3</sup> Until Ecology provides rules outlining the specific process for allowance adjustment,<sup>4</sup> this may be the best way to ensure the most accurate forecasts are approved by the Commission and received by Ecology ahead of the October 1 deadline.

**3). Under what circumstances should utilities create separate tariffs for recovery and pass-back of CCA costs and proceeds? AND 4). Under what circumstances should utilities incorporate CCA costs and proceeds into general rate cases?**

Staff suggests interested persons discuss a threshold amount of CCA costs under which a utility is expected to wait until its next general rate case to apply to recover costs and return proceeds, and over which a utility may create a separate tariff. If the utility expects the threshold to be surpassed, the company will subtract the threshold from the total revenue increase expected, to arrive at the amount that can be recovered in rates.

Consider this example. A utility expects a \$X million needed increase in revenue to account for CCA costs over a given period. If the threshold to trigger a separate tariff is \$Y million, the utility would be expected to recover \$Y million in its next General Rate Case (GRC), and file a tariff for recovery of \$X-Y million.

Such a proposal would attempt to leave most costs for times when prudence examinations are possible (e.g., in a GRC or Multi-Year Rate Plan (MYRP)), but also allow for timely and tiered cost recovery.

Circumstances when utilities may incorporate CCA costs and proceeds into general rate cases should be given due consideration and remain consistent with the public interest. Staff believes that, in most cases, recovery of CCA costs should be addressed within MYRPs and GRCs.

**5). In Workshop 2, interested persons indicated that utility Low-Income Advisory Groups were best situated to discuss the requirements concerning low-income customers under the CCA. Should the Commission convene a "Joint Low-Income Advisory Group," which could convene, discuss outstanding issues relating to low-income customers under the CCA, and submit a proposal to the Commissioners? The outstanding issues include those identified in the agenda for Workshop 2 and discussed in comments in this docket.**

Staff believes that creating a "Joint Low-Income Advisory Group" (Joint Advisory Group) to discuss outstanding issues related to low-income customers under the CCA requires detailed planning, proactive delegation of tasks, and transparent communication on focused efforts. Establishing a Joint Advisory Group demonstrates a commitment to equity and inclusivity by including the voices of

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<sup>2</sup> Washington Administrative Code (WAC) 173-446-230 (j).

<sup>3</sup> See Order 01 in Dockets UE-220770, UE-220789, and UE-220797.

<sup>4</sup> WAC 173-446-230(2)(g).

interested persons throughout the proposal process. Convening a Joint Advisory Group can provide valuable insights into low-income customers' challenges or barriers. Collaboration can foster innovation to create and discuss requirements concerning low-income customers. Staff would like to recognize that the December 2023 proposed action plan timeline may present challenges if the Commission were to convene a Joint Advisory Group. Balancing diverse perspectives and interests requires significant time and effort. Also, maintaining an advisory group can be resource-intensive, requiring administrative support and time commitments for all interested persons.

**6). What guidelines should the Commission issue to ensure long-term utility plans are consistent with CCA rules? For example:**

**What should the ramifications be if a utility's long-term plans:**

- 1) Exceed the emissions ceiling set by RCW 70A.45.020,**
- 2) Require purchasing excessive price ceiling units pursuant to RCW 70A.65.160, or**
- 3) Model allowance purchases that are greater than a utility's proportional share of statewide allowances.**

Long term utility plans need to be compliant with all laws, including the CCA statutes and rules. In most instances, violations of the CCA by Electric and Gas IOUs would be within Ecology's jurisdiction to penalize. The Commission should set clear expectations that integrated resource plans (IRPs) need to explain in detail how the utility's long-term plan is compliant with both current and future CCA requirements and how the plan meets lowest reasonable cost standards considering the CCA.

The ramifications for failing to meet these guidelines will almost certainly need to be context dependent. In certain cases, not acknowledging an IRP would be appropriate on the Gas IRP side. While the Commission has decided to discontinue the acknowledgement letter practice on the electric side, nothing prevents the Commission in the future from issuing a letter on an electric IRP to inform an IOU that it finds the company's plans inconsistent with CCA requirements or with lowest reasonable cost standards given the CCA. The Commission could, as it has in past cases, order a utility to refile a plan with amendments.

If a utility pursues a plan that is out of line with CCA requirements, then the Commission's usual tools, such as a prudency disallowance, might be appropriate. Any penalties issued by Ecology for noncompliance with the CCA would also of course not be eligible for recovery from ratepayers.

**7). Are there any other priority issues that have arisen since comments were last filed?**

Staff raises these questions, as described in the most recent electric forecast approvals:<sup>5</sup>

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<sup>5</sup> Per Staff's memo filed July 27, 2023, in Docket UE-220770: "Staff expects companies will be prepared to explain discrepancies between approved CEIPs, CEIP reports showing renewable energy credit (REC) retirement, and forecast filings."

How can the Commission ensure that the CCA forecasts from electric IOUs remain consistent with the interim targets approved as part of a utility's clean energy implementation plan (CEIP)? Should changes between an approved CEIP and a CCA forecast be a required part of a CEIP biennial update?