Regulatory Assistance Project Electric Resource Long-range Planning Survey[1]
Compiled by CM ☐ LB☒

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Name of Agency: Washington Utilities and Transportation Commission (WUTC)

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Policies

1. Is any form of long-range electrical resource and/or investment planning required?
   ☒Yes ☐No

2. If yes, what planning processes are going on?
   Least-Cost Planning

3. Please describe least cost planning.

   The utilities file least-cost plans (LCPs) every two years. The process is initiated by the utilities, which set out a timetable and an agenda and invite stakeholders to participate in the plan's development. Stakeholders include environmental and industry groups, consumer advocates, and Commission staff, who work closely with the utilities on technical issues such as risk analysis and modeling. Plans are submitted to the Commission, which acknowledges them by formal docket; acknowledgement means that the plan has met the basic requirements. The acknowledgement process is formally documented but not litigated.
   Once submitted, the plans are used to inform decisions in rate cases and prudency reviews. The LCPs are also used as a foundation for the procurement process, which begins with the issuance of RFPs 90 days after the filing of the LCPs.

4. Is it statewide or utility-specific planning? What types of entities are required to participate?

   The process is utility-specific and applies to all regulated utilities in Washington.

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[1] All responses written from notes compiled and edited by Liz Baldwin, RAP researcher.
Corrections to the draft document, suggested by the contact person(s), have been incorporated.

5. Is there any relationship between this process and other decisions, e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments?

   There is no preapproval of any kind in Washington, and inclusion in the LCP doesn't have any legal bearing on rate approval decisions. However, if a utility uses its LCP as a foundation for its acquisitions, this builds knowledge and credibility with the Commission. In order for any acquisition to be given rate treatment, it must be deemed prudent and least-cost.

6. This form of planning has been required since what date?

   1987

7. How is this process enforced, if at all? If a utility does something inconsistent with the Plan, does it have to explain itself satisfactorily to avoid a charge of imprudence? Is it routine for utilities to diverge from a Plan with an explanation? Are there any consequences for non-compliance?

   The LCPs are a means of information exchange that aren't formally approved, simply acknowledged; it isn't a "command and control" type process. The circumstances of a utility's divergence from the plan would influence the Commission's reaction. If events change in such a way that the LCPs no longer reflect reality, a utility would be applauded for diverging from the plan in ways that were consistently least-cost and prudent. If, on the other hand, events played out as expected and the utility diverged from the plan, an explanation would be expected. In any given situation, the utility's actions should be the "least cost" actions.

8. Is anything similar required for non-electric natural gas-related planning? ☒ Yes
   ☐ No

   If yes, what is that process called? Least Cost Planning

Required Elements

9. Back to least cost planning (the electric resource process). Which of the following resources must be explicitly evaluated/included:
   - Generation ☒
   - Transmission ☐
   - Distribution ☐
   - Energy efficiency ☒
   - Load Management ☒
   - Other demand side measures ☐
   - Specific generation (e.g. renewable, distributed) ☒
   - Others

Distributed generation and renewable energy are both explicitly included. Transmission and distribution are controlled at the federal level and are not explicitly evaluated, but are usually included to the degree that they are impacted or impact other measures.

What tests must be included/utilized?

There are no specific tests required, but the analysis used by the utility is expected to be consistent for all types of supply and demand solutions and should result in the least cost portfolio.

10. Describe the analysis required by the regulatory body (what is compared to what to make decision? How are resources compared to each other? Cost with one set of resources vs another, economic, environmental?)

    The rules require that utilities scrutinize demand and supply side options in an equal way, and certain externalities should be looked at, but the methodology used to determine the resource portfolio is decided by each utility. The Commission provides technical advice on modeling methods, which each utility can choose to accept or reject. The Commission's goal is to encourage each utility to develop its own plan, which will be useful in guiding the company's future decisions.

11. Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

    Selected resource portfolios are weighted by risk to find the least cost/least risk plan. Certain risk factors, such as weather and price variability, are evaluated using stochastic analysis. Other risks, such as potential policy changes at the state and/or federal level, are considered by evaluating a variety of scenarios to find the lowest risk resource mixes.

12. Is a comparison of supply or T&D infrastructure and demand side options/resources required? ☒Yes ☐No

    Supply-side and demand-side options are to be given fair and equal treatment in the planning process. (T & D resources are not under Commission control and are not considered in this context.) There is an initial screening process for all supply side and demand side resources, during which time all available resources are evaluated for viability and directly compared with each other. The programs that meet these initial requirements are then considered as components of the overall resource mix in a process that may not include direct comparison, but is designed to elicit the overall least cost resource mix, selecting each component based on its merits.

13. The plan's objectives, from the regulatory perspective:

    To serve load using the least cost mix of resources, while minimizing risk.

14. The plan's objectives, from the utility perspective:

    The same as above. They must also meet both the shareholders' and the ratepayers' needs by showing that the resource mix is least-cost for both groups.

15. Are alternative scenarios analyzed as part of the plan? ☒Yes ☐No

    Scenarios involving carbon dioxide policy (at both federal and state levels), weather/water levels (affecting hydro), and changes in technology are all considered. Economic uncertainties are modeled indirectly through varying demand forecasts, which is increasingly being done by using probabilistic forecasting (rather than high, medium and low scenarios).

16. Are externalities considered? If so, which ones and how are they considered?

    Consideration of externalities is not a requirement in Washington, but it is done by some utilities who serve states where it is required.

16. What is the planning horizon? 20 years

    Length of Energy and Demand forecasts 20 years

    Length of Short-term Action Plan 2 years

17. How often do utilities have to file plans? Update plans? What actually happens?

    Every 2 years

18. What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?

    There are no consequences for non-compliance per se, but investments need to meet the prudency standard in order to receive rate treatment, and the LCPs provide supporting evidence for this. The monitoring that is done occurs through rate cases and prudency reviews. When a utility comes to the WUTC for rate treatment, their investments come under legal review by the Commission. The LCPs support prudent action, so if a company has diverged from their plan, they need to prove that their actions were prudent before rate treatment can occur.

19. Are environmental issues considered in the planning process? ☒Yes ☐No
    If yes, please describe.

    The utilities' planning and reporting needs to be consistent with applicable environmental laws.

20. Is reduction or elimination of carbon emissions an issue? If so, how is it dealt with?

Carbon emissions are specifically mentioned in the current plan. Carbon emissions are dealt with to the degree that they pose future financial risks, which can be modelled in a variety of ways. Analysis of carbon-related risks isn't a requirement of the Plans, but it is something that the WUTC has been concerned with recently, and the utilities are following suit.

Agency Process

21. Is there a formal acceptance and/or acknowledgement process used for the resource filing? ☒ Yes ☐ No

The formal acknowledgement process includes a public meeting with hearings, but no litigation.

22. Does the agency hold public hearings on draft/final utility plans? ☒Yes ☐No
If not, describe what does happen.
If yes, what is the duration of the public hearing process?

The full process takes 2 years, although some companies update their plan routinely. The public has opportunities to participate at every stage -- from the plans' formation to its acknowledgement by the Commission.

23. Other ways the public participates and comments on plans are:
(Prompts if needed: email or mailing lists, interactive web sites)

Written comments through mailing or emailing.

24. What action can the Commission take on the plan(s)?
Review it ☐
Accept it ☐
Approve it ☐
Reject it ☐
Acknowledge it ☒
Require utility to modify and resubmit it ☒
Other

25. Have resource acquisition decisions changed as a result of the planning process?
☒Yes ☐No ☐Not Sure

Yes, although not in a litigated sense, because public comments are incorporated into the process along the way. Resource acquisitions occur through a bidding process, which is essentially the real-world application of the planning process. There are specific rules regarding the bidding process, which must be done in a way that doesn't discriminate among resources (i.e., renewables, conservation, etc. are considered equal to supply-side resources.) The bidding process begins just 90 days after the LCP is filed, so there is generally little change during that time period. Sometimes the results of the RFPs vary in cost from expectations, and achieving the least cost solution might mean changing a previous decision.

[If "Yes", get recent example (docket number, etc.)]

26. Are competitive processes used to acquire new resources? ☒Yes ☐No

27. If yes, do you require regulatory review and approval of the competitive solicitations used?

    Yes. The utility must file a draft RFP within 90 days of filing its final LCP, and RFPs must be drafted in such a way that resources are treated equally (see above). WAC 480-107 describes rules and procedures for competitive resource acquisition.

28. Do utilities file an energy efficiency or DSM plan? ☒Yes ☐No
    If so, is it separate or integrated with other plans?

    Integrated. There are separate plans as well, but both processes are connected.

29. Is competitive bidding used to acquire EE resources? ☒Yes ☐No

30. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? ☒ Yes ☐No

31. Citation and description:

    There is virtually always an open docket on LCPs during the 2-year cycle. When the company files its draft plan, a staff-only docket is opened, and when it files its final plan, a public docket is opened.

32. Are utility plans available on-line? ☒Yes ☐No If so, what is the address?

    http://www.wutc.wa.gov/webimage.nsf/0/98202141f93fb48288256d1e00699051?OpenDocument

    Is on-line publication voluntary or mandatory? voluntary

33. Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:

    Electric LCP WAC 480-100-238

Gas LCP WAC 480-90-238
Power Purchase Procedures (IPP, Conservation/Efficiency suppliers) WAC 480-107
all documents are linked at
http://www.wutc.wa.gov/rms2.nsf/208e3d50fad2b39d88256a77006f9105/e09120213
6c29a8b88256feb0061419c!OpenDocument

34. Do you anticipate any changes to this process in the near future? ☒Yes ☐No
If yes, please describe.

The rules are being revised, not in any substantive way, but process-wise, there might be changes. For example, consideration of risk isn't explicit in the existing rule, but it might be in the upcoming rule. The process might change into an Integrated Resource Plan.

35. Have there been any recent settlements or orders in rate cases or other dockets that may affect resource procurement or investment incentives? ☒Yes ☐No

In 1994, there was a case where a company made an imprudent decision concerning an expensive investment. The company is still paying the price for this decision.

36. Does your state do performance–based regulation? ☐ Yes ☒ No
If so, please describe briefly.

35. If your state uses PBR, is successful compliance with an approved resource plan one of the areas subject to incentives or penalties? ☐ Yes ☐ No

36. Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables? ☐ Yes ☒ No (Examples: lost revenue recovery, shared savings, bonus rate of return) If so, please describe briefly.

The utilities are encouraged to do EE, but there are no specific incentives; efficiency is being used on its own merits. Lost revenue recovery is not done. A rate of return mechanism was tried but discontinued. There is a current rulemaking investigating recovery mechanisms for DSM and doing research on decoupling revenues from sales, but no decisions have been made. Utilities are allowed to recover their DSM costs through a tariff rider that funds energy efficiency programs.

37. Do any tariffs include a fuel/purchased power clause? ☒ Yes ☐ No
If so, how does it work?

There is a power adjustment clause for 2 utilities (going on a third). The clause establishes a baseline fuel cost, and deviations from that baseline are scrutinized, with costsharing by shareholders and ratepayers in varying percentages, depending on the amount of deviation from the baseline. The exact details are unique to each utility. Amounts are adjusted annually.

38. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)? ☐ Yes ☒ No

Can EE or DSM savings be credited toward a utility's renewable mandate?
If so, please describe, including how the mandate relates to power vs. RECs.

State Energy Plan

39. Is there a State Energy Plan? ☒Yes ☐No
40. Is it connected to the planning described above? ☐Yes ☒No
41. If yes, who is responsible for the Plan?

The Department of Community Trade and Economic Development (CTED) is responsible for the plan.

42. What is included in the Plan, apropos of long-range electrical planning?

The plan provides general advice about resource choices, but is not mandatory.