

Concise Explanatory Statement - Energy Independence Act (I-937)

Agency Response to Stakeholder Comments on Proposed Rules

November 30, 2016

Reason for Rule Adoption

Rules were amended and adopted to reflect the effect of a new regional power plan adopted by the Northwest Power and Conservation Council.

Difference between the Proposed and Adopted Rule

There are no changes between the proposed rule and the adopted rule.

Comments Received Regarding the Proposed Rule – Summary and Response

Rule or Topic	Comment	Agency Response
Use of utility-specific inputs 070(3)	The requirement to use inputs reflecting utility characteristics and regional characteristics should be changed from “and” to “or.”	The final rule does not incorporate this recommendation. The rule language does not prevent a utility from using inputs reflecting the specific characteristics of the utility and its customers when it reasonably concludes that those characteristics vary from the general characteristics of the Pacific Northwest power system.
Meaning of total resource cost 070(5)(d)(i)	A utility may choose to evaluate only those benefits and costs that occur within its service territory.	The comment does not propose any change to the rule language, so no response is required. However, Commerce does not agree with the offered interpretation of the total resource cost approach.
Avoided cost of carbon emissions 070(5)(d)(viii)	The proposed rule improperly limits a utility’s calculation of the costs of carbon emissions and does not comply with state law allowing utilities to use utility-specific input assumptions. The rule should either omit the term “social” or change the draft language to state, “Include a range of costs for carbon emissions.”	The final rule does not incorporate this recommendation. The requirements of the final rule are consistent with the methodology used by the Council in the 7th Power Plan. The rule does not specify a particular input value for the social cost of carbon and does not require that a utility use a single input value.
	Support the proposed language, which is consistent with the total resource cost approach used by the	The proposed language is retained in the final rule.

Rule or Topic	Comment	Agency Response
	Power Council.	
Discount rate 070(5)(d)(xiii)	Retain existing rule language requiring that utilities use a discount rate based on a weighted, after-tax, cost of capital for utilities and their customers.	The final rule does not incorporate this recommendation. The requirements of the final rule are consistent with the methodology used by the Council in the 7th Power Plan. The Power Council's approach considers a number of perspectives in valuing future costs and benefits, and the proposed rule language is consistent with this approach.
Risk mitigation credit 070(5)(d)(ix)	The rule language can be interpreted to allow utilities the latitude to include negative values for the risk mitigation credit when appropriate.	The comment does not propose any change to the rule language, so no response is required. Based on stakeholder discussions during the rulemaking process, it appears that the suggested interpretation is not consistent with the methodology used by the Council in the 7 th Power Plan.
	Support the proposed language, which is consistent with the methodology in Appendix G of the 7th Power Plan.	The proposed language is retained in the final rule.
Valuation of combined heat and power and thermal storage [no section reference]	The NWPCC 7 th Plan doesn't adequately recognize the value of Combined Heat and Power (CHP) with Hot Water District Energy and Thermal Storage as a viable strategy to provide valuable "Capacity" to the system. This value must be recognized in the revision of the EIA rules to create a clear pathway for CHP to contribute and the added value when Thermal Storage is incorporated into the system.	The final rule does not incorporate this recommendation. The rule must follow the methodologies of the 7th Power Plan and thus could not address any asserted inadequacy of the approach used in the 7th Power Plan. The proposed rule does not foreclose the attribution of capacity value to combined heat and power projects with thermal storage properties.
Effective date of rule amendments	The effective date of the rule should be delayed until the end of 2017 in order to avoid disruption to the ongoing utility planning cycle.	The final rule does not incorporate this recommendation. Delaying the effective date of the rule changes would have the effect of requiring that utilities use the 6 th Plan methodologies in preparing conservation potential assessments that must be completed by the end of 2017. Additionally, the comment does not identify any actual inconsistency between the proposed

Rule or Topic	Comment	Agency Response
		rule and any conservation analysis currently under way.