MEMORANDUM: PSE EQUITY FRAMEWORK ASSESSMENT

APPENDIX J
By Illume Advising

PSE PUGET SOUND ENERGY

ILLUME

Memorandum: PSE Equity Framework Assessment

PREPARED FOR: Puget Sound Energy

PREPARED BY: ILLUME

DATE: April 28, 2023

Puget Sound Energy (PSE) contracted with ILLUME Advising, LLC ("ILLUME," "we") to provide consulting services related to PSE's Clean Energy Implementation Plan (CEIP) and Equity Assessment Framework.

Overview of Tasks

ILLUME conducted three overarching tasks, described briefly below:

Rapid Discovery: The ILLUME team gathered and studied materials, attended public meetings, and interviewed PSE staff to understand the equity policies and drivers, the regulatory considerations, and the perspectives of interested parties on equity considerations.

Equity Assessment Framework Review: Incorporating the knowledge from the Rapid Discovery and our experience in other jurisdictions, ILLUME reviewed PSE's Equity Assessment Framework and highlighted opportunities for additional alignment of the Framework with the Clean Energy Transformation Act (CETA), Washington Utilities and Transportation Commission (WUTC), and PSE equity objectives.

Scoping: Based on the opportunities identified in the Equity Assessment Framework Review, ILLUME also provided a brief overview of possible next steps with a high-level description of the task, timeline, and level of effort.

The remainder of this memo summarizes our takeaways from the Equity Assessment Framework Review and suggestions on modifying the Framework.

The Equity Assessment Framework: Overarching Considerations

PSE developed its first CEIP to comply with the initial requirements of CETA. PSE documented its 'envisioned' Equity Assessment Framework in Chapter 3 of the CEIP (Figure 1 below).[1] The Equity Advisory Group (EAG), a community stakeholder group that advises PSE on equitable delivery of benefits and burden reduction related to the clean electric energy transformation, provided instrumental initial input to shape the development of the Equity Assessment Framework. The CEIP is structured around this equity framework and addresses important considerations, such as 1) barriers and burdens customers may face to equitable energy services, 2) specific actions PSE could take to address those barriers and burdens, and 3) a process to identify communities of interest (i.e., Named Communities).

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[1] https://irp.cdn-website.com/dc0dca78/files/uploaded/2022_0201_Chapter3.pdf (page 49)

Figure 1. PSE's Equity Assessment Framework
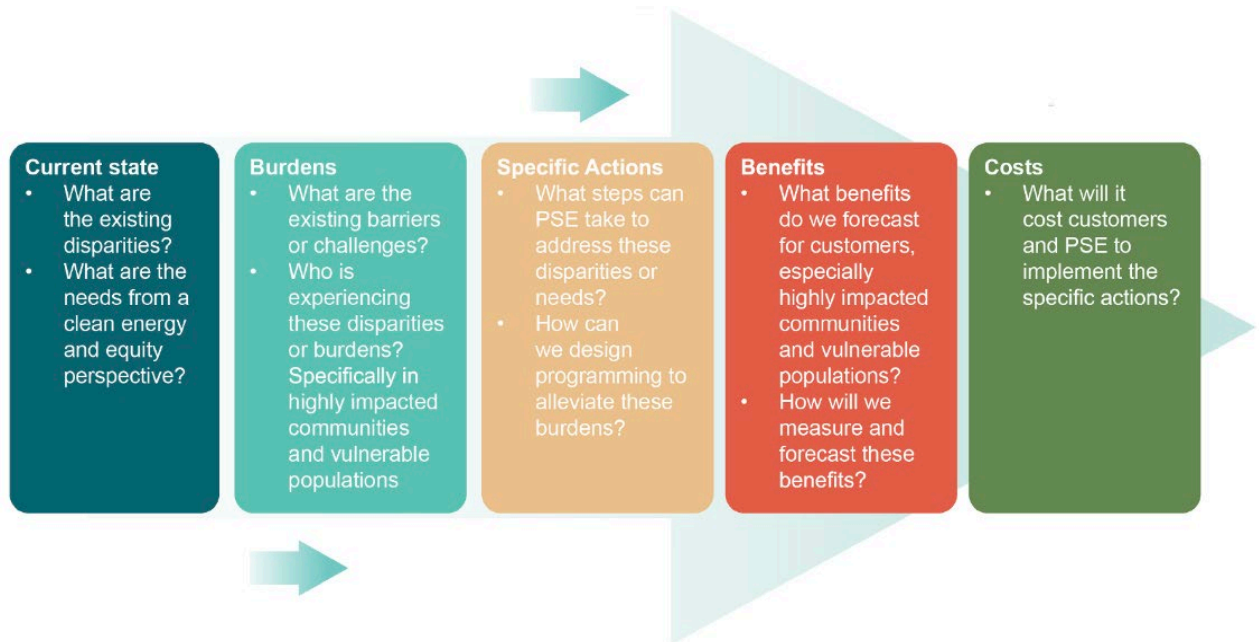
While this first CEIP appears to meet the narrowly defined CETA requirements as written in the legislation, the ILLUME team has identified several opportunities for PSE to build upon the CEIP to focus the CEIP's guidance on the elements within PSE's sphere of influence, skill competencies, and control. [2]

We also note that while PSE's current approach appears to be compliant with CETA's stated requirements, it may not align with later rulings from the WUTC or Inflation Reduction Act (IRA)/Justice40. This is because more recent Commission guidance and recent testimony from Washington Utilities and Transportation Commission (WUTC) staff recognize a more expansive and integrated view of equity than what was originally articulated in CETA. The Commission's guidance suggests that a distributional equity lens should be considered across functions (e.g., rates, capital planning) not specified in CETA.

Suggested Next Steps

We suggest that PSE modify the Energy Assessment Framework as we illustrate in Figure 2. This modification reflects three important updates: defining PSE's equity vision, defining populations, and defining customer benefits (goals and outcomes).

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[2] Caveat: ILLUME did not conduct a deep legal review to confirm that the CEIP meets CETA's requirements.

Figure 2. Suggested Modifications to the Equity Assessment Framework
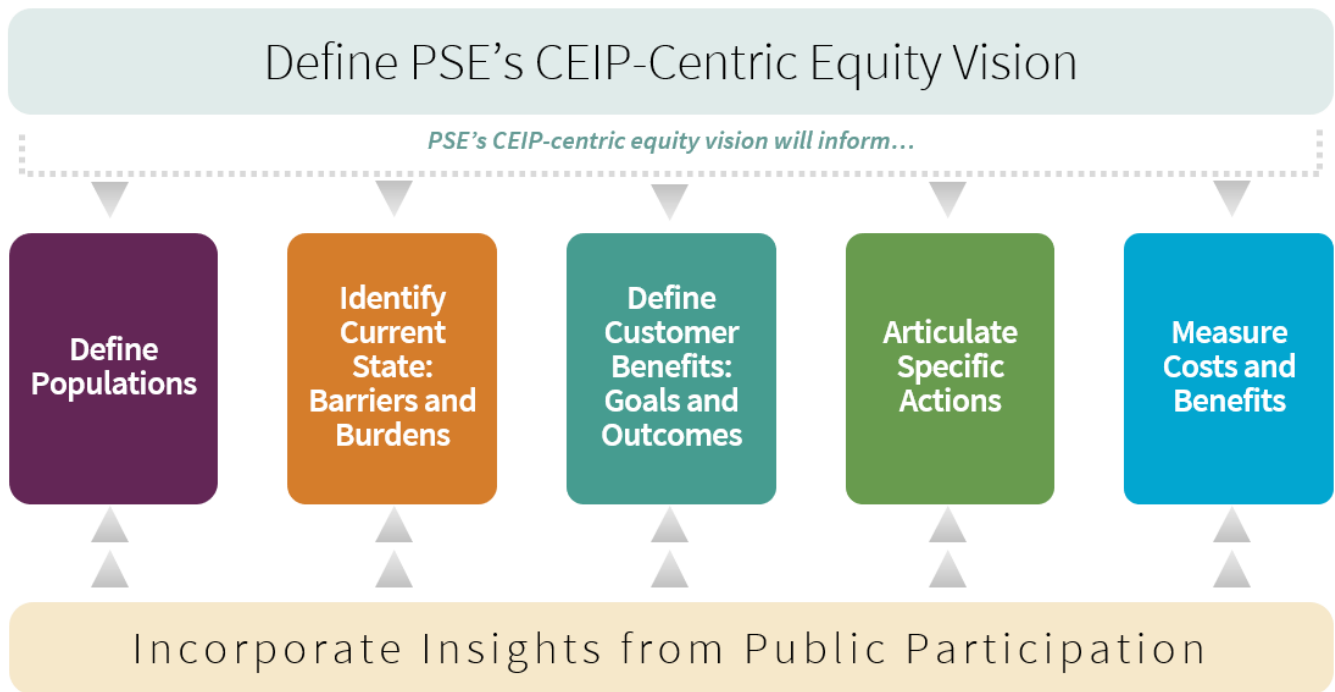
As Figure 2 illustrates, we recommend incorporating insights from public participation into every step of the framework. Our suggestions complement and/or align with the strategies outlined in PSE's 2021 Public Participation Plan.[3] As we outline in each "Public Participation" sub-section of this memo, the level of public participation will vary depending on the step of the framework.

We walk through each step of the suggested framework in the following sections and include some background on each, why it matters, and suggested next steps to build out each piece of the framework.

# 1. Define PSE's Equity Vision

Background

While the CETA legislation has a narrow focus on equity in energy sourcing, the ruling on Avista's General Rate Case and testimony surrounding PSE's multiyear rate plan suggest that interest in equity considerations is expanding to cover many facets of utility operations among Washington's regulators and community advocates. As PSE begins to apply an equity lens to policies and

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[3] https://irp.cdn-website.com/dc0dca78/files/uploaded/1217_Appendix%20C1_Public%20Participation%20Plan.pdf

operations, having a unified vision of what equity means to PSE as an organization will help make those efforts aligned and mutually supportive.

Figure 3 maps out PSE's planning and implementation processes and provides high-level equity considerations for each process. The processes intersect with each other, but each may have unique equity considerations and opportunities. Without an overarching equity vision, these processes may not be functioning in concert with each other to achieve consistent and effective equity goals.

Figure 3. PSE Planning and Implementation Processes
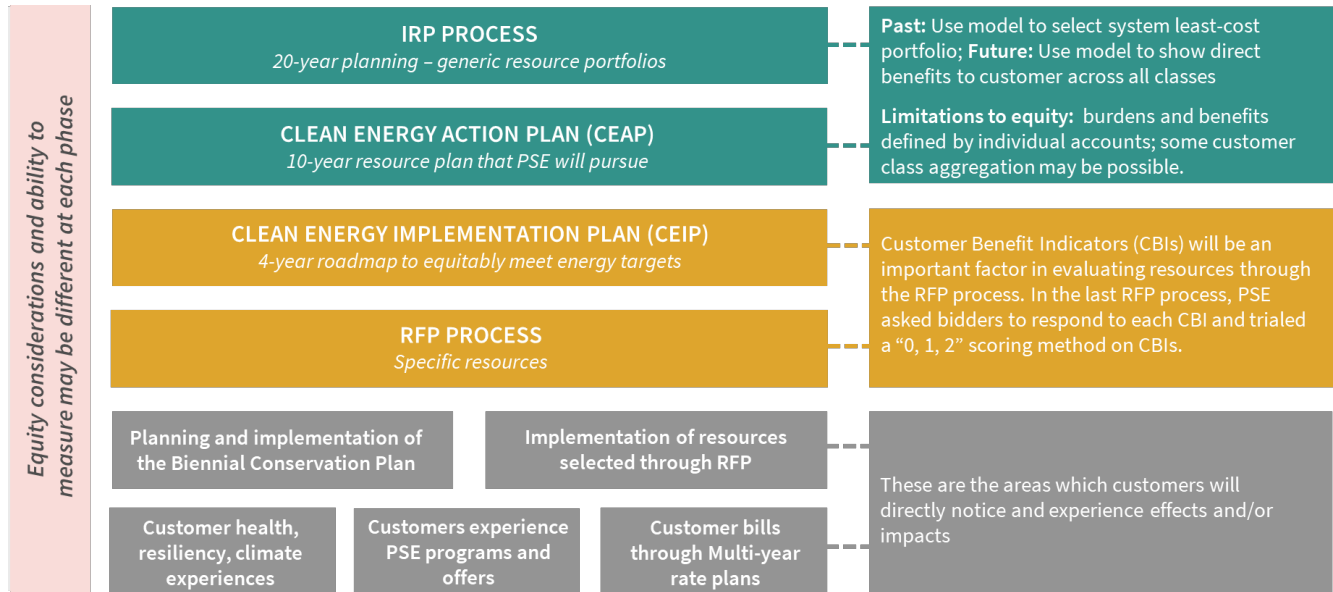
Why it Matters

Establishing a vision for equity will provide PSE with guardrails to prioritize and organize key activities. This is an important element both internally (i.e., for PSEs internal leadership decisions and operations) and externally (i.e., in demonstrating effective delivery of "equity" to interested parties). A unified vision will also center PSE's equity considerations within its business mission to help it deliver well on its customers' energy needs and ensure a focus on issues PSE is equipped to address. A common vision will help PSE tie equity considerations in each area back to the vision and provide a way to communicate to interested parties about equity efforts.

Suggested Next Steps

Step 1: Commit to defining PSE's vision for equity *as it relates to the CEIP*. To delineate PSE's commitment to equity more clearly and document how it will align with the requirements of the CEIP, PSE may consider revising the Equity Framework to clearly define PSE's vision for equity, and how customers now experiencing the greatest disparities in costs, service, and systems burdens, will be moved closer to optimal experiences.

It is important to distinguish PSE's organizational equity vision from its CEIP-centric equity vision. Creating an organizational equity vision will require committed leadership and sustained effort. Though PSE cannot "stop the train" while it works to comply with CETA and deliver the CEIP, PSE can focus on developing an equity vision specific to the CEIP process. It would then use this equity vision to inform those working at the organization-wide level to ensure alignment and mitigate the risk of developing conflicting visions.

Step 2: Define the parameters of PSE's CEIP-centric equity vision. While there are many dimensions of equity, two of the most salient are procedural equity and distributive equity. PSE should align around how it will demonstrate these approaches within its vision. Table 1 defines these equity dimensions.

Table 1. Distributive and Procedural Equity

Distributive Equity (*who gets what*)	Procedural Equity (*how it's done*)
Assess and ensure a fair distribution of burdens and benefits across populations	Inclusive, fair, and respectful processes, systems, and decision-making
This could include…	This could include…
• Assessing costs, risks, resources, incentives (e.g., rebates, forgivable loans), and disincentives (e.g., fines, fees, taxes).	• Ensuring priority populations take part in planning, decision-making, and implementation processes.
• Access to information and services previously targeted primarily to other customer classes and communities.	• Treating people with respect, creating procedures that accommodate needs for time, communication, and resource incapacity, integrating Environmental Justice (EJ) principles into planning and decisions.
• Assessing the burdens-to-benefits ratio across customer classes.	• Investing in community capacity-building.
• Measuring the distance from optimal service for all customer classes.	

Aligning on which dimension(s) of equity PSE will pursue will provide the scaffolding needed for PSE to develop clear, measurable, and attainable equity goals. PSE already has a strong foundation in this area; in partnership with the EAG, PSE developed the following preliminary principles to help guide CEIP implementation and ensure accountability and equity:

1. Build customer awareness and understanding of clean energy
2. Intentionally engage vulnerable and highly impacted populations in program design
3. Create affordable and accessible programs for vulnerable and highly impacted populations
4. Effectively measure program and communication reach to vulnerable and highly impacted populations
5. Make outreach and education culturally relevant, meaningful and intentional
6. Build education and resources among partners and customers to increase equity in clean energy and benefits

This can serve as the foundation of PSE's equity-centric vision.

Step 3: Define PSE's CEIP-centric equity vision. PSE needs to understand the *change* that it seeks to accomplish through the CEIP as it relates to equity. We suggest that the PSE team work internally to define this vision through an internal workshopping process.

Note: A logic modeling process could help PSE articulate its CEIP-centric equity vision and the Specific Actions that will help to achieve that vision. We also suggest the use of logic models for the CEIP's Specific Actions (and the customer benefit indicators (CBIs) that flow into them), as this will help to track actions more effectively within the context of PSE's equity vision. We will discuss logic models later in this memo.

Public Participation

Given timing constraints, PSE may want to work internally to develop its CEIP-centric equity vision, then share it with the Equity Advisory Group (EAG) to receive and incorporate their feedback and generate buy-in.

2. Define Populations

Background

PSE has already conducted considerable analysis to identify vulnerable populations and highly impacted communities (collectively, Named Communities) and used a geographic-based definition. However, these steps are not highlighted in the current equity assessment (see Figure 1). Instead, the significant analysis PSE conducted to identify Named Communities is only briefly referenced within the current "Burdens" section of the Framework through the prompt: *Who is experiencing these disparities or burdens? Specifically, from highly impacted communities or vulnerable populations.*

Interested parties provided feedback about the approach to define Named Communities, noting that some customers who might face burdens and disparities may not be included. PSE used quintile scoring to identify Vulnerable Populations.[4] In looking at burdens, PSE developed "disparity scores" to put different measurements on the same scale. While this standardized assessments for PSE's consideration, this approach has drawn criticism from groups interested parties because it can obscure important differences and may give equal weight to factors that should not have equal weight.

Why it Matters

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[4] As defined on page 55 of the 2021 CEIP, PSE's quintile scoring approach is a five-point "scale of vulnerability across PSE's electric service area. Census block groups within this geography identified with a four or five represent the highest frequency of the metric, while those with a one or a two represent lower frequencies of the metric."

How PSE identifies Named Communities impacts which communities and populations may benefit from the CEIP. Defining Named Communities merits ongoing attention to refine the geographic-based definitions, and to consider non-geographic designations. Using a solely geographic designation for Named Communities hinders tracking vulnerable populations within geographic units. While a geographic designation is a useful method to identify priority communities, there may be households outside those communities that experience disproportionate impacts related to climate change and/or energy service delivery.

Suggested Next Steps

Step 1: Add "Define Populations" as a standalone step in the new framework. As we illustrate in Figure 2, we suggest making "Define Populations" the first step in the framework, followed by an in-depth analysis of the current state of burdens and disparities (combining the Current State and Burdens boxes in the current framework).

Step 2: Develop a plan to iterate on the Named Communities definitions. "Communities" are constantly changing. To ensure definitions are correctly applied to geographic and demographic populations, they need to be periodically reviewed and refreshed to ensure the right allocation of resources. Approaches to adjusting current definitions could include comparing designations based on different criteria to identify possible gaps. For example, PSE could:

a) Compare Named Communities with the Department of Energy (DOE) Justice40 Disadvantaged Communities. DOE used data for thirty-six (36) indicators collected at the census tract level to identify Disadvantaged Communities.[5]

b) Define service reliability thresholds (e.g., ideal, acceptable, and below average) and map out service reliability in the PSE territory. Then, identify communities with "below average" service levels and overlay that with the Named Communities.

c) Select a subset of metrics initially used to identify Named Communities and set thresholds for each metric to determine whether a geographic unit should receive a Named Communities designation.

PSE may want to build a two-way strategy to identify vulnerable customers – first, leveraging the geographic boundaries established through Named Communities, and second, applying household criteria, when possible, to ensure customers do not get overlooked.

We also acknowledge that PSE is required to follow the Commission's Order around Named Community Definitions, should this be articulated in its order.

Public Participation

Defining Named Communities is a process that intrinsically requires public input – particularly from interested parties who live in vulnerable communities. This emphasis on community engagement mirrors the approach other jurisdictions have taken in identifying communities that would benefit

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[5] Designations and census tract-level data used are available online: https://www.energy.gov/diversity/justice40-initiative

from targeted investments and services. New York, for example, created the New York Climate Justice Working Group (CJWG), which includes environmental justice representatives from across the state. The CJWG was integral in developing the State's disadvantaged communities (DAC) definition and continues to advise how to incorporate DACs' needs into the State's climate plans. Similarly, California incorporated a rigorous stakeholder input process to define and identify disadvantaged communities.

However, we note that these definitions were developed for statewide purposes beyond that of utilities. PSE might want to consider a definition more focused on what PSE *can* deliver as part of its obligation to provide safe, affordable, clean, and reliable energy. The importance—and magnitude—of this kind of stakeholder engagement effort should not be understated. PSE may want to emulate how New York engaged the CJWG as it builds a stakeholder engagement strategy.

3. Identify the Current State: Barriers & Burdens

Background

While "Current State" and "Burdens" are presented as separate items in the current framework, existing disparities and burdens are highly interconnected and closely tied to how highly impacted communities and vulnerable populations are defined. To illustrate:

The "Current State" step of the existing framework (Figure 1) asks these questions:

- What are the existing disparities?
- What are the needs from a clean energy and equity perspective?

The "Burdens" step of the existing framework (Figure 1) asks these questions:

- What are the existing barriers or challenges?
- Who is experiencing these disparities or burdens?

As these prompts illustrate, the current reality (i.e., the "Current State") of the burdens (i.e., "Burdens") customers face is intrinsically connected to one another.

Why it Matters

As mentioned, PSE has completed considerable analysis of disparities by geographic units. The 2019 Low-Income Needs Assessment identified and characterized areas underserved by energy assistance and weatherization programs. Chapter 3 and Appendix K of the CEIP provide a detailed analysis of customer benefit indicators and compare disparity rankings of highly impacted communities and vulnerable populations to either PSE territory-wide or Washington. Through stakeholder and advocate testimony and comments, PSE has received substantial feedback on the approach to identifying Named Communities and measuring the current state of barriers and burdens. Through transparent reporting with currently available data, PSE can clearly show the current state and establish a baseline against which future progress can be measured.

Suggested Next Steps

Step 1: Combine "Current State" and "Burdens" from the current framework into a single step in the framework: "Identify the Current State: Barriers and Burdens." Combining these steps in the framework will make it more straightforward for PSE to assess and create a baseline of the current reality customers in vulnerable communities may be facing.

Step 2: Report metrics on current burdens (or baselines). Using the data PSE already collects through Named Community definitions and CBIs, PSE can report on the *current* burdens that customers face. This will serve as a baseline against which future progress can be measured.

Step 3: Conduct research with vulnerable populations within Named Communities to understand barriers to participation in PSE programs.[6] This research is key to assessing the many market factors that PSE seeks to address through its Specific Actions in the CEIP. By interviewing customers and interested parties in Named Communities, PSE will better understand the barriers they face in accessing services and commodities related to clean energy, energy efficiency, resilience, education, and workforce development.

Public Participation

Deep stakeholder engagement is critical for PSE to address the needs of marginalized communities and public participation should be integrated into Step 3 of this section of the framework. PSE could engage both community advocates (e.g., community-based organizations, environmental justice groups) and PSE customers (residential and commercial).

We suggest PSE work with an objective third party entity to engage with interested parties. Interview subjects' responses may be inadvertently influenced by speaking directly to PSE staff for two primary reasons. First, they may use the interview to pursue relationship-building at the expense of a more forthright response or use the interview to talk about a different PSE interest beyond the interview scope. Second, if the PSE interviewer already has a relationship with the interview subject, that may also influence the subject's response.

4. Define Customer Benefits: Goals and Targets

Background

PSE's current equity framework (see Figure 1) moves from identifying customer burdens to developing specific actions to address those needs. This current framework omits a critical step – developing goals and targets to mitigate those burdens *and* benefit customers. These targets should seek to provide customers with both relief from burdens and beneficial outcomes (i.e., residential solar, weatherization). When developing goals and targets for vulnerable communities, PSE should not limit itself to thinking solely of how it can provide relief from burdens, but also how it can actively provide benefits to customers.

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[6] Our team has done similar Barriers and Opportunities studies for NYSERDA and ComEd.

PSE needs to measure its progress against goals that consider the expectations of external interested parties, its internal policies and processes, and its business interests. In general, these measurements should be quantifiable and explore whether inputs (e.g., investments and spending) or outcomes (e.g., bill savings, reliability, job training, or air quality improvements) are providing communities and customers with what they need within the context of PSE's mission and resources. Once measurements have been defined, PSE can track progress and share results with interested parties.

Why it Matters

As PSE builds its equity vision across its business areas upon its CEIP compliance-driven objectives, having a clear set of goals and outcomes will help the utility prioritize its investments and initiatives, as well as manage stakeholder expectations and discretionary resource planning. Specific, measurable actions provide PSE with a critical pathway to understand its progress toward meeting equity goals.

As we discuss in the section *Define PSE's Equity Vision* there are likely two streams of equity goals PSE could pursue: internally identified business-driven, discretionary goals (i.e., the "organizational equity vision"), and equity goals as an externally driven compliance obligation under CETA and the CEIP. Moreover, this process facilitates transparency with the public around how PSE is balancing the directives of CETA and the CEIP, as well as its own equity goals – and how it is measuring progress toward those priorities.

Suggested Next Steps

Grounded in the principles outlined in University of Michigan's Energy Equity Framework, we propose the following next steps.[7]

Step 1: Define customer benefit *goals* and tie customer benefit *indicators* (CBIs) to each goal. All customer benefit indicators should align with a clearly defined goal that answers: *how will this [Specific Action] benefit PSE customers?* PSE may want to use the stakeholder input (page 43-44 in Chapter 3 of the CEIP) as a foundation for these goals, which we summarize in Figure 4 below.

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[7] Energy Equity Project, 2022. "Energy Equity Framework: Combining data and qualitative approaches to ensure equity in the energy transition." University of Michigan – School for Environment and Sustainability (SEAS).

Figure 4. Themes of Stakeholder Input on CBI Priorities, CEIP[8]

Environment	Reduce greenhouse gas emissions and the effects of climate change
Public Health	Increase air quality and improve community wellness
Affordability	Decrease the amount of income spent on electricity and empower low-income populations to participate in clean electricity programs
Economic	Increase the number of local clean energy jobs and make them accessible to vulnerable populations
Accessibility	Empower customers to participate in clean electricity programs regardless of income level or homeownership status
Resiliency	Ensure a resilient clean electricity system
Comfort and Satisfaction	Build a clean electricity system that customers know they can depend on and reflects their environmental stewardship

In creating goals and CBIs, we suggest PSE consider whether it will create new programs and systems (active) or modify existing programs and systems (passive). For example, as it is currently worded in the CEIP, the *Accessibility* theme in Figure 4 is passive – it infers that PSE wants to empower customers to participate in existing programs. If PSE wanted to prioritize an active approach, it might reword the *Accessibility* theme to: "Create accessible programs that address the energy needs of customers and communities in its service territory; do so by directly involving customers to understand their needs, then use these insights to inform program design."

Step 2: For each CBI, develop consistent, specific targets to measure PSE's progress toward achieving those goals. To deliver on CETA's equity directives, PSE needs to create a set of metrics by which it will measure progress. While Appendix L of the CEIP maps out a scoring process, stakeholder feedback (e.g., WUTC, Front and Centered) noted that CBIs do not have consistent measurable indicators or targets. Without this, PSE will not be able to demonstrate incremental progress nor demonstrate equitable distribution of benefits and reduction of burdens to Named Communities across the CBIs.

PSE will need to follow the Commission's Order as it relates to equity. In absence of specific guidance through the Order, as a starting point, we suggest PSE consider a blend of distributive and procedural targets, outlined in Table 1, and develop measurements to accompany each target.

Table 12. Distributive and Procedural Targets

Target	Distributive	Procedural
Details	Goals that can be tracked or counted	Goals related to processes, policies, or actions
Measurement	Quantitative answers	"Yes/No" answers

Measurement Examples	• Percentage of income spent on utility bill • Percentage of EV charging stations in Named Communities • Number of heat pumps installed in Named Communities	• Time and expertise to influence decisions • Establish a working group of community interested parties in Named Communities • Establish a targeted outreach strategy for LIHEAP or customers

Targets should incorporate rigorous stakeholder input and:

1. Reflect the needs of Named Communities: Ensure those needs are *articulated* by Named Communities.

2. Be measured using existing data: Leverage data PSE already collects, and/or has access to.

3. Reflect the larger goal: Tie directly to the customer benefit goal(s) PSE is trying to achieve.

4. Are simple and achievable: More is not necessarily better. Having 3-4 indicators that PSE can accurately measure and track is more effective than having 10 actions that PSE may not be able to deliver on.

As PSE develops targets, it might ask itself the following prompts:

1. Will the goals result in measurable progress?
2. Will customers in Named Communities be affected positively if there are measurable distribution of benefits to those communities? How do we expect advocates to respond to results?
3. Will how the benefits are measured, scored, weighted affect progress toward equity goals?

Step 3: Pulling from the data collected in Step 2 of *Identify the Current State: Barriers & Burdens*, create a baseline for each target. All targets should be measurable and specific. The process of creating a baseline benefits PSE in two ways. It allows PSE to test the measurement of each target and ensures PSE has a clear starting point from which it can establish targets. This is a crucial step; PSE cannot create a plan from which to go forward without understanding where it's starting from.

Step 4: Clearly delineate expected customer benefits to Named Communities versus dispersed benefits for all customers. Given that equity is a cornerstone of CETA, benefits will not be *equal* – rather, they will benefit those who have been historically or currently impacted by climate change and/or inequitable service. For example, PSE might grade CBIs by:

1. Customer impact: to *all customers* or *Named Communities*

2. Customer impact: *Direct* or *indirect impact* to Named Communities

3. Level of impact: *Low, moderate, or high* (in place of the current 0, 1, 2 scale in the CEIP)

Step 5: Track and share progress toward targets. We suggest PSE create clear, simple, and accessible ways to share progress with interested parties. This focus on transparency achieves two goals:

1. It helps PSE hold itself accountable against its targets.

2. It serves to engender trust within the communities PSE serves. PSE could include progress-sharing in its annual reporting.

Public Participation

We suggest that PSE conduct outreach with interested parties (the EAG, community organizations that serve and represent customers, and individual customers) to understand which CBIs are most meaningful to them and their communities. For example, New York State worked closely with the Climate Justice Working Group (CJWG) to understand what benefit indicators would be most meaningful to interested parties. They used this information to define the benefit indicators it would use to measure progress toward the vision of the Climate Leadership and Protection Act.

In 2021, PSE did conduct stakeholder interviews with residential and business customers.[9] While these surveys provide a solid foundation of stakeholder input, the results represent all customers and not just those in Named Communities. The concerns and priorities of customers in Named Communities might differ significantly from those of all customers.

5. Articulate Specific Actions

Background

In the CEIP, PSE outlines a set of Specific Actions to meet the CETA standards that 1) all retail sales of electricity to Washington electric customers are greenhouse gas neutral by 2030, and 2) that non-emitting electric generation and electricity from renewable resources supply 100% of all retail sales of electricity by 2045.[10] Specific Actions are organized by categories, or *resources* (e.g., energy efficiency, utility-scale resources (All Source RFP), DR programs, etc.), in the CEIP.

Specific Actions have drawn critique from stakeholder testimonies, who in general "requested more details on specific actions."[11] ILLUME understands that, in this first CEIP, PSE had limited information by which it can measure specific actions – and that the All-Source RFP and the Targeted DER RFP processes will be integral to pursue the targets identified in the CEIP. However, in the context of the new framework we suggest, PSE may be able to anchor specific actions more effectively in PSE's overall equity vision – and define targets to achieve the goals outlined in CETA.

Why it Matters

In its October 2021 Online Open House document, PSE pledged to ensure equitable energy for all its customers through "accessibility, affordability, and accountability," but offered no process on how

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[9] https://www.cleanenergyplan.pse.com/ceip-library#communityandstakeholderinput2021

[10] https://irp.cdn-website.com/dc0dca78/files/uploaded/2022_0201_PSE%202021%20Corrected%20Clean%20Energy%20Implementation%20Plan.pdf (Page 105)

[11] https://irp.cdn-website.com/dc0dca78/files/uploaded/1217_Appendix%20C2_Response%20to%20comments%20on%20the%20draft%20CEIP%20%281%29.pdf

these principles will be operationalized. PSE would benefit from having a consistent, standardized process to track the goals, outcomes, outputs, and activities associated with each Specific Action. This process isn't just important for PSE staff to align around how each Specific Action will help achieve the objectives of CETA; it will also provide standardized content for the CEIP. As an added benefit, this standardized content will provide greater transparency and understanding among interested parties. Logic modeling is a key strategy to better standardize the Specific Actions process – and will provide more consistent detail for the CEIP.

Our suggested modifications to the framework may result in PSE rethinking what Specific Actions are most appropriate to prioritize. In other words, the learnings PSE collects from *Defining Populations* (Step 1), *Identifying the Current State: Barriers and Burdens,* (Step 2), and *Defining Customer Benefits: Goals and Outcomes* (Step 3) will inform the Specific Actions PSE should pursue in its CEIP.

Suggested Next Steps

To make Specific Actions more targeted, measurable, and meaningful to interested parties, we suggest that PSE consider a few refinements to the process.

Step 1: In the CEIP, document clear guardrails around the specificity of Specific Actions – and clearly state that PSE will assess a performance baseline for each Specific Action. Several stakeholder testimonies (e.g., WUTC, Front and Centered, NW Energy Coalition) noted that PSE's CEIP lacks specificity around its Specific Actions. Stakeholder comments noted opacity around cost, implementation plans, and benefits (or burdens) to customers. While PSE will explore opportunities to provide more detail in future CEIPs, we also understand that it is limited in its ability to do so. To account for this, we suggest PSE be transparent about limitations and clearly document *why* it may provide limited detail around some Specific Actions. Where possible, PSE could also articulate how (and when) it expects to be able to provide more detail.

We suggest PSE also clearly state that it will assess a performance/program baseline, then assess deviation from that baseline. This baseline assessment should be in the context of PSE's business mission and competencies. The baseline could be leveraged to inform program/project priorities, program/project design, and fit within the IRP and Justice40 frameworks. Without baseline data, no accountable Specific Actions are possible.

Step 2: Work through a logic modeling process for each Specific Action. Logic models are an invaluable resource to design and assess interventions or programs. They help program staff align on the key goals of an intervention, then map out how the intervention will help to achieve those goals. A logic modeling process will help PSE staff 1) align on the goals of a Specific Action as it relates to CETA, and 2) document *how* it will achieve those goals. Logic modeling will also allow PSE to respond to stakeholder feedback seeking more detail and standardization around Specific Actions.

Step 3: Using results from the logic modeling process, standardize the level of detail for each Specific Action in the CEIP and standardize the progression of information in the CEIP. As it stands, each Specific Action has variable levels of detail. We suggest providing PSE staff with specific

parameters (and, perhaps, a more detailed template) around the level of detail that should be included in the CEIP – both around *what* they are trying to achieve and *how* they plan to achieve it.

The narrative nature of the CEIP may also lead to the variable level of detail. To improve this, PSE may want to standardize the progression of information within the CEIP. For example, within each sub-section (e.g., "How These Actions Move Us Closer to Meeting CETA Goals," Customer Benefits") PSE could embed bold prompts. This will make the CEIP more straightforward for PSE staff to fill out, simpler for interested parties to understand, and lead to a more standardized level of detail across the report – which responds to a key critique that was heard across stakeholder testimonies. We recommend aligning sub-section prompts with boxes in the logic model and providing the logic model as a visual reference for each Specific Action.

Step 4: Include explicit narrative in the CEIP about how the Specific Action will alleviate burdens on Named Communities. Specific Actions may benefit *or* burden communities, and we suggest that PSE clearly acknowledge this in the CEIP. Moreover, Named Communities face unique burdens; the experiences of these customers are not uniform across the PSE service territory.

As WUTC noted in its testimony: "The distribution of benefits from a utility action can easily swing from positive to negative depending on details such as location or governance structure."[12] In short: the implementation of Specific Actions may not yield customer benefits – it may perpetuate burdens. PSE may want to explicitly acknowledge this in the CEIP – and highlight how it will alleviate burdens.

Public Participation

Engagement with the EAG and public participation from the first four steps of the framework should give PSE a strong foundation to understand stakeholder priorities. At this stage, it is PSE's responsibility to review stakeholder feedback, act on what is within PSE's sphere of influence, and clearly document its planning and decision-making process.

6. Measure Costs and Benefits

Background

Measuring the equity of energy's accessibility and affordability is only possible with the right data. And the right data are only possible with the right queries. In this case, like most utilities, PSE's current metrics are focused on aggregate system affordability and program accessibility as defined by the participation of accounts that are the least cost to serve. However, addressing equity requires disaggregation, which means for PSE to assess equity (and conversely disparities) it needs to collect data on cost burdens to customer accounts by customer segment.

What these data can reveal are the cost distribution of current services relative to energy usage. This would inform rate design, operational investments, and program needs by customer segment. The result can be resource allocation based on customer segment need coupled with system needs.

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[12] TESTIMONY OF JENNIFER E. SNYDER: Docket UE-210795, Page 25

Measuring costs and benefits is complex. A collaborative effort spearheaded by Berkely Lab, E4TheFuture, and Synapse is tackling how to conduct a distributive equity analysis as a companion to a benefit-cost analysis. PSE introduced the *Portfolio Benefits Analysis* in its 2023 IRP. This analysis approach incorporates equity into the IRP process by measuring the potential equity-related benefits customers may receive within a given portfolio. The IRP process is inherently forward-looking, so the Portfolio Benefits Analysis seeks to identify portfolios that can enable more equitable customer outcomes in the future.

Why it Matters

Continuing to define costs and benefits in terms of system needs will perpetuate current customer service and cost disparities, particularly in Named Communities. Providing the CEIP necessary disaggregate data on service accessibility and affordability will enable program implementation specificity that satisfies the WUTC and other interested parties. Ultimately, the CEIP's data-guided efforts should serve PSE's compliance obligations and risk management strategy in considering equity in its energy policies, planning, and implementation.

Suggested Next Steps

Measuring costs and benefits is a significant undertaking, and one that requires time, planning, and significant internal coordination. As a first step, we suggest PSE align on how it plans to use the costs and benefits measurements (e.g., for internal tracking, to measure compliance with CETA).

From there, PSE might explore the creation of a CBI benefits framework.[13] Through this process, PSE would:

- Identify potential benefits metrics to measure and assess the feasibility to track those metrics (i.e., data availability, ability to geographically localize data)
- Identify potential approaches to track benefits metrics
- Develop allocation and localization approaches to quantify the benefits of PSE's CEIP-relevant investments
- Develop a framework to allocate benefits of CEIP-relevant investments ("Benefits Framework")

While the process of developing a benefits framework is complex, the effort will set PSE up for success to measure benefits over time – and use this data to inform the priorities of future CEIPs.

Public Participation

While most of this effort would happen internally, PSE would benefit from understanding what benefits and/or metrics are most meaningful to the communities they serve. PSE could engage with the EAG to better understand stakeholder priorities.

Closing Thoughts

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[13] Our team has done a similar Benefits Framework study for NYSERDA.

The CEIP presents PSE with an opportunity to develop procedures to deliver on energy equity. To set PSE up for success to deliver equitable energy services, it should develop and work toward clear, measurable, and achievable targets to advance a clean energy transition centered in equity.

APPENDIX A

The resources that we incorporated into our immersion process included:

- The Clean Energy Transformation Act (CETA)
- PSE's Clean Energy Implementation Plan (CEIP)
- PSE's Low-Income Needs Assessment
- Stakeholder and WUTC staff testimony and comments on the CEIP and PSE's Multiyear Rate Plan (MYRP) filing
- Comments and rulings on Avista's CEIP
- Justice40 and Inflation Reduction Act websites
- Equity materials from other states
- Materials distributed for the Equity Advisory Group meetings
- Meetings with the core CEIP team at PSE
- Interviews with 6 additional PSE team members working in the areas of regulatory, customer data, energy efficiency, new product design, and community engagement
- Attended two Equity Advisory Group public meetings
- Attended two public meetings hosted by PSE on portfolio planning and customer benefits