



January 11, 2024

Kathy Hunter
Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

RE: Comments on Behalf of the NW Energy Coalition on Puget Sound Energy’s 2023 Biennial CEIP Update (Docket UE-210795)

Dear Ms. Hunter,

We appreciate the opportunity to comment on Puget Sound Energy’s 2023 Clean Energy Implementation Plan (“CEIP”) Biennial Update filed pursuant to WAC 480-100-640.

The NW Energy Coalition (“NWEC”) is an alliance of over 100 environmental, civic, and human service organizations, progressive utilities, and clean energy businesses. Our mission is to advance clean, equitable, and affordable energy policies in Washington, Oregon, Idaho, and Montana. We envision the Northwest comprised of communities that benefit from a carbon-free energy system that equitably meets the needs of people and preserves the region’s natural resources.

NWEC staff has been heavily involved in PSE’s planning processes for many years, and intervened in PSE’s 2021 CEIP docket, resulting in Order 08 approving PSE’s CEIP subject to conditions. Our comments on the update focus on two primary issues: PSE’s changes to its interim and specific targets, and PSE’s implementation of Conditions 9, 10, and 20.

Interim and Specific Targets

Table 1.1: Clean energy goals and interim target

Document	2022	2023	2024	2025	Interim target (average)
2021 CEIP	43%	53%	59%	63%	54.5%
2023 Biennial Update	45.4% (actual)	53% (actual + projected)	60% (projected)	60% (projected)	54.5% (projected)

As shown in Table 1.1 above¹, PSE proposes to adjust the 2025 annual goal from 63 percent to 60 percent. Furthermore, PSE proposes that the interim target for the four-year compliance period be the average of the annual targets. While we accept PSE’s averaging of the 2030 interim target for the purpose of this update, we reserve the right to challenge this treatment in the next CEIP if PSE’s interim target does not meet the standard in RCW 19.405.040(1).

Given that the Commission has yet to adopt final rules interpreting the standard in UE-210183, we are not prepared to comment on whether PSE’s treatment is consistent with RCW 19.405.040(1) at this time.

We also caution the Commission against the characterization of the interim targets as “goals.” RCW 19.405.060 tasks utilities with developing “proposed interim targets for meeting the standard under RCW 19.405.040(1) *during the years prior to 2030* and between 2030 and 2045. (emphasis added)”² We believe that this language refers to annual interim *targets* for each year prior to 2030. In contrast, the statute does not refer to “goals”. We continue to support PSE’s increased demand response target and its energy storage targets. In general, we are concerned that insufficient resource acquisition is being pursued during this planning cycle, and that major resource acquisition is being pushed beyond 2025. Not only does this delay PSE’s clean energy transition, but we are concerned that this makes it harder for PSE to meet the 2030 CETA standard. In particular, we urge PSE to move more quickly in acquiring replacement clean energy resources for its coal resources, which must be removed from rates by the end of next year.

We are discouraged to see the energy efficiency (“EE”) target decreasing in the CEIP update. Many factors contribute to the reduction in savings, not the least of which is low market prices for renewable energy – a condition also discussed in the 2021 Northwest Power Plan and also frequently discussed by PSE’s planning staff. However, the NW Power and Conservation Council has acknowledged that its model does not easily capture all of the benefits of energy efficiency, and in particular, some risks that utilities in the region currently face are not easily captured:

1. **Certain power system attributes, including adequacy, flexibility, and resilience.** These are supported under the Northwest Power and Conservation Act, but are not readily valued in the Council’s portfolio model.
2. **Hedging against the risk that comparable resources, like utility scale wind, solar, or storage, may not be fully available and reliable within the time need to meet power system needs.**
3. **Uncertainty about future sustained low market prices.** Falling behind on our EE acquisition exposes customers to fuel price volatility, as shown by the extended high wholesale gas and power market prices in November 2022-January 2023. These conditions may recur with accelerating demand growth and coal plant retirement regionally and nationally driving up natural gas use in power plants, and with rapid increases in liquefied natural gas (LNG) exports which reduce available supply relative to domestic demand,

¹ PSE 2023 Biennial CEIP Update, pg. 1.2. November 1, 2023.

² RCW 19.405.040(1)(a)(ii)

4. **Growing decarbonization goals for specific jurisdictions.** Particularly, with legislation focused on reducing PSE’s customers’ reliance on the gas system, the role of EE in reducing electric system costs becomes even more important.
5. **Equity.** EE directly reduces energy burden, while supply-side resources do not.
4. **Value of maintaining a robust EE infrastructure.** Maintaining the ability for programs in the region to deliver energy efficiency is critical, even if savings temporarily become more expensive.

Our view is that all utilities in the region, including PSE, will need to step up their EE savings targets substantially in the very near term in order to meet 2030 clean energy targets affordably, as well as for other economic and reliability benefits for customers. We also urge the Commission to update its cost-effectiveness methodology to capture the risks and benefits that are not currently included in the NW Power Council’s methodology for energy efficiency, and for customer-side resources more broadly. We hope PSE is willing to really step up as a leader on this front.

Conditions 9 and 10: Deepest need and vulnerability factors

We appreciate the work that PSE has done to identify deepest need and vulnerability factors, and are supportive of PSE’s efforts to increase engagement and resources to high vulnerability groups. As discussed in Chapter 3, NWECA also supports PSE’s consideration of energy burden as the first step in identifying communities with deepest need. As utilities continue to implement CETA’s equity provisions, we anticipate that there will be learnings that will inform the next iteration of planning. We urge continued review of the expanding body of literature on this topic to inform best practices going forward.

Condition 20: Minimum designations

In its Order approving PSE’s 2022 CEIP, the Commission adopted Condition 20 to require PSE to designate 30 percent of the energy benefits from its DER programs to named communities, and to include, in the 2023 CEIP update, a minimum percentage of energy benefits that will flow to Named Communities with Deepest Need.

We are concerned that the minimum designation PSE has proposed for communities identified as “deepest need” does not designate an equitable level of energy benefits to these communities. PSE’s analysis shows that six percent of its customers qualify as “deepest need”, as defined in Sec. 6.1.4 of the CEIP Update. The methodology used to quantify this appears reasonable to us, and six percent seems to be a reasonable estimate. However, we are concerned that PSE proposes to designate only 2.5 percent of energy benefits to this target population. This means that PSE aims to designate less than these communities’ proportional share of energy benefits, which is - on its face - inequitable.

We acknowledge the challenges that PSE faces in reaching these communities, including the need for more targeted engagement, removing barriers in program design, and building trust. However, we note that CETA has been in effect for 4.5 years, and these challenges are not new.

We caution against PSE's approach to err on the side of adopting a conservative target that sets the utility up to fail to deliver equitable energy benefits to its customers in deepest need. At this stage of implementation, it is important for PSE to make a meaningful commitment and adopt a strong target, even if it is aspirational. At a minimum, we believe the target should be six percent for the first implementation period.

Thank you for the opportunity to comment.

Sincerely,

/s/ Lauren McCloy
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