

Agenda Date: March 22, 2024
Item Number: D2

Docket: UE-210795
Company: Puget Sound Energy

Staff: Joel Nightingale, Regulatory Analyst

Recommendation

Commission Staff recommends that the Commission enter an order approving Puget Sound Energy's 2023 Biennial Clean Energy Implementation Plan Update subject to the following conditions:

1. Interim Targets:
 - a. PSE will maintain the Interim Targets approved by the Commission in Order 08 of Docket UE-210795 for the remainder of this compliance period (i.e., 2022 – 43 percent; 2023 – 53 percent; 2024 – 59 percent; 2025 – 63 percent).
 - b. PSE will maintain the methodology of an annual series of interim targets for the current CEIP compliance period (i.e., one interim target for each of the four years of the compliance period).
2. Deepest Need: PSE will continue to work with its advisory groups and other interested persons as appropriate to refine the definition of deepest need, as needed, and will set a minimum designation of energy benefits to this subset of its customers that is at least equal to that subset's proportion of electric customers in the Company's 2025 CEIP.
3. Renewable Energy Specific Target: PSE will work with staff to ensure that its expression of the Renewable Energy Specific Target in future CEIP filings aligns with the intent of Condition 5 from Order 08. This target should be cumulative (not incremental), and should reflect renewable energy (not all clean energy).

Background

On December 17, 2021, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) its first Clean Energy Implementation Plan (CEIP), pursuant to WAC 480-100-640. After an adjudicative process, the Commission issued Order 08 (herein referred to as Order 08), on June 6, 2023, approving PSE's 2021 CEIP subject to 32 conditions.

On November 1, 2023, PSE filed its 2023 Biennial CEIP Update (Biennial Update), pursuant to WAC 480-100-640(11). On January 11, 2024, Commission Staff (Staff) filed comments on PSE's 2023 Biennial Update.

PSE serves more than 1.2 million electric customers in Kitsap, Skagit, Whatcom, Thurston, Island, King, Kittitas, and Pierce counties.

Discussion

PSE is seeking the Commission’s approval of the Company’s 2023 Biennial Update. This Biennial Update addresses conditions required by the Commission in its order approving the Company’s 2021 CEIP, while also making adjustments to its targets as described in Table 1 below.

Table 1 - Specific and Interim Targets - 2021 CEIP (approved) vs 2023 Biennial Update (proposed)¹

Specific Targets	2021 CEIP	2023 Biennial Update (proposed)
Energy Efficiency	1,073,434 MWh	934,337 MWh
Demand Response	23.7 MW	86 MW
Renewable Energy	10.5% ²	11%
Interim Targets	2021 CEIP	2023 Biennial Update (proposed)
2022	43%	54.5% ³
2023	53%	
2024	59%	
2025	63%	

In comments filed on January 11, 2024, Staff notes that PSE’s Biennial Update contains important updates since its 2021 CEIP, many of which were required by the Commission’s order approving that filing with conditions. Staff appreciates these updates and believes PSE worked in good faith to meet the conditions in Order 08 that were due in this filing, less than five months after that order was entered. However, Staff believes three topics in this Biennial Update require further action from the Commission: PSE’s proposed changes to its interim targets; PSE’s minimum designation for customers in deepest need; and PSE’s expression of its renewable energy specific target.

¹ Based on Table 1.2 (Specific Targets) and Table 1.1 (Interim Targets), Corrected Biennial CEIP Update, Nov. 20, 2023.

² The Renewable Energy Specific Target was originally expressed as new nameplate capacity additions (800 MW of new utility-scale renewables) in the 2021 CEIP. Due to condition 6 in Order 08, PSE shifted to describing these new resources in terms of their clean energy contribution as a proportion of net retail sales which is how they are shown in this table.

³ In this Biennial Update, PSE proposed redefining its interim targets from annual figures (as approved in the 2021 CEIP) to a single 4-year average interim target.

Interim targets

PSE proposed two changes to its interim targets between the 2021 CEIP and this Biennial Update: (1) a shift from a series of annual interim targets to a single four-year average interim target, and (2) changes to the annual interim target values. These changes are summarized in Table 2, below. PSE provides several reasons for these changes including year-to-year variation in load and renewable energy production, delayed commercial operation dates for new renewable resources, and faster-than-expected load growth.

Table 2 - 2021 CEIP Interim Targets versus 2023 Biennial Update Proposed Interim Target

	2022	2023	2024	2025	Average
2021 CEIP	43%	53%	59%	63%	54.5%
2023 Biennial Update	45.4%	53%	60%	60%	54.5%

NOTE: **Bold** numbers are the approved (2021 CEIP) and proposed (2023 Biennial Update) Interim Targets

While the averages appear nearly identical for these two cases, Staff asserts the two series represent substantially different trajectories on the path towards the CETA standards, as shown in Figure 1, below.

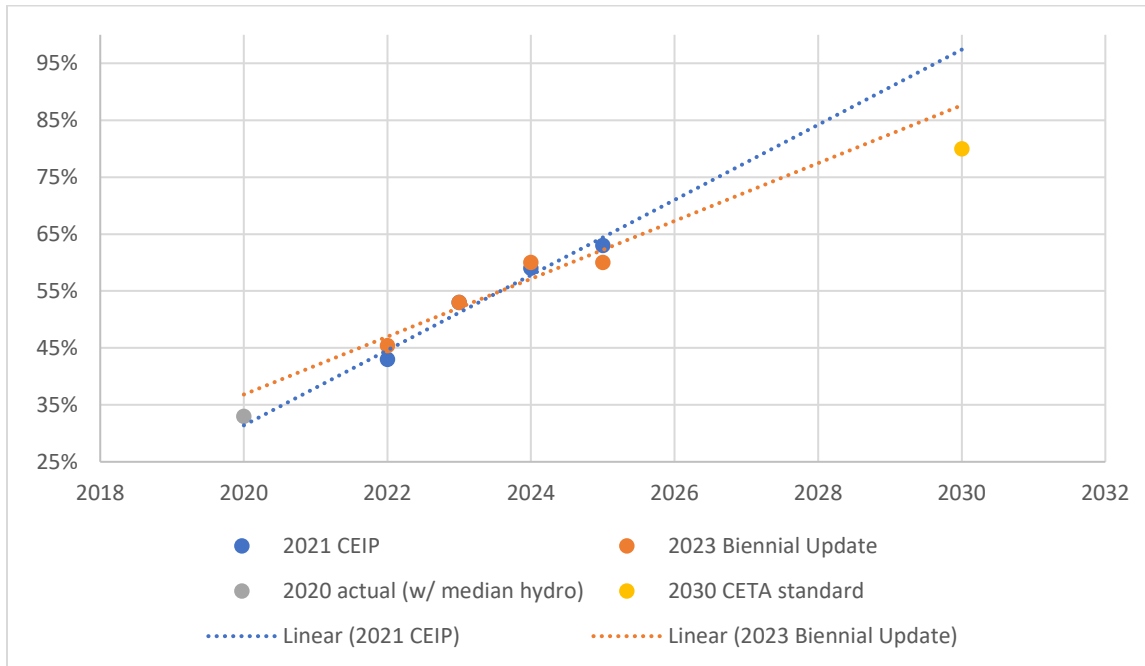


Figure 11 - Interim Target Progress Towards 2030 CETA Standard - 2021 CEIP vs. 2023 Biennial Update

Per Commission rules, interim targets must “[d]emonstrate how the utility will make reasonable progress” towards the 2030 and 2045 Clean Energy Transformation Act (CETA) standards.⁴ Compared to its 2021 CEIP interim targets, PSE proposes making less progress towards these standards in its 2023 Biennial Update, especially in the final two years of this compliance period – where the proposed annual interim target values would remain flat between 2024 and 2025.

In addition to the general concern around slowing progress towards the 2030 CETA carbon neutral standard, Staff continues to stress the points described in Staff comments, and summarized below:

- Retroactively changing the target for 2022 to match actual achievement for past years defeats the purpose of setting a target.
- The factors PSE cites as motivating the change in interim targets are more appropriately addressed at the end of the compliance period.
- *If* PSE ultimately does not meet its interim targets, the Commission has discretion in its assessment of – or relief from – penalties.

PSE has a steep path towards carbon neutrality in 2030. While this steep path is largely due to the ambitious clean energy goals codified in the CETA 2030 and 2045 standards, Staff understands that it is made more difficult by faster-than-anticipated load growth, competition for renewable resources, among other factors. To its credit, the Company has shown an ability to outperform an early target in this transition to clean energy, exceeding its 2022 interim target by 2.4 percentage points despite net load for that year being 11 percent higher than anticipated. Table 3, below, shows PSE’s 2022 actual achievement compared to its projections from the 2021 CEIP.

Table 3 - Comparison of Projected and Actual Performance in 2022⁵

	Projected (2021 CEIP)	Actual (2023 Biennial Update)	Difference
2022 Net Load	18,724 GWh	20,754 GWh	11%
2022 Clean Energy	8,104 GWh	9,424 GWh	16%
2022 Target / Achievement	43%	45.4%	2.4%

Based on the information in this docket, it is unclear to Staff whether this achievement was primarily due to annual variation in renewable energy production or PSE’s adaptive management of its portfolio. At the very least, it shows that achieving several percentage points higher than an annual interim target is well within the realm of possibility.

⁴ WAC 480-100-640(2)

⁵ See PSE’s 2023 Biennial CEIP Update, Table 2.9, Docket UE-210795.

As 2030 draws nearer, Staff sees the risk of stalled progress towards the 2030 CETA standard as outweighing the risk that PSE may come up short of its original 2025 interim target.

While Staff does *not* recommend the Commission approve PSE's proposed four-year average interim target, Attachment A to this memo provides an alternative calculation methodology for consideration.

Deepest need

In response to condition 20, PSE estimates that 6 percent of its customers meet its definition of deepest need and proposes a minimum designation of 2.5 percent of benefits from its distributed energy resource (DER) programs flowing to those customers.

PSE's proposal to set its minimum designation of customers in deepest need at 2.5 percent would entail delivering less than half of that population's proportional share of benefits from PSE's portfolio of DERs. As described in Staff comments, while we acknowledge the challenges of developing and implementing DER programs for those in deepest need, Staff nonetheless believes that an equitable distribution of these benefits would entail those benefits being at least equal to that subset's proportion of the population.

While Staff does not recommend rejecting PSE's proposed minimum designation for the current compliance period, Staff expects PSE to use the time remaining in the current compliance period to better understand this population – and strategies to deliver energy benefits to it – such that the Company can reasonably set a minimum designation for this population at or above their proportional share in the next compliance period (2026-2029). Staff stresses that this higher minimum designation target is *necessary* to ensure the equitable distribution of benefits. Waiting until the 2030-2033 compliance period to set a reasonable floor will likely prolong inequitable outcomes.

Renewable Energy Specific Target

PSE's Biennial Update includes an updated Renewable Energy Specific Target, expressing it as a percent of retail load served by renewable energy, rather than a nameplate capacity for new utility-scale renewable energy as initially proposed in the Company's 2021 CEIP, in line with requirements contained in Condition 5 of the CEIP.⁶ In updating the Renewable Energy Specific Target, PSE interpreted the target as an incremental value, reflecting the energy contributions of *new* resources versus *all* renewable energy resources. Staff understands that this was due to a misunderstanding about the intention behind condition 5, and that PSE is amenable to adjusting the expression of this target to reflect cumulative (rather than incremental) renewable energy (rather than all clean energy). Staff understands that this would align with the way this target is expressed in the plans of the other electric investor-owned utilities.

⁶ See Order 08 at 21: "CONDITION 5: In the 2023 Biennial CEIP Update and subsequent CEIPs, PSE must express the renewable energy specific target as a percentage of retail load."

Interested Persons

Aside from Staff's comments, only two other comments were filed in the docket from James Adcock and the Northwest Energy Coalition (NVEC). Adcock's comments addressed a wide range of issues related to this Biennial Update and PSE's integrated resource planning process. NVEC expressed similar concerns to Staff about PSE's proposed minimum designation for customers in deepest need, as well as concern about the rate of clean energy acquisition. They also expressed concerns about PSE's reduction in its energy efficiency specific target. Given the overlap with some of Staff's concerns, Staff reached out to NVEC with our proposed conditions, but had not heard back at the time of writing.

Conclusion

Staff recommends that the Commission enter an order approving PSE's 2023 Biennial CEIP Update on the condition that:

1. Interim Targets:
 - a. PSE will maintain the Interim Targets approved by the Commission in Order 08 of Docket UE-210795 for the remainder of this compliance period (i.e., 2022 – 43 percent; 2023 – 53 percent; 2024 – 59 percent; 2025 – 63 percent).
 - b. PSE will maintain the methodology of an annual series of interim targets for the current CEIP compliance period (i.e., one interim target for each of the four years of the compliance period).
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Attachment A – UE-210795

PSE 2023 Biennial Update to the Clean Energy Implementation Plan

Average Interim Target Methodologies

For the reasons described in the body of this memo, Staff recommends the Commission not approve PSE’s proposed four-year average interim target. However, if the Commission is inclined to approve an average interim target, Staff recommends this interim target be calculated using Staff’s more straightforward methodology described below.

To calculate its proposed four-year average interim target, PSE implemented a methodology that involves calculating the percentage achieved on an annual basis and averaging those annual percentages for the four years in the compliance period.¹ Mathematically, this is described below:

$$\frac{2022 \text{ Clean Energy}}{2022 \text{ CETA Load}} + \frac{2023 \text{ Clean Energy}}{2023 \text{ CETA Load}} + \frac{2024 \text{ Clean Energy}}{2024 \text{ CETA Load}} + \frac{2025 \text{ Clean Energy}}{2025 \text{ CETA Load}}$$

4 years

Commission Staff would prefer a more straightforward calculation of a four-year Interim Target by which PSE’s clean energy over the period is summed up and divided by the sum of the CETA load for that period, as shown below.

$$\frac{2022 \text{ Clean Energy} + 2023 \text{ Clean Energy} + 2024 \text{ Clean Energy} + 2025 \text{ Clean Energy}}{2022 \text{ CETA Load} + 2023 \text{ CETA Load} + 2024 \text{ CETA Load} + 2025 \text{ CETA Load}}$$

Staff believes this method more accurately aligns with the plain language in WAC 480-100-640(2)(b).²

Staff provides the below formula which describes our preferred methodology for a period of any number of years.

$$\text{Average Interim Target} = \frac{\sum \text{Clean Energy}}{\sum \text{CETA Load}}$$

¹ Revised 2023 Biennial CEIP Update at 2.4, Nov. 20, 2023, Docket UE-210795.

² “Each utility must propose interim targets in the form of the percent of forecasted retail sales of electricity supplied by nonemitting and renewable resources prior to 2030 and from 2030 through 2045.” WAC 480-100-640(2)(b)