

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of	DOCKET UE-210795
PUGET SOUND ENERGY	ORDER 12
Clean Energy Implementation Plan Pursuant to WAC 480-100-640	APPROVING CEIP BIENNIAL UPDATE SUBJECT TO CONDITIONS

BACKGROUND

- 1 Revised Code of Washington (RCW) 19.405, Washington’s Clean Energy Transformation Act (CETA), and Washington Administrative Code (WAC) 480-100-640(1) direct electric investor-owned utilities to develop a clean energy implementation plan (CEIP or Plan) every four years. The passage of CETA during the 2019 Washington Legislative Session requires that CEIPs be informed by both a utility’s clean energy action plan and its long-term integrated resource plan.¹
- 2 On December 17, 2021, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) its first CEIP, as required by WAC 480-100-640. On June 6, 2023, after an adjudicative process, the Commission issued Order 08, approving PSE’s 2021 CEIP subject to 32 conditions.
- 3 On November 1, 2023, PSE filed its 2023 Biennial CEIP Update (Biennial Update), pursuant to WAC 480-100-640(11). PSE seeks the Commission’s approval of the Company’s 2023 Biennial Update which addresses conditions required by the Commission in Order 08, while also making adjustments to its targets as described in Table 1.

¹ *In re Adopting Rules Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act and Amending or Adopting rules relating to WAC 480-100-238, Relating to Integrated Resource Planning*, Dockets UE-191023 & UE-109698 (Consolidated), General Order 601, p. 24, ¶ 59 (Dec. 28, 2020) (General Order R-601).

Table 1 - Specific and Interim Targets - 2021 CEIP (approved) vs 2023 Biennial Update (proposed)²

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% ³	11%
Interim Targets	2021 CEIP	2023 Biennial Update (proposed)
2022	43%	54.5% ⁴
2023	53%	
2024	59%	
2025	63%	

- 4 On January 11, 2024, Commission Staff (Staff), submitted responsive comments on the Biennial Update. In its comments, 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.
- 5 Aside from Staff’s comments, only two other comments were filed in the docket from James Adcock and 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 concerns similar to Staff’s about PSE’s proposed minimum designation for customers in deepest need, as well as concern about the rate of clean energy acquisition. NVEC also expressed concerns about PSE’s reduction in its energy efficiency specific target.
- 6 In Staff’s comments, Staff noted an appreciation for the updates and expressed a belief that PSE worked in good faith to meet the conditions in Order 08 due in this filing, less than five months after Order 08 was entered. However, Staff also expressed some

² Based on Table 1.2 (Specific Targets) and Table 1.1 (Interim Targets), Corrected Biennial CEIP Update, Nov. 20, 2023.

³ 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.

⁴ 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.

concerns and a belief that three topics in this Biennial Update require further Commission action. Those topics are PSE’s proposed changes to interim targets, minimum designation for customers in deepest need, and expression of its Renewable Energy Specific Target.

Interim targets

- 7 PSE is proposing two changes to its interim targets in this Biennial Update. PSE proposes a shift from a series of annual interim targets to a single four-year average interim target, and changes to the annual interim target values. While the resulting averages over the four-year compliance period appear nearly identical – with both averaging 54.5 percent – Staff asserts the two paths represent substantially different trajectories towards CETA standards.
- 8 PSE provides several reasons for the 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. Staff recognizes that PSE faces a steep path in achieving the CETA 2030 and 2045 standards, and that this is made more difficult by faster-than-anticipated load growth and competition for renewable resources.
- 9 However, Staff notes that per Commission rules, interim targets must “[d]emonstrate how the utility will make reasonable progress” towards the 2030 and 2045 CETA standards.⁵ Staff is concerned about the changes to the interim targets because, when compared to its 2021 CEIP interim targets, PSE’s 2023 proposed changes result in PSE making less progress towards CETA standards, particularly in the final two years of this compliance period where PSE’s proposed target values would remain flat between 2024 and 2025.
- 10 In addition, Staff stresses that retroactively changing the target for 2022 to match actual achievement for past years defeats the purpose of setting a target, that the factors PSE cites as motivating the changes are more appropriately addressed at the end of the compliance period, and that if PSE ultimately does not meet its interim targets, the Commission has discretion in its assessment of and relief from penalties.
- 11 Regarding interim targets, as 2030 draws near, 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. For this reason Staff does not support approval of PSE’s proposed changes to its interim targets. However, Staff provides an alternative average

⁵ WAC 480-100-640(2)

interim target calculation methodology for consideration in Attachment A to its memo if the Commission does choose to allow PSE to adopt an average interim target.

Deepest Need

- 12 Staff also expressed some concern regarding PSE’s minimum designation of benefits from distributed energy resource (DER) programs to customers meeting PSE’s definition of 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.
- 13 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 Staff acknowledges 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.
- 14 While Staff does not recommend rejecting PSE’s proposed minimum designation for the current compliance period, Staff encourages 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

- 15 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 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

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.”

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.

16 Despite Staff's concerns regarding PSE's interim targets, deepest need designation, and Renewable Energy Specific Target, Staff noted its appreciation for the updates and expresses a belief that PSE worked in good faith to meet the conditions in Order 08. Accordingly, Staff recommends that the Commission enter an order approving PSE's 2023 Biennial CEIP Update subject to the conditions 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 of retail load served by renewable and nonemitting electric generation; 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).
 - c. If PSE would need to purchase unreasonably costly energy to meet the 2025 Interim Targets, the Commission will consider this in determining whether the Company has complied with the Interim Targets for the first compliance period.
- (2) Deepest Need: PSE will set a minimum designation of energy benefits to customers in deepest need that is at least equal to that subset's proportion of electric customers in the Company's 2025 CEIP. PSE will continue to work with its advisory groups and other interested persons as appropriate to refine the definition of deepest need. If the Company finds that investments to meet this standard are not reasonable given costs or other considerations, the Commission will consider this as a factor when considering compliance at the end of the first compliance period.

- (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 for Order 08. This target should be cumulative (not incremental) and should reflect renewable energy (not all clean energy).

17 This item came before the Commission at its Recessed Open Meeting on March 22, 2024. The Commission heard additional comments from PSE, Staff, The Energy Project (TEP), and NW Energy Coalition (NWEC). Staff maintained its recommendation. PSE presented an overview of its Biennial CEIP Update and requested that the Commission clarify whether the Interim Targets may be expressed as a four-year average. PSE further explained its request for lowering the 2025 Interim Target from 63 percent to 60 percent, noting that increased forecasted load and delays in connecting new resources may make it difficult or more costly to meet the goals originally set forth in the 2021 CEIP. TEP generally expressed support for Staff's recommended conditions. NWEC expressed support for the Company's work on defining customers in "deepest need" and generally argued in favor of more aggressive targets. NWEC expressed some concerns with PSE's proposed adjustments to its Interim Targets but also emphasized the importance of moving forward with the approval of the filing and the acquisition of clean energy resources.

DISCUSSION

- 18 We approve PSE's Biennial Update, subject to the conditions recommended by Staff.
- 19 RCW 19.405.060(1) requires electric utilities to develop and submit to the Commission CEIPs every four years. The CEIPs must meet specific criteria. WAC 480-100-640 sets out the targets, data, and narrative information that must be included in those plans. WAC 480-100-640(11) requires the utilities to make a biennial CEIP update filing on or before November 1st of each odd-numbered year that the utility does not file a CEIP.
- 20 While we recognize that conditions may have changed since PSE initially set its CEIP interim targets, we agree with Staff that PSE should maintain the Interim Targets approved in Order 08 of Docket UE-210795. Further, to continue to allow for the Commission to understand yearly changes to the interim targets throughout this planning period, we agree with Staff that PSE should maintain the methodology of setting an annual series of interim targets for the current CEIP compliance period. The Commission,

however, recognizes that unanticipated costs should be considered when reviewing the Company's compliance with the Interim Targets at the end of the compliance period.

- 21 We further agree with Staff that PSE should continue to work with interested persons to identify whether the Company's definition of deepest need needs to be refined and to set minimum designations of energy benefits to those customers in deepest need that is at least equal to the subset's proportion of customers in the Company's 2025 CEIP. Doing so will help ensure that benefits are equitably distributed.
- 22 We also find that PSE should work with Staff to ensure its expression of the Renewable Energy Specific Target in future CEIP filings aligns with Condition 5 from Order 08, that this target should be cumulative, and that it should reflect renewable energy and not all clean energy.
- 23 We commend the Company, Staff, NWECA, and other interested persons for working to improve PSE's CEIP and for reviewing PSE's performance with the conditions the Commission adopted in approving the 2021 CEIP. Accordingly, we approve of PSE's CEIP Biennial Update subject to the conditions contained in paragraph 16 of this Order.

FINDINGS AND CONCLUSIONS

- 24 (1) The Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts, and affiliated interests of public service companies and electric companies.
- 25 (2) Puget Sound Energy is engaged in the business of providing electric services within the state of Washington and is a public service company subject to Commission jurisdiction.
- 26 (3) This matter came before the Commission at its regularly scheduled meeting on March 22, 2024.
- 27 (4) PSE is required to submit a biennial CEIP update on or before November 1st of each odd-numbered year that the Company does not file a CEIP.
- 28 (5) After review of the Biennial Update, filed on November 1, 2023, and subsequently filed comments and giving due consideration, the Commission finds that PSE's CEIP Biennial Update is consistent with the public interest and concludes that it should be approved 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 of retail load served by renewable and nonemitting electric generation; 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).
 - c. If PSE would need to purchase unreasonably costly energy to meet the 2025 Interim Targets, the Commission will consider this in determining whether the Company has complied with the Interim Targets for the first compliance period.
- (2) Deepest Need: PSE will set a minimum designation of energy benefits to customers in deepest need that is at least equal to that subset's proportion of electric customers in the Company's 2025 CEIP. PSE will continue to work with its advisory groups and other interested persons as appropriate to refine the definition of deepest need. If the Company finds that investments to meet this standard are not reasonable given costs or other considerations, the Commission will consider this as a factor when considering compliance at the end of the first compliance period.
- (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 for Order 08. This target should be cumulative (not incremental) and should reflect renewable energy (not all clean energy).

ORDER

THE COMMISSION ORDERS:

- 29 (1) Puget Sound Energy's Clean Energy Implementation Plan Biennial Update meets the requirements of WAC 480-100-640(11) and should be approved subject to the conditions as set forth in paragraph 28 of this Order.
- 30 (2) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective March 25, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner