Exh. MAB-1T
Dockets UE-220066, UG-220067, UG-210918
Witness: Molly A. Brewer

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY,** **Respondent.**	**DOCKETS UE-220066, UG-220067, UG-210918** ***(Consolidated)***
In the Matter of the Petition of **PUGET SOUND ENERGY** **For an Order Authorizing Deferred Accounting Treatment for Puget Sound Energy's Share of Costs Associated with the Tacoma LNG Facility**	

TESTIMONY OF

Molly A. Brewer

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Capital Planning

July 28, 2022

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Molly Brewer, and my business address is 621 Woodland Square Loop SE, Lacey, Washington, 98503. My business mailing address is P.O. Box 47250, Olympia, Washington, 98504-7250. My business email address is molly.brewer@utc.wa.gov.

Q. By whom are you employed and in what capacity?

A. I am employed by the Washington Utilities and Transportation Commission (Commission) as a Regulatory Analyst in the Energy Regulation Section of the Regulatory Services Division.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since March of 2021.

Q. Please state your qualifications to provide testimony in this proceeding.

A. I graduated from Western Washington University in 2014 with a B.A. in Community Development and Multicultural Studies. In 2020 I graduated from the University of Washington Evans School of Public Policy with a M.A. in Environmental Policy. In Spring 2022, I completed a Graduate Certificate in Public Utility Regulation & Economics from New Mexico State University. I also completed a National Association of Regulatory Utility Commissioners course, “Including Equity and

Energy and Environmental Justice in State Public Utility Commission Decisions" in July 2022. At the Commission, I present Staff recommendations at open public meetings, attend several companies' Equity Advisory Group meetings and low-income assistance meetings, and have evaluated the public participation and equity components of Avista Corporation's Clean Energy Implementation Plan. Prior to my position at the Commission, I consulted for the Climate Impacts Group and the Cascadia Consulting Group on matters related to climate change, energy, and equity. I worked for Seattle Public Utilities where I led a Race and Social Justice Initiative work group to create an equity strategy for environmental ordinances. I also worked for the Seattle Office for Civil Rights where I served as a policy liaison for civil rights commissioners and elected officials.

Q. Have you testified previously before the Commission?

A. No.

II. SCOPE AND SUMMARY OF TESTIMONY

Q. What is the scope and purpose of your testimony?

A. The purpose of this testimony is to determine if Puget Sound Energy (PSE or Company) is planning for equitable outcomes in each of its capital planning processes; Delivery System Planning (DSP) referenced in PSE Exh. CAK-1Tr2,[1] Corporate Capital Allocation referenced in PSE Exh. JAK-1T,[2] and the Project

[1] Koch, Exh. CAK-1Tr2 at 11:14 – 27:17.
[2] Kensok, Exh. JAK-1T at 5:15 – 15:14.

Lifecycle Model (PLM) referenced in PSE Exh. RBB-1T.[3] This testimony covers capital planning processes for both electric and gas investments.

My testimony starts with an overview section that provides a high-level overview of how each of these three capital planning processes function currently and how they are interrelated. Following the overview, I discuss the application of the public interest to PSE's capital planning process. This section discusses how and why Staff considered equity when reviewing the Company's planning processes. Next, I present three sections that cover each of the capital planning processes that Staff reviewed. Each section includes a background that gives a more in-depth summary of the planning process, followed by Staff's recommendations for what the Commission should order PSE to do to demonstrate it is planning for equitable outcomes. Lastly, each section concludes with Staff's response to the Company's case within pre-filed direct testimony and responses to Data Requests (DRs) regarding whether the Company planned for equitable outcomes.

Q. Please summarize your recommendations.

A. Regarding the Delivery System Planning process, within 12 months of the approval of the Multi Year Rate Plan (MYRP):

1) Staff recommends PSE develop additional customer-focused thresholds which trigger a System Evaluation to reflect disproportionate impacts on particular circuits, pipelines, or census tracts, in the System Evaluation step.

[3] Bamba, Exh. RBB-1T at 3:8 – 12:18.

2) Staff recommends PSE develop new benefits and costs (with associated weights) related to equity for use in the Optimization step in its replacement software for its investment decision optimization tool (iDOT).

3) Staff recommends PSE incorporate a distributional equity analysis as a decision-making tool alongside the Benefit/Cost analysis, which is currently performed in the Optimization step, in both this step and the Alternatives and Solutions Analysis step.

Regarding the Corporate Capital Allocation planning process, within 12 months of the approval of the MYRP:

1) Staff recommends PSE develop a process or procedure for how the Board of Directors and senior management plan for equitable outcomes when making decisions on enterprise-wide capital portfolios within the three-tier planning process.

2) Staff recommends PSE develop a section in all Corporate Spending Authorization (CSA) reporting templates that requires planners to demonstrate how they planned for equitable outcomes in the project.

Regarding the Project Lifecycle Model, within 12 months of the approval of the MYRP:

1) Staff recommends PSE develop a process or procedure within the PLM that demonstrates the Company plans for equitable outcomes within this model.

Q. Have you prepared any exhibits in support of your testimony?

A. Yes. I prepared Exhibits MAB-2 through MAB-10.

- Exh. MAB-2 shows PSE's response to UTC Staff DR No. 73 followed by a manual for the Investment Decision Optimization Tool.

- Exh. MAB-3 shows PSE's response to UTC Staff DR No. 74 followed by excerpts from the PSE Delivery System Enhancement Project: Business Architect Deliverable, and the Corporate Spending Authorization for the replacement tool for iDOT.

- Exh. MAB-4 shows PSE's response to UTC Staff DR No. 157.

- Exh. MAB-5 shows PSE's response to UTC Staff DR No. 160.

- Exh. MAB-6 shows PSE's response to UTC Staff DR No. 251 followed by the Corporate Spending Authorization for Enterprise PPM Tool.

- Exh. MAB-7 shows PSE's response to UTC Staff DR No. 62 followed by PSE's DEI Playbook.

- Exh. MAB-8 shows PSE's response to UTC Staff DR No. 161.

- Exh. MAB-9 shows PSE's response to UTC Staff DR No. 114.

- Exh. MAB-10 shows PSE's response to UTC Staff DR No. 80.

III. OVERVIEW OF CAPITAL PLANNING PROCESSES

Q. How are the Company's capital planning processes related to one another?

A. The Delivery System Planning process results in an optimized portfolio of projects for PSE's transmission and distribution system. This portfolio feeds into the Corporate Capital Allocation process which reviews every business unit's optimized portfolio enterprise wide. After arriving at a final portfolio for all functional business units[4] enterprise-wide, projects are then managed within the Project Lifecycle Model. These three processes are all interrelated and contribute feedback to one another.

Q. Please provide a high-level summary of the Delivery System Planning process.

A. The DSP process is an electric and gas capital investment planning process related to the Company's transmission and distribution systems. This five-step process exists within the Operations business unit. The result of this planning process is an optimized capital portfolio for the transmission and distribution systems. This portfolio is one of many within the several functional business units across the Company.

Q. Please provide a high-level summary of the Corporate Capital Allocation process.

A. The Corporate Capital Allocation process is the enterprise-wide process for reviewing all capital portfolios across several business units. This process is broken down into three tiers that the Company uses to describe the level of management oversight of each tier. This process results in the Board of Directors and senior management agreeing upon a finalized enterprise-wide capital portfolio that contains all the projects the Company will fund for a given period. This process tracks

[4] Through conversation with Company witness Kensok, Staff learned that PSE uses the term functional business units, or business units, to refer to groups of departments that are related by their function to the Company. In this testimony, Staff focuses on the Operations functional business unit because it contains planning processes for transmission and distribution system investments.

proposals for capital spending across the enterprise through CSAs. CSAs identify large, strategic projects that cost over $2.5 million.

Q. Please provide a high-level summary of the Project Lifecycle Model Process.

A. The PLM process is a five-phase process that governs how individual projects are managed from their initiation to completion. Within this process, planners will re-evaluate any new alternatives and confirm the need for the project. They will also manage the design and execution of the project itself, including obtaining permits and overseeing construction.

IV. APPLICATION OF THE PUBLIC INTEREST TO PSE'S CAPITAL PROCUREMENT PLAN

A. Equity Considerations

Q. When evaluating PSE's capital planning processes, how did Staff consider the changing definition of the public interest?

A. Staff witness Reynolds provides a thorough description of how Staff has considered the changing definition of the public interest in this MYRP.[5] In summary, Staff recommends the Commission consider equity in evaluating the public interest in this MYRP. RCW 80.28.425(1) states that the Commission may consider equity in

[5] Reynolds, Exh. DJR-1T at 8:8-13:17.

determining the public interest. Given this, Staff considered if PSE planned for equitable outcomes in the Company's capital planning processes in this MYRP.

Q. Does the public interest (which includes equity) apply to the Company's capital planning processes?

A. Yes. the Commission must determine if PSE's MYRP is in the public interest, and RCW 80.28.425(1) specifically allows the Commission to consider equity as a factor in determining whether a MYRP is in the public interest. Because capital planning processes have a significant impact on both this MYRP proposal and future proposals, the Commission should require PSE to plan for equitable outcomes in its capital planning processes. If PSE does not plan for equitable outcomes in its capital planning processes, a MYRP proposal is unlikely to be in the public interest.

Q. What does Staff mean when it refers to planning for equitable outcomes in capital planning processes?

A. Planning for equitable outcomes means designing specific, actionable, and timebound[6] policies and procedures grounded in research and substantial engagement with affected persons to promote distributional equity for all customers as a result of enterprise-wide capital investments.

Q. Staff refers to engagement with affected persons in this testimony. What elements of engagement is Staff referring to?

[6] Staff refers to the phrase "specific, actionable, and timebound" to mean a specific process, methodology, or procedure that will definitively be acted upon in a specified timeframe.

A. Staff believes the best practice for engagement should encompass at minimum involving, collaborating with, and empowering affected persons.[7] However, Staff leaves the particular engagement elements to the discretion of the Company, as engagement can encompass many types of activities. Staff understands that the Company has undergone engagement with affected persons throughout the creation of its Clean Energy Implementation Plan (CEIP). Staff expects that with respect to any recommendation within this testimony that refers to engagement with affected persons, PSE will conduct meaningful and equitable engagement that mitigates barriers to participation and effectively includes the voices and desired decisions of historically underrepresented customers and other persons.

Q. What does Staff mean when it refers to "distributional equity"?

A. When referring to "distributional equity," Staff is referring to an aggregated description that draws upon similar terms such as "distributive justice,"[8] and "distributive impacts."[9] Distributional equity acknowledges that past and ongoing inequities have caused certain groups to face disproportionately more burdens of energy infrastructure and systems, and to receive disproportionately less benefits. To correct this, distributional equity would ensure that these groups receive a commensurate distribution of benefits and burdens of energy investments.

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[7] International Association for Public Participation USA, *IAP2 Public Participation Spectrum*, *available at* https://iap2usa.org/cvs.

[8] Chandra Farley, et. al, *Advancing Equity in Utility Regulation*, FUTURE ELECTRIC UTILITY REGULATION REPORT NO. 12, 56-60 (November 2021), *available at https://emp.lbl.gov/publications/advancing-equity-utility-regulation*.

[9] National Energy Screening Project, *Methods, Tools and Resources: A Handbook for Quantifying Distributed Energy Resource Impacts for Benefit-Cost Analysis*, 182-191 (March 2022)(MTR Handbook), *available at* https://www.nationalenergyscreeningproject.org/resources/quantifying-impacts/.

Additionally, when Staff refers to "equitable outcomes" in this testimony, Staff is referring to outcomes that incorporate distributional equity.

Q. When referring to distributional equity, is Staff making a direct reference to the language in the Clean Energy Transformation Act ("CETA")?

A. No. When Staff refers to distributional equity it is referring to the widely used concepts described above. While CETA does use similar language as well, Staff's usage in this testimony is not an explicit reference to the language in CETA.

Q. Did PSE sufficiently plan for equitable outcomes in its capital planning processes in its MYRP proposal?

A. No. PSE did not sufficiently plan for equitable outcomes in its capital planning processes in this MYRP, as the Company didn't provide specific, actionable, and timebound evidence. Please refer to the following three sections, each of which discusses one of the three capital planning processes, for an in-depth discussion on how the equity components within PSE's capital planning processes were insufficient.

Q. If the Commission accepts Staff's recommendations outlined above, could the Company simply change those processes to comply, but ultimately fail to effectively achieve actual equitable outcomes that affect the wellbeing of PSE's customers?

A. Yes, that is a possibility. To mitigate this, Staff reviewed several steps of the Company's planning, decision-making, implementation, and evaluation processes with a lens for equitable outcomes. Please see Staff witness Hanna Navarro's testimony for an in-depth discussion about how PSE must demonstrate that its MYRP proposal will advance equitable outcomes for customers.[10]

V. DELIVERY SYSTEM PLANNING

A. Background

Q. How does PSE's Delivery System Planning process work?

A. PSE's DSP process is described in detail in Company witness Catherine Koch's pre-filed direct testimony,[11] and Staff provides a brief overview here. The DSP process covers gas and electric transmission and distribution-related work and is divided into five steps outlined in Figure 1 below:

Figure 1. PSE's Delivery System Planning Process

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[10] Navarro, Exh. HEN-1T at 56:12-61:20.
[11] Koch, Exh. CAK-1Tr2 at 11:14 – 27:17.

Step One- System Evaluation: In the system evaluation step, PSE evaluates the system's current performance and future needs while considering reliability indices, Company goals and commitments, service quality indices (SQI), and other planning guidelines.

Step Two- System Needs: In the system needs, modeling, and analysis step, PSE leverages modeling software to develop alternatives to solve identified issues. The Company develops business plans for programmatic work to document needs related to specific asset types and populations, and develops Needs Assessments for larger, complex projects.

Step Three- Alternatives and Solutions: Next, alternatives & recommended solutions are developed including an analysis of non-wire alternatives (NWA) where appropriate. The Company uses iDOT to calculate benefits and compare a potential project to the do-nothing alternative. The alternative with the greatest benefit to cost ratio becomes the preferred alternative, and planners develop a Solutions Assessment to document this process.

Step Four- Optimization: In the optimization step, planners use iDOT to compare relative benefits and costs of various projects and conduct side-by-side comparisons of projects and programs of different types. The tool creates an optimal portfolio comprised of a combination of large and small projects, given the budgetary constraint entered as a result of the five-year financial planning and budgeting process described in Company witness Kensok's pre-filed direct testimony.[12]

[12] Kensok, Exh. JAK-1T at 5:15 – 15:14.

Step Five- Final Plan: Finally, the optimized portfolio is sent to the Operations Project Management Office (PMO) along with the associated Needs Assessments, Business Plans, and Solutions Assessments. Management conducts additional review of the portfolio and can make changes as they deem appropriate.

Q. How are the benefits in the iDOT tool currently categorized and weighted?

A. PSE currently uses 13 benefits in its iDOT tool.[13] Staff Exh. MAB-2 provides a detailed description of the benefits, how they are calculated, how PSE assigned weights to the benefits, and how PSE determines the final benefit to cost ratio (B/C ratio).[14] The benefits that PSE currently uses include both qualitative and quantitative values, along with a process for how PSE quantifies the qualitative benefits to better compare them.[15] The Company uses these benefits to compare alternatives and solutions in the third step of the DSP process and uses them again in the Optimization step to create B/C ratios for all projects which are then optimized into a final portfolio.

Q. What inputs are put into costs within iDOT?

A. PSE currently inputs the project costs into iDOT.[16] While the Company does measure some costs related to health and safety, to Staff's knowledge, PSE does not estimate any costs associated with some important externalities such as costs of poor

[13] Koch, Exh. CAK-1Tr2 at 23, Fig. 2 (showing iDOT benefit hierarchy).
[14] Brewer, Exh. MAB-2 at 5-34.
[15] Brewer, Exh. MAB-2 at 6-7.
[16] Brewer, Exh. MAB-2 at 11.

air quality, greenhouse gas emissions, burdens to Named Communities,[17] or other societal impacts not related to direct costs.

Q. Does PSE use iDOT to value benefits and costs differently to different subpopulations of customers?

A. No. PSE does not use iDOT to value benefits and costs differently to different subpopulations of customers, other than customer classes, nor does the Company identify whether and how the benefits and costs in the hierarchy contribute to equity.

Q. How far out does the DSP process plan for?

A. The DSP plans for projects to be completed up to two to three years out.

Q. How are the Company's grid modernization and pipeline modernization plans related to the DSP?

A. Grid modernization and pipeline modernization are overarching Company strategies that each contain several programs. Potential projects within these programs are analyzed in the DSP process.[18] All projects related to the Company's grid and pipeline modernization plans go through the same steps outlined above in the DSP process.

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[17] "Named Communities" is an umbrella term that includes Highly Impacted Communities and Vulnerable Populations as those terms are defined in RCW 19.405.020 (23) and (40). Vulnerable populations are designated in an approved CEIP pursuant to WAC 480-100-640 and 480-100-655.

[18] Koch, Exh. CAK-1Tr2 at 10:6-10:14 (describing "projects" to be individual discrete investments such as a tree wire upgrade, and a "program" to be a collection of projects that achieve a common objective or purpose).

Q. Are there problems with the Company's current DSP process?

A. Yes. The current DSP process does not include any clear method for planning for equitable outcomes, nor does it account for distributional equity. Further, as mentioned above, this process does not include any costs associated with important externalities, such as burdens placed on Named Communities.

B. Recommendations

1. Change System Evaluation Thresholds

Q. What does Staff recommend that the Commission do to ensure that PSE plans for equitable outcomes in the System Evaluation step?

A. Staff recommends that the Commission require PSE to develop additional customer-focused System Evaluation thresholds that reflect disproportionate impacts on particular circuits, pipelines, or census tracts, in the System Evaluation step, within 12 months of the approval of the MYRP. Additional customer-focused thresholds could include, but are not limited to, the value of lost load, Customers Experiencing Multiple Interruptions, Customer Complaints, Customer Minutes Interrupted, or other equity focused thresholds related to Company objectives and strategy changes.[19] These additional customer-focused thresholds must also be reported in the Needs Assessments of projects that require one.[20] In particular, Staff recommends

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[19] Koch, Exh. CAK-1Tr2 at 15:8 (noting that evaluating whether a change is needed in the system is triggered by "Company objectives and strategy changes," among others).

[20] Koch, Exh. CAK-1Tr2 at 17:13 – 18:8 (explaining how only certain large projects require a Needs Assessment).

PSE examine factors that relate to the impact of reliability and resiliency to subpopulations of customers, such as the opportunity cost of an outage to subpopulations of customers, or the value of lost load to subpopulations of customers.

Q. How would using different customer-focused thresholds for a System Evaluation contribute to more equitable outcomes?

A Using different customer-focused thresholds would contribute to equitable outcomes by allowing the Company to identify disproportionate impacts to subpopulations of customers and then initiate a System Evaluation, thereby enabling the Company to evaluate alternatives that would mitigate those identified impacts. This recommendation is necessary because PSE presented no evidence that the Company currently uses customer-focused thresholds that are capable of initiating a System Evaluation in response to disproportionate impacts on subpopulations of customers on particular circuits, pipelines, or census tracts.

Q. Would System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) be adequate thresholds for a System Evaluation?

A. No. If PSE were to only use SAIDI and SAIFI as its reliability thresholds in the System Evaluation step, PSE would be unable to measure reliability for subpopulations of customers.[21] SAIDI and SAIFI are useful for tracking system-wide

[21] Navarro, Exh. HEN-1T at pages 47:12-56:10 (discussing why SAIDI and SAIFI are inadequate for measuring reliability for subpopulations of customers).

changes, but not as useful for understanding customer level reliability concerns.[22] While Staff recommends that the Company develop additional thresholds, one possible threshold is a customer-focused threshold based on the value of lost load to specific subpopulations of customers. This could allow PSE to start evaluating its system with a lens for equitable outcomes in addition to system-wide reliability.

2. Add New Equity Related Benefits and Costs

Q. What does Staff recommend that the Commission do to ensure that PSE plans for equitable outcomes in the Alternatives and Solutions, and Optimization steps?

A. Staff recommends the Commission require PSE to create new equity-related benefits and costs in the replacement software for iDOT within 12 months of the approval of this MYRP.

Q. Please elaborate on this recommendation.

A. Staff recommends that the Commission require PSE to develop new equity-related benefits and costs with associated weights as part of PSE's plan to replace its software for iDOT in the Optimization step.[23] In doing so, PSE must engage with affected persons including, but not limited to, its Equity Advisory Group (EAG), the DSP Technical Advisory Group, Named Communities, and other relevant advisory groups and customers. The new equity-related benefits and costs can include, but are

[22] Navarro, Exh. HEN-16 at 10.
[23] Brewer, Exh. MAB-3 at 24 (describing the business need and proposed solution for the iDOT replacement).

not limited to, societal impacts, non-energy benefits and burdens, indoor and outdoor air quality, and the Social Cost of Carbon, as well as any other benefits and costs that come from engagement with affected persons.[24] The new benefits and costs must also be discussed within the Solutions Assessment of projects that require one.

Q. Why is this recommendation necessary?

A. This recommendation is necessary because PSE's final optimized portfolio developed through the DSP process relies heavily on the quantification of benefits and costs and the Company currently does not quantify benefits or costs that relate to equity. With this recommendation, equity-related benefits and costs can become known and measured, and PSE can then reasonably design programs and projects to achieve equitable outcomes, and to prioritize these projects given budget constraints.

Q. What does Staff recommend the Commission do to ensure PSE assigns weights to equity benefits and costs in an equitable manner?

A. As mentioned previously, in establishing new equity benefits and costs with weights, Staff recommends that PSE not rely solely on Company leadership, and instead substantially engage with internal and external affected persons and subject matter experts (SME), including its EAG and any other relevant advisory group. Additionally, the Company must involve customers, particularly those who may face disproportionate burdens such as Named Communities, in this process. Staff expects the Company to engage with affected persons to arrive at *all* benefits, costs, and

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[24] The Social Cost of Carbon is referenced as a potential new benefit in PSE's CSA for a new iDOT model. Brewer, Exh. MAB-3, at 24.

weights, with an emphasis on those that are equity-related in its new optimization tool.

Q. Why must PSE incorporate equity-related *costs* into this step?

A. Since PSE currently only incorporates direct project costs into iDOT,[25] the Company is unable to quantify, and thus plan to mitigate, the disproportionate costs that historically disadvantaged populations may incur related to the Company's energy systems and infrastructure. Benefits are only one component of equitable outcomes. External costs such as costs of poor air quality, burdens to Named Communities, or other societal impacts of the project must be incorporated within iDOT. If such costs are incorporated into the replacement software for iDOT, PSE will be better positioned to plan for equitable outcomes within its capital portfolios.

Q. How are the equity benefits Staff mentions here related to the Customer Benefit Indicators ("CBI") within the CEIP or to the Company's Key Performance Indicators (KPI)?

A. CBIs and KPIs are not identical to the equity benefits Staff references in this recommendation. CBIs were created specifically for CETA, and KPIs are used in the context of grid modernization. That said, Staff believes it would be a best practice for PSE to use learnings from the CBI and KPI process and content to inform how PSE develops and uses new equity benefits in the DSP process. Staff acknowledges

[25] Brewer, Exh. MAB-2 at 11.

that some benefits captured in CBIs and KPIs may be transferrable to the context of benefits in the iDOT replacement tool.

3. Incorporate a distributional equity analysis alongside the existing Benefit Cost Analysis

Q. What else does Staff recommend that the Commission do to ensure that PSE plans for equitable outcomes in the Alternatives and Solutions, and Optimization steps?

A. Staff recommends that the Commission require PSE to incorporate a distributional equity analysis alongside the existing Benefit Cost Analysis (BCA) within 12 months of the approval of this MYRP.

Q. Please elaborate on this recommendation.

A. Staff recommends that the Commission require PSE to incorporate a distributional equity analysis as a decision-making tool alongside the BCA in the Alternatives and Solutions Analysis step and the Optimization step. A distributional equity analysis answers the question of how a project affects target populations relative to other customers, whereas a BCA answers the question of how a project affects customers on average.[26] Thus, PSE's distributional equity analysis must differentiate benefits and costs to subpopulations of customers, including subpopulations of Named Communities. The results of the distributional equity analysis must also be discussed

[26] MTR Handbook at 188.

within the Business Plans and Solutions Assessment of projects that require one. Distributional equity analysis is performed alongside BCAs as researchers, companies, and governments[27] attempt to track what subpopulations receive various benefits and costs.[28]

Q. Can you provide an example of what a distributional equity analysis is and how it is different from a traditional BCA?

A. Yes. A distributional equity analysis measures benefits and costs for a target population to aid decision-makers in funding projects that achieve specific objectives for such target populations. If a project's B/C ratio is above 1, meaning the benefits outweigh the costs, for the target subpopulation, then the project may be funded. In contrast, a BCA measures the total aggregated benefits and costs of a project for the total population on average and typically if the benefit to cost ratio is above 1 the project is funded. Consider two hypothetical projects that an analyst is comparing to reduce energy costs to low-income customers on a circuit.[29] Project 1 adds a distributed energy resource (DER), and Project 2 adds a new electric substation. Consider two hypothetical groups of service recipients that are both on this circuit; 1) Group A historically has the highest income in the community and 2) Group B historically has the lowest income in the community. After reviewing the Projects,

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[27] Richard Revesz & Samantha Yi, *Distributional Consequences and Regulatory Analysis*, 52 LEWIS AND CLARK ENV. L. R. 53, 90-96 (2022), available at https://law.lclark.edu/live/files/33187-52-1-revesz-yipdf.
[28] MTR Handbook at 182-191.
[29] This hypothetical example is intentionally simplified to illustrate how a distributional equity analysis can work at its most basic level.

the analyst conducts two different analyses. Table 1 shows a BCA and Table 2 shows a distributional equity analysis.

Table 1

Traditional Benefit Cost Analysis		
	DER	Substation
$\text{Benefit}_{\text{TotalPopulation}}$	$30,000	$40,000
$\text{Cost}_{\text{TotalPopulation}}$	$25,000	$25,000
$\text{B/C Ratio}_{\text{TotalPopulation}}$	1.2	1.6

Table 2

Distribution Analysis		
	DER	Substation
$\text{Benefit}_{\text{HighIncome}}$	$12,000	$24,000
$\text{Benefit}_{\text{LowIncome}}$	$18,000	$16,000
$\text{Cost}_{\text{HighIncome}}$	$15,000	$10,000
$\text{Cost}_{\text{LowIncome}}$	$10,000	$15,000
$\text{B/C ratio}_{\text{HighIncome}}$	0.8	2.4
$\text{B/C ratio}_{\text{LowIncome}}$	1.8	1.07

Traditional BCA would favor Project 2 Substation, as it offers a higher B/C ratio of 1.6 compared to Project 1's ratio of 1.2. However, the goal of the project is to reduce energy costs to low-income customers. When using a distributional equity analysis that considers benefits and costs experienced by specific groups of customers, Project 1 DER is the best option to meet the project goal because it results in a greater B/C ratio for the project's target population than under a traditional analysis.

Q. Does PSE currently have the capability to differentiate benefits for specific groups of customers?

A. Yes. PSE currently differentiates benefits for gas and electric customer classes (Residential, Commercial, Industrial). The Company can use its learnings from this process to differentiate between new subpopulations related to equity and Named Communities.

Q. How should PSE use both its existing BCA and a distributional equity analysis?

A. Staff recommends that PSE create a process for comparing results of a BCA and a distributional equity analysis. Distributional equity analysis is most effective when conducted alongside, rather than incorporated within, a BCA,[30] particularly when the two results are compared using established evaluation procedures.[31] While allowing PSE the flexibility to choose how to apply this analysis most effectively and efficiently for its business, Staff expects to see that within 12 months of approval of the MYRP, PSE can demonstrate that it uses a distributional equity analysis in its DSP process.

C. Response to PSE

Q. Did PSE present sufficient evidence demonstrating that the Company sufficiently planned for equitable outcomes in the DSP process in this MYRP?

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[30] Richard Revesz & Samantha Yi, *Distributional Consequences and Regulatory Analysis*, 52 LEWIS AND CLARK ENV. L. R. 53, 90 (2022), available at https://law.lclark.edu/live/files/33187-52-1-revesz-yipdf.

[31] MTR Handbook at 188.

A. No. The pre-filed direct testimony and exhibits of Company witness Catherine Koch did not contain sufficient evidence to demonstrate that PSE was planning for equitable outcomes in its DSP process.

Q. What did Staff determine about the documents PSE presented in its responses to Staff's DRs on this issue?

A. PSE's responses to Staff's DRs did not contain sufficient or definitive evidence to demonstrate PSE planned for equitable outcomes in the DSP process that informed the Company's MYRP proposal in this case.

Q. Were there any responses to Staff's DRs on equity in DSP that indicate that the Company has not sufficiently planned for equitable outcomes in DSP in the MYRP period?

A. Yes. Staff asked the Company to provide documents that show future plans for changes to the capital planning process during the MYRP period, including changes related to equitable outcomes, among other topics.[32] PSE provided several documents in response which detailed changes it plans to make, including PSE's Delivery System Enhancement Project – Business Architect Deliverable[33] and a CSA for a replacement tool for iDOT.[34]

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[32] Brewer, Exh. MAB-3 at 1.
[33] Brewer, Exh. MAB-3 at 12-34.
[34] Brewer, Exh. MAB-3 at 35-38.

Q. Can you elaborate on PSE's Delivery System Enhancement Project – Business Architect Deliverable?

A. This document does not contain sufficient information about the Company's plans to incorporate equity into the DSP. Equity is mentioned peripherally only three times in the document in terms of being a possible goal, not a specific plan or action.[35] This 2019 project states that it was updated to ensure that the goals and commitments of CETA were incorporated,[36] thus plans for equitable outcomes should have been emphasized and centered far more than they were.

Q. Can you elaborate on the CSA for a replacement tool for iDOT?

A. In this document, PSE explains that it will replace iDOT with a tool that can support more benefits, one of which includes equity.[37]

Q. Wouldn't that mean that the Company has demonstrated it planned for equitable outcomes in the DSP process in this MYRP period?

A. No. Plans in a CSA have not yet come to fruition. The CSA only shows that PSE plans on making changes that *could* improve its capital planning processes such that equitable outcomes might be considered; it does not speak to the Company's consideration of equitable outcomes in the DSP process used for the current MYRP proposal. In other words, the CSA is a plan to *potentially* improve future plans and Staff cannot assume that plans in a CSA will be completed within this MYRP period.

[35] Brewer, Exh. MAB-3 at 30, 32-33.
[36] Brewer, Exh. MAB-3 at 23.
[37] Brewer, Exh. MAB-3 at 35.

Therefore, Staff cannot determine that PSE did plan for equitable outcomes in the DSP process in this MYRP period.

Q. Did PSE provide any materials in subsequent DR responses that indicated the Company has specific, actionable, and timebound plans to develop new equity related benefits and costs?

A. No. PSE responded with several attachments that show some work-in-progress towards developing new benefit values.[38] These plans are still in their early stages and do not provide conclusive evidence that PSE already incorporated a plan for equitable outcomes in the DSP process in the current MYRP. These internal PSE plans do not definitively show how and when new equity related benefits and costs or a distributional equity analysis would be incorporated into the DSP framework. However, Staff acknowledges that the Company's plans suggest that it is making progress toward this goal.

Q. Did PSE present sufficient evidence to demonstrate that it planned for equitable outcomes in its Grid Modernization strategies or programs?

A. No. PSE does not currently demonstrate specific, actionable, and timebound plans for equitable outcomes within its Grid Modernization program.[39] While PSE's Grid Modernization Strategy does detail the Company's guiding principles of "equitable" and "customer expectations and equity," some of the language surrounding equitable

[38] Brewer, Exh. MAB-4 at 1-3.
[39] Koch, Exh. CAK-5, Appendix C (detailing the Company's Grid Modernization Strategy).

outcomes is in reference to requirements laid out by CETA.[40] While those requirements are relevant, any elements of the grid modernization programs that are not related to CETA should also contain plans for equitable outcomes. Staff was unclear about how references to equity translate into specific, actionable, and timebound results. The document refers loosely to stakeholder engagement, the EAG, customer partnerships, and the DSP framework,[41] but doesn't explicitly link these activities to a specific, actionable, and timebound plan for equitable outcomes.

Q. Did PSE present sufficient evidence to demonstrate that it planned for equitable outcomes in its Pipeline Modernization strategies or programs?

A. No. The Company didn't present evidence in either testimony or DR responses that show how it is actively planning for equitable outcomes within pipeline modernization programs in this MYRP.

Q. Were there any data request responses that influenced Staff's evaluation of PSE's Grid and Pipeline Modernization programs?

A. No. In UTC Staff DR No. 160 to PSE, Staff asked how the guiding principle of "Equitable" and "Customer Expectations and Equity" were incorporated into the capital planning process.[42] Additionally, Staff asked for PSE to provide any documents that show relevant aspects of equity in the pipeline modernization

[40] Koch, Exh. CAK-5, Appendix C at 6-8, 11.
[41] Koch, Exh. CAK-5, Appendix C at 8-10.
[42] Brewer, Exh. MAB-5 at 1.

strategy. PSE responded by referencing its responses to other Staff DRs.[43] PSE's answers did not establish that PSE is definitively planning for equitable outcomes in grid or pipeline modernization outside of the CEIP and specific requirements within CETA. The response contained a series of attachments, none of which clearly answered the question posed by Staff.

Q. Please summarize the plan for an equity assessment that PSE refers to in the CEIP.

A. PSE states it will "begin developing the building blocks for an equity assessment" as a part of its CEIP efforts, to be incorporated into the 2023 biennial CEIP update.[44] This equity assessment is solely related to CEIP efforts, and it does not appear to have a direct link to the enterprise-wide capital planning process for this current MYRP.

Q. Does this plan for an equity assessment serve as evidence that PSE sufficiently planned for equitable outcomes in its capital planning processes in this MYRP?

A. No, because this equity assessment is specifically related to CEIP activities and PSE hasn't presented any evidence that would definitively demonstrate if or how its usage would apply to other capital planning activities. This is another example of a not yet fully-developed plan to improve future plans, rather than a specific, actionable, and timebound proposal for equitable outcomes in this MYRP.

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[43] Brewer, Exh. MAB-2 at 1; Brewer, Exh. MAB-3 at 1; Brewer, Exh. MAB-4 at 1; Brewer, Exh. MAB-10 at 1.

[44] Jacobs, Exh. JJJ-3 at 234.

VI. CORPORATE CAPITAL ALLOCATION FRAMEWORK

A. Background

Q. Please describe PSE's Corporate Capital Allocation framework.

A. The Corporate Capital Allocation process is the enterprise-wide framework for prioritizing and allocating finite financial resources to the highest priority initiatives to deliver customer benefits. This framework encompasses all capital portfolios across several functional business units. The Company uses this framework to develop the five-year capital plan that is the basis for the MYRP.[45] This process is broken down into three tiers which the Company uses to describe the level of management oversight of each tier.[46] To simplify this framework, Staff refers to the tiers by the management oversight each is associated with.

Departmental: Departmental projects and expenditures originate in the "first tier." Managers, SMEs, and directors govern this first tier planning and propose capital expenditures that meet business and customer needs in their department.

Interdepartmental (Vice president): Next, these tier-one expenditures are submitted up to the "second tier" interdepartmental functional business units which are governed on the vice president level. Vice presidents review proposed projects and compare them within each business unit until each business unit arrives at an optimized portfolio.

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[45] Kensok, Exh. JAK-1T at 5:15 – 6:10.
[46] Kensok, Exh. JAK-1T at 5:15 – 6:10.

Company-wide (Senior management and Board of Directors): Finally, each business unit's proposed portfolio is submitted to the "third tier" enterprise-wide prioritization level. Senior management and the Board of Directors evaluate and prioritize all investments enterprise-wide and make the decision on a final capital portfolio.

Q. How does PSE document and track requests for capital investments?

A. PSE uses a CSA process to identify, evaluate, and prioritize large strategic projects.[47] The threshold for an investment to require a CSA is $2.5 million. CSAs can originate from any of PSE's functional business units. CSAs describe identifiable benefits the project will provide, a risk management summary, and other financial and timeline details of the project.[48]

Q. How does the DSP process intersect with this process?

A. The DSP process begins on a departmental level in tier-one and ends in the optimization of its portfolio in tier-two. The DSP process is housed within the Operations functional business unit, which reviews all transmission and distribution related investments and arrives at a portfolio that it sends to the Board of Directors level.[49] PSE uses CSAs within the DSP to track projects that meet the $2.5 million threshold.

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[47] Kensok, Exh. JAK-1T at 10:16 – 11:2.
[48] Koch, Exh. CAK-5, Appendix B (providing examples of CSAs submitted in this MYRP).
[49] Koch, Exh. CAK-1Tr2 at 13:13 – 14:5.

Q. Can you elaborate on how the Company-wide oversight level works?

A. Yes. The Company-wide oversight level is governed by the Board of Directors and senior management. After all optimized portfolios are submitted by each functional business unit, these personnel evaluate and prioritize the portfolios and make final decisions for an enterprise-wide portfolio to be approved given budget constraints.[50]

Q. What happens after the final allocation decisions are made at the Company-wide level?

A. After the final allocation decisions are made at the Company-wide level, projects are handed off to PSE's Project Delivery organization which is responsible for performing project and program management through each project's lifecycle.[51]

B. Recommendations

1. Modify Tier Three Board of Directors Process

Q. Please summarize what Staff recommends the Commission do to ensure that PSE demonstrates that it is planning for equitable outcomes in the Corporate Capital Allocation process.

A. First, Staff recommends that the Commission require PSE to develop a process or procedure for how the Board of Directors and senior management plan for equitable

[50] Kensok, Exh. JAK-1T at 6:4 – 7:16.
[51] Section VII of this testimony provides a brief overview of this process.

outcomes when making decisions on enterprise-wide capital portfolios within 12 months of approval of this MYRP.

Q. Please elaborate on this recommendation.

A. The Company must formalize an equity lens in capital planning that goes beyond benefit quantification in the DSP process. Specifically, PSE must develop a process or procedure for how the Board of Directors and senior management plan for equitable outcomes when making decisions on enterprise-wide capital portfolios within the Corporate Capital Allocation (three-tier) planning process. Further, to support this effort, PSE should develop a transparent methodology for how the Enterprise Project Portfolio management (EPPM) tool will be used to apply an equity lens to the Corporate Capital Allocation framework.[52] As mentioned previously in this testimony, PSE uses a three-tier process to develop portfolios across all functional business units. While Staff's recommendations about the DSP process affect capital planning at the departmental and interdepartmental level, this recommendation focuses more on corporate capital allocation at the Company-wide level. This adds an additional layer of high-level review that focuses on comparing several portfolios that have already gone through a planning and optimization process to ensure that the final enterprise-wide portfolio contains an equity lens.

Q. Does PSE have a tool in place already that could help satisfy this recommendation?

[52] Brewer, Exh. MAB-6 at 3-7.

A. Maybe. The Company is currently developing the EPPM tool to incorporate strategic commitments into the allocation and prioritization of funds, enterprise wide.[53]

Q. How does PSE propose the EPPM tool would work?

A. PSE proposes that the EPPM tool would function at the tier-two and tier-three levels. The goal of the tool is to leverage existing PSE tools to achieve business objectives, including multiyear expense planning, benefits realization, and scenario analysis.[54] PSE developed this tool because the Company found that it didn't currently have a consolidated way to compare the portfolios of multiple business units other than using manual and inconsistent methods.[55] PSE expects this tool to be finalized and in use by the end of 2022.

Q. How could the EPPM tool support this recommendation?

A. PSE could develop a methodology within the tool to embed equity within the EPPM project's outcome and results.[56] Since Staff has limited information about how the tool will work in practice, Staff doesn't know what specific interventions would accomplish the goal of planning for equitable outcomes within this tool. It is not possible to know now if the proposed tool is sufficient to support this recommendation. The Company needs to present specific, actionable, and timebound plans that show how this tool will be used to plan for equitable outcomes in the Corporate Capital Allocation framework.

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[53] Brewer, Exh. MAB-6 at 3-7.
[54] Brewer, Exh. MAB-6 at 3.
[55] Brewer, Exh. MAB-6 at 3.
[56] Brewer, Exh. MAB-6 at 4.

2. Modify Corporate Spending Authorization Templates

Q. Please summarize what other action Staff recommends that the Commission take to ensure that PSE demonstrates that it is planning for equitable outcomes in the Corporate Capital Allocation process.

A. Staff recommends that the Commission require PSE to develop a section in the CSA reporting template that requires planners to demonstrate how they planned for equitable outcomes in the project and how distributional equity was considered.

Q. Please elaborate on this recommendation.

A. PSE must develop a section in all CSA reporting templates that requires planners to demonstrate how they planned for equitable outcomes in the project. The section must include a quantification or qualitative description of equity related benefits and costs, *and* the results of both the distributional equity analysis and BCA. This step is essential to demonstrate that PSE is documenting and accounting for equitable outcomes as projects are proposed. Further, Staff believes it is an efficient and transparent way for the Company to demonstrate how equity was considered with projects that require a CSA.

Q. How would this recommendation help Staff and the other parties to a rate case evaluate if PSE was planning for equitable outcomes in future MYRPs?

A. Since CSAs are created for all projects costing more than $2.5 million, parties could see clear and transparent documentation of the equity related processes for any given project that contributes to the rate base in a MYRP. This documentation is one way that Staff and other parties could have a starting point to understand and evaluate if PSE was planning for equitable outcomes in capital projects in future MYRPs.

C. Response to PSE

Q. Did PSE present evidence that the Company sufficiently planned for equitable outcomes in its Corporate Capital Allocation process in this MYRP?

A. No.

Q. Did the Company respond to DRs showing how it planned for equity in the Corporate Capital Allocation process?

A. Yes. Staff inquired about any documents, policies, or procedures that identify business planning or Corporate Capital Allocation practices related to ensuring all customers are benefiting from the transition to clean energy.[57] While this DR was related to the transition to clean energy, PSE's response was repeated in several of Staff's DR on the general topic of equity, equitable outcomes, and named communities.[58] PSE also included the Company's Diversity Equity and Inclusion (DEI) Playbook.[59] PSE explains in its response that the DEI Playbook reflects PSE's corporate commitment to equity and that it contains a "shared vision and strategy roadmap to support its decentralized model for managing DEI."[60]

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[57] Brewer, Exh. MAB-7 at 1.
[58] Brewer, Exh. MAB-2 at 2; Brewer, Exh. MAB-9 at 2; Brewer, Exh. MAB-10 at 2; Navarro, Exh. HEN-5 at 1-2; Navarro, Exh. HEN-10 at 1-2.
[59] Brewer, Exh. MAB-7 at 5-18.
[60] Brewer, Exh. MAB-7 at 9.

Q. Are these responses sufficient?

A. No. Neither the DR response nor the DEI Playbook contain any specific, actionable, or timebound information. A general corporate commitment to equity is not specific nor actionable enough to demonstrate that the Company has plans to follow through on specific actions that affect capital planning or the equitable transition to clean energy. Although the DEI Playbook outlines how the Company will work with Community, Customers, People and Suppliers[61] for DEI efforts, it contains no information specific to this MYRP.[62] While these activities may be beneficial in their own right, they are not related to the capital investment plans PSE made in this case.

Q. Did Staff follow up on this DR?

A. Yes. Staff asked a follow-up DR about any documents that show results or work-in-progress on the "Assess" and "Plan and Act" steps in the DEI Playbook that are allegedly occurring in 2022.[63] PSE responded by explaining that the community investments, grants, sponsorships, and other engagement-related expenses in the DEI Playbook-related efforts "are not paid for by customer funds and are not part of this rate case."[64] Since this DEI Playbook was referenced in numerous responses to Staff's DRs about equity, Staff would expect that it would be related to the specific questions Staff asked about capital planning.[65] PSE's response indicates the efforts in

[61] Brewer, Exh. MAB-7 at 13.
[62] Brewer, Exh. MAB-8 at 1.
[63] Brewer, Exh. MAB-8 at 1.
[64] Brewer, Exh. MAB-8 at 1.
[65] Brewer, Exh. MAB-2 at 2; Brewer, Exh. MAB-9 at 2; Brewer, Exh. MAB-10 at 2; Navarro, Exh. HEN-5 at 1-2; Navarro, Exh. HEN-10 at 1-2.

the DEI Playbook are not a part of this rate case and thus Staff views the DEI Playbook as an unrelated and insufficient response to Staff's inquiries.

Q. Were there other areas where PSE failed to demonstrate that the Company was planning for equitable outcomes?

A. Yes. PSE did not present sufficient evidence of planning for equitable outcomes within the CSA process. The CSAs that Staff reviewed in Company witnesses C. Koch and Bamba's testimonies and exhibits did not include any specific, actionable, or timebound references to planning for equitable outcomes.[66] Further, as PSE's response to UTC Staff DR No. 251 illustrates, PSE did not present anything that would show the Company planned for equitable outcomes within the EPPM tool.[67]

VII. PROJECT LIFECYCLE MODEL PLANNING

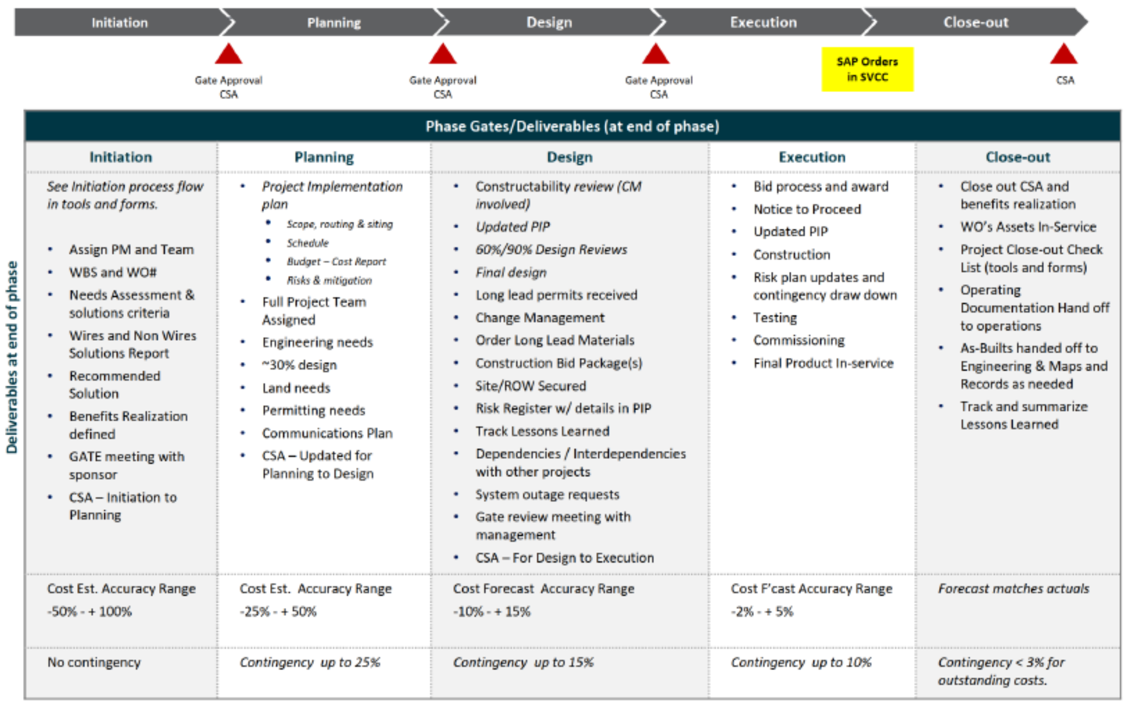
A. Background

Q. How does the PLM function?

A. The PLM process is a five-phase process that governs how individual projects and programs are managed from their initiation to completion. Within this process, planners will re-evaluate any new alternatives and confirm the need for the project. They will also manage the design and execution of the project itself, including obtaining permits and overseeing construction. After the Board of Directors approves

[66] Bamba, Exh. RBB-3 through Bamba, Exh. RBB-11; Koch, Exh. CAK-5, Appendix B.
[67] Brewer, Exh. MAB-6 at 3-7.

a capital portfolio, projects are handed off to the Project Delivery organization, and projects are managed using this PLM. Figure 1 provides a visual representation of the five phases in this model:[68]



In the Initiation phase, PSE confirms the project need, analyzes if there are any new alternatives, and recommends a solution that accounts for risks, benefits, and costs. In the Project Planning phase, the project manager assigned to a project defines the scope, identifies engineering, permitting, and resource needs and assembles a team to keep internal and external stakeholders aware of the project's development. In the Design phase, PSE conducts detailed engineering design, pursues necessary permits, and conducts management approval to move onto execution. In the Execution phase, PSE selects contractors and implements construction. Finally, in the Close-out phase,

[68] Bamba, Exh. RBB-1T at 5.

all documentation of the project is filed for future reference, including benefits realization.

B. Recommendation

Q. What action does Staff recommend that the Commission take to ensure that PSE demonstrates that it is planning for equitable outcomes in the PLM?

A. Staff recommends that the Commission require PSE to develop a process or procedure within the PLM that demonstrates the Company plans for equitable outcomes within this model, within 12 months of the approval of the MYRP. The process or procedure must demonstrate that when planners verify needs, alternatives, and solutions, they are considering and planning for equitable outcomes.

Q. Should the Commission intentionally allow for flexibility in complying with this recommendation?

A. Yes. The Commission should allow PSE to propose a process or procedure that Company management thinks will best achieve these goals. The goal of this recommendation is to ensure that PSE takes action to embed equity into this process, and the Company is in the best position to design that process.

C. Response to PSE

Q. Did PSE present sufficient evidence that shows that the Company planned for equitable outcomes within the Project Lifecycle Model?

A. No. In response to UTC Staff's DR No. 114, the Company states that "PSE does not possess documents that show how the models referenced in the pre-filed Direct Testimony of Roque Bamba Exh. RBB-1T including but not limited to the PLM, Infrastructure Program Management model, PSE Enterprise Program Management Organization, Project Management Institute, and Project Management Book of Knowledge contain frameworks for incorporating the value/benefit of equity into management of projects and programs throughout their lifecycle."[69]

Q. Does this conclude your testimony?

A. Yes.

[69] Brewer, Exh. MAB-9 at 2.