

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of PUGET SOUND ENERGY, Petitioner, To Approve Tariff Revisions Regarding Schedule 150 for Net Energy Metering	DOCKET UE-231031 ORDER 01 ALLOWING TARIFF TO GO INTO EFFECT, SUBJECT TO CONDITIONS
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BACKGROUND

- 1 On December 20, 2023, Puget Sound Energy (PSE or Company) filed with the Utilities and Transportation Commission (Commission) an update to its Schedule 150 (Net Energy Metering) tariff. Schedule 150 implements a net metering program consistent with Chapter 80.60 RCW Net Metering of Electricity.
- 2 On April 3, 1998, Governor Gary Locke signed into law Washington’s Net Energy Metering policy, which initially required electric utilities to offer net metering to customers on a first-come, first-served basis until the cumulative capacity of such systems equals 0.1 percent of each utility’s peak demand during 1996. Since 1998, the statutory threshold has been amended twice, once in 2006 and again in 2019. The 2019 amendment raised the statutory threshold to 4 percent.
- 3 Based on current statute, PSE’s approximate threshold on their system is 179.2 MW. By the end of 2023, more than 21,000 systems with a cumulative capacity of nearly 175 MW were connected to PSE’s system.
- 4 In 2019, the Legislature enacted the Clean Energy Transformation Act (CETA), requiring electric utilities to ensure an “equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities.”¹

¹ RCW 19.405.040(8)

5 PSE filed its initial 2021 Clean Energy Implementation Plan (CEIP) on December 17,
2021, which included the Company’s plan to file a successor to its net metering tariff in
early 2024.²

6 The Company filed its 2023 Biennial CEIP Update on November 1, 2023, and expressed
its plan to continue offering its net metering program after the cumulative generation on
the Company’s system surpassed the 4 percent threshold in statute.

7 On December 20, 2023, PSE filed this update to its net metering program tariff proposing
to continue offering this service until at least December 31, 2025, even after it passes the
4 percent threshold in statute. PSE anticipates crossing the 4 percent threshold in the first
quarter of 2024.

8 On January 11, 2024, Commission staff (Staff) filed comments on PSE’s 2023 Biennial
CEIP Update. Those comments include concerns about the equity and cost implications
of PSE continuing to offer its net metering program in its current form beyond what is
required by law.

9 In Staff’s comments on PSE’s 2023 Biennial CEIP Update and in this docket, Staff has
expressed concern over three issues.³ First, Staff notes that statute requires that
Washington utilities offer net metering programs on a “first-come, first-served basis until
the earlier of either: (i) June 30, 2029; or (ii) the first date upon which the cumulative
generating capacity of net metering systems equals four percent of the utility’s peak
demand during 1996.”⁴ After a utility meets one of those two criteria, the question of
whether to offer net metering to new customers and on what terms becomes an open
question for both the utility and the Commission.⁵ Staff understands that when a utility
crosses this 4 percent threshold, that utility transitions from a period when it had a legal
obligation to offer the strict net metering program outlined in 80.60 RCW to a new
paradigm in which the onus lies on the utility to choose – and justify to the Commission –
how to move forward. In this case, PSE’s *choice* – as evidenced by this filing – is to
continue its net metering program maintaining the status quo for at least the next two

² Docket UE-210795, Corrected 2021 Clean Energy Implementation Plan at 168 (Feb. 1, 2022).

³ Commission Staff Comments Regarding PSE’s 2023 Biennial CEIP Update at 11, Docket UE-210795, Jan. 11, 2024.

⁴ RCW 80.60.020

⁵ See Docket UE-230172, McGuire, Exh. CRM-1T at 66-70 (filed Sept. 14, 2023).

years. Staff does not believe that PSE has provided adequate analysis to justify this choice considering the Company's obligations under CETA's equity provisions.

- 10 Second, Staff expressed concern over PSE's process, noting that engagement with advisory groups in this case has been less than ideal. Generally, before filing a tariff revision such as this, PSE engages advisory groups, includes programs in planning documents, shares tariff language, and then files the tariff sheets with the Commission. Staff believes no engagement occurred with advisory groups and expresses further concern that the revisions to PSE's tariffs were filed before comments were to be filed on PSE's 2023 Biennial CEIP Update.
- 11 Finally, Staff noted that the state's current Net Energy Metering statute was enacted prior to equity being a standard consideration and that the Company must now address how this program does or does not support an equitable distribution of benefits and reduction of burdens⁶ among CETA's Named Communities. Further, Staff has concerns about how the retail rate compensation for excess solar production of net metered systems compares to PSE's own schedule of avoided costs, a concern Staff believes is bolstered by a recent E3 study on the cost-effectiveness of net metering in the state.⁷
- 12 Since the Company's filing on December 20, 2023, 154 comments have been submitted related to this filing. Of these, 151 voiced support for the filing, while 3 were undecided. Several other comments came from organizations or companies connected to the solar industry, all of which expressed support for PSE's proposed Schedule 150 updates. Many of the commentors point out that the 4 percent threshold in statute is a minimum, not a limit, to net metered systems. Many also voiced concern about changing PSE's net metering tariff without a thorough and unbiased study, pointing to the potential for a statewide "value of solar" study as a promising path forward. Commentors also pointed to ongoing conversations about the future of net energy metering and proposals in the legislature, which could include possible funding for a "value of solar" study. Finally, several of the comments suggested the study performed by E3 was biased or at least did not account for all the benefits of net metered solar.

⁶ RCW 19.405.040(8)

⁷ A recent study conducted by energy consultant E3 estimated that an example 7 kW net metered solar system in PSE service area has benefit-cost ratios of 0.60 (Societal Cost Test), 0.51 (Total Resource Cost) and 0.34 (Ratepayer Impact Measure). [*Benefits and Costs of Net Energy Metering in Washington*](#), E3, Dec. 21, 2023.

- 13 In response to discussions with Staff, PSE filed substitute tariff sheets on January 18, 2024, to delay the effective date until February 29, 2024, providing more time for discussion and analysis of the filing given the concerns Staff raised in comments on the Company's Biennial CEIP Update filing.
- 14 On January 18, 2024, in PSE's Cover Letter, the Company echoed the point raised by Commentors that statewide discussions regarding net energy metering are ongoing and legislation has been proposed.
- 15 Staff agrees that a cohesive statewide approach to net energy metering would be a more desirable outcome than piecemeal approaches after each utility reaches the 4 percent threshold. However, with no guarantee of legislative action, Staff notes that the current regulatory framework places the burden on PSE to justify its decision once the statutory threshold is crossed.
- 16 While Staff has concerns, Staff recognizes that distributed energy resources (DERs) – including distributed solar – are a powerful tool for realizing equitable outcomes envisioned by CETA. Further, PSE has expressed to Staff that the Company intends to meet its equity requirements through a balanced portfolio of DER options.
- 17 Accordingly, Staff recommends allowing the revisions to Schedule 150 filed by PSE on January 18, 2024, to become effective February 29, 2024, on condition that:
- (1) PSE conduct a distributional equity analysis of the Schedule 150 tariff schedule using the framework developed in its distributional equity analysis pilot (as required by Condition 50 in UE-220066) and share the results of that study and PSE's proposed next steps in a workshop with all interested persons no later than December 31, 2024, and
 - (2) PSE invite to the above-mentioned workshop, at a minimum, members of its Conservation Resources Advisory Group, Equity Advisory Group, and Low-Income Advisory Committee.
- 18 On February 22, 2024, this matter came before the Commission at its regularly scheduled open meeting. At the meeting, the Commission heard additional comments from Staff and from PSE. Staff reiterated its recommendation and expressed concern that the Company had not sufficiently considered the equity and costs impacts of continuing the Net Energy Metering program. Further, Staff reiterated its interpretation that the statutory threshold is not a cap on Net Energy Metering, but a threshold. After the threshold is met,

Staff reiterated its position that it becomes a choice for the Company as to how to handle and whether to offer Net Energy Metering.

- 19 PSE explained that 26 percent of customers utilizing Net Energy Metering are in highly impacted census blocks. PSE agreed with Staff that the statutory threshold is not a cap, but merely a threshold. PSE reiterated its position that the program could continue after the statutory threshold is passed. In response to the Commissioner questions regarding the value of Net Energy Metering, PSE noted that a legislative resolution in the form of a value of solar study may soon be passed. PSE noted that if a value of solar study is passed, that study may address the equity and cost concerns expressed by Staff. PSE also noted the Company is willing to conduct a distributional equity of the Net Energy Metering program if a value of solar study is not passed but expressed concerns on the timeline proposed by Staff. PSE requested that the timeline be extended to allow the Commission and a broader group of interested persons time to review the methodology of its distributional equity pilot.
- 20 In response to PSE's request, Staff recommended that if a value of solar study is passed and poses any difficulties with the conditions imposed by this Order, the Company could request amended conditions.

DISCUSSION

- 21 The Commission agrees with Staff that the Company's Petition should be approved subject to the conditions contained in paragraph 17 of this Order. While the Commission agrees that the tariff rates proposed by the Company should be allowed to go into effect, we are concerned about the equity considerations that Staff raises.
- 22 Considering the comments at our open meeting, it is not clear that any value of solar study, which may or may not be required by the legislature this session, will necessarily address Staff's concerns. The Commission does not find that extending the timeline for a distributional equity analysis is necessary at this time.
- 23 Our order approving PSE's 2021 CEIP acknowledges the power of DERs to enable distributional equity through conditions 20 and 21, which require PSE to designate minimum proportions of energy benefits from each DER tranche to Named Communities (30 percent) and customers in "deepest need," and to develop mechanisms to enable such distribution.⁸

⁸ Final Order 08 at 75, Docket UE-210795, June 6, 2023.

24 While DERs enable distributional equity as required by CETA, Staff’s concerns over the equity of continuing Net Energy Metering beyond the statutory 4 percent threshold are not unfounded. In approving PSE’s Petition in this docket, subject to the conditions outlined in paragraph 17, we will be better able to assess the impacts of the Net Energy Metering Tariff moving forward to ensure that Net Energy Metering is both equitable and results in rates that are fair, just, reasonable, and sufficient.

25 With the conditions described above, we find that the tariff revisions filed on January 18, 2024, are fair, just, reasonable, and sufficient, and may go into effect as filed on February 29, 2024.

FINDINGS AND CONCLUSIONS

26 (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, including water companies.

27 (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.

28 (3) This matter came before the Commission at its regularly scheduled meeting on February 22, 2024.

29 (4) After review of the Petition filed in Docket UE-231031 by Puget Sound Energy on December 20, 2023, and giving due consideration, the Commission finds that the Petition should be granted subject to the conditions that:

(1) PSE conduct a distributional equity analysis of the Schedule 150 tariff schedule using the framework developed in its distributional equity analysis pilot (as required by Condition 50 in UE-220066) and share the results of that study and PSE’s proposed next steps in a workshop with all interested persons no later than December 31, 2024, and

(2) PSE invite to the above-mentioned workshop, at a minimum, members of its Conservation Resources Advisory Group, Equity Advisory Group, and Low-Income Advisory Committee.

ORDER

THE COMMISSION ORDERS:

- 30 (1) The tariff revisions filed by Puget Sound Energy filed December 20, 2023, as
revised on January 18, 2024, subject to the conditions noted in paragraph 29 of
this Order, are fair, just, reasonable, and sufficient, and may go into effect on
February 29, 2024.
- 31 (2) The Commission authorizes the Commission Secretary to accept by letter a filing
that complies with the requirements of this Order.
- 32 (3) 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 February 23, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner