

Agenda Date: September 26, 2024
Item Number: A1

Docket: UE-231031
Company: Puget Sound Energy

Staff: Joel Nightingale, Regulatory Analyst

Recommendation

Approve the petition removing conditions 1 and 2 from Order 01 in this docket, under the following new conditions:

1. PSE will file Washington State Academy of Sciences expected Interim Report (due June 30, 2025) in this docket.
2. As informed by the findings in the Washington State Academy of Sciences expected Interim Report (to be submitted with the Commission June 30, 2025), PSE must conduct a territory-specific distributional equity analysis on its net metering program (Schedule 150) and file it in this docket. PSE must complete at least the first six (6) steps, as described in Figure 1. Key Stages in Distributional Equity Analysis Framework (or Framework), from the U.S. Department of Energy’s “Distributional Equity Analysis for Energy Efficiency and Other Distributed Energy Resources: A Practical Guide” no later than December 31, 2025.
3. At a minimum, PSE will invite members of its Conservation Resources Advisory Group, Equity Advisory Group, and Low-Income Advisory Committee to be part of its “Community and Stakeholder Involvement,” as described in the Framework.

Background

Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) an update to its Schedule 150 (Net Energy Metering) tariff on December 20, 2023. Schedule 150 implements a net metering program consistent with Chapter 80.60 RCW Net Metering of Electricity.

On February 22, 2024, the Commission heard this issue during a regular Open Meeting, and the next day issued an order approving this tariff filing on the following conditions:¹

- 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.

¹ Paragraph 29, Order 01, February 23, 2024, Docket UE-231031.

On June 12, 2024, the Company filed a petition to amend Order 01 removing both conditions of approval. The Company argues that this is warranted because on March 29 the legislature approved funding for an Interim Report from the Washington State Academy of Sciences (WSAS) on the value of distributed solar and storage, and the WSAS confirmed to PSE that “equity considerations will be a part of that study.”²

Discussion

Commission staff (Staff) is encouraged that a statewide solution to the question of net metering’s future may be on the horizon, as evidenced by the recent passage of a budget proviso funding the WSAS’s Interim Report on the value of distributed solar and storage. However, Staff highlights three important concerns with PSE’s petition:

1. The budget proviso does not fund a full value of solar study, and the contents of the Interim Report are unclear,
2. The soonest PSE would likely have an equitable successor tariff, if needed, is 2029 (if this petition is approved without conditions),
3. The Company appears to take for granted that the WSAS Interim Report will be a suitable substitute for a utility program-specific distributional equity analysis.

The Budget Proviso

It is important to note that the budget proviso passed by the legislature in March funds only the first step in its work through the end of June 2025.³ In order to produce a full value of solar study, the legislature would need to approve additional funding in the 2025-2027 fiscal biennium. If the 2025 Interim Report lacks the policy recommendations expected in the final study, Staff is concerned that PSE is setting itself up to come back to the Commission with a similar petition or tariff filing next year if/when it becomes clear that the Interim Report does not contain actionable recommendations, especially regarding equity in PSE’s service territory. Staff provides the full language of the budget proviso below (*emphasis added*):

(45)(a) \$500,000 of the general fund—state appropriation for fiscal year 2025 is provided solely for the department to contract with the Washington state academy of sciences to conduct a study to determine the *value of distributed solar and storage in Washington state*, including any factors the academy finds relevant, in order to create recommendations and options for a methodology or methodologies that utility regulators and governing bodies may use after the statutory four percent net metering threshold is met. In the course of their research and analysis, the academy shall engage relevant stakeholders focused on the value of distributed energy resources in Washington state, including solar, storage, vehicle to grid, and other resources. This shall include, but is not limited to, representatives from consumer-owned utilities, municipal-owned utilities, investor-owned utilities, utility regulators, the rooftop solar and storage industry, as well as advocacy organizations

² Puget Sound Energy’s Petition to Amend Order 01, June 12, 2024, Docket UE-231031.

³ See [Engrossed Substitute Senate Bill 5950, Chapter 376, Laws of 2024](#) at 154:30-155:13.

involved with consumer advocacy, environmental justice, clean energy, climate change, labor unions, and federally recognized Indian tribes.

(b) The Washington state academy of sciences shall submit an interim report to the department and the utilities and transportation commission by June 30, 2025. This interim report must include a plan and cost estimates for further work in the 2025-2027 fiscal biennium to develop policy recommendations and submit a final report to the department and the utilities and transportation commission.

Timing concerns

Staff asserts that equity work on net metering programs cannot wait until 2028 or later to begin. This is especially true for PSE, which – by its own estimation – will add about 30 MW of new net metered systems every year and is already well above the 4 percent threshold required by 80.60 RCW.

Staff continues to be concerned about the timeline implied by PSE’s petition. Based on the budget proviso, the final study from WSAS – assuming it is funded, which is not a foregone conclusion – would be submitted to the Commission and the Department of Commerce in mid-2027. If PSE filed a tariff *immediately* upon that study being submitted, statute requires PSE to give 12 months for Commission review of this successor tariff, which puts an effective date for the new tariff in mid-2028.⁴

Realistically, PSE would not likely be able to file this tariff update immediately. The Company would need time to draft the new language, engage its interested parties, and possibly conduct a PSE-specific equity analysis. At the end of the day, Staff’s understanding is that PSE’s petition, if approved, would likely result in an updated tariff going into effect no sooner than early- to mid-2029.⁵ The Clean Energy Transformation Act (CETA) requires at least 80 percent of retail electric load to be served by clean energy by 2030. **Before this key CETA compliance date, it is unclear how PSE will ensure the equitable distribution of energy and nonenergy benefits during this transition without performing a robust analysis of its largest distributed renewable energy program.**⁶

Equity: Commission and Other DEA Guidance

The Company has expressed its desire to await further guidance from the Commission’s ongoing equity docket (A-230217), and Commission approval of a specific DEA methodology. Staff

⁴ RCW 80.60.020(3)(a)(ii)

⁵ The Company estimates that its customers will continue to add about 30 MW of net metered systems per year. Between mid-2024 and mid-2029, that equates to about 150 MW of new net metered capacity, which would represent a near doubling of the 179.2 MW that correlates with PSE’s 4 percent threshold in 80.60 RCW.

⁶ RCW 19.405.060(1)(c)(iii)

asserts that while these efforts proceed, PSE is not relieved of its obligation to move the state of energy equity forward.

Staff also points to a significant source of existing guidance. In May 2024, the Department of Energy and Lawrence Berkely National Lab published the *Distributional Equity Analysis for Energy Efficiency and Other Distributed Energy Resources - A Practical Guide* (DEA Guide). This guide lays out a seven-step process to develop a DEA⁷ for exactly the type of program in question in this docket. Staff believes regardless of progress or guidance in the Commission's equity docket (A-230217), equity work should be ongoing by companies to meet CETA 2030 compliance requirements.⁸ Staff also understands that this work will be iterative; it should build upon other studies, and there will be learning along the way; what is important is to keep the work moving forward.

The final step in the process laid out in the DEA Guide is step seven (7): “Make resource decisions using results from DEA and BCA.” Under current state law, how PSE uses the information from a DEA and the potential value of solar study is ultimately a resource decision for the Company to make with a subsequent Commission prudence review.

Equity within PSE Territory

The Company attached to this petition a one-sentence response from the WSAS about their 2025 Interim Report that stated “equity considerations will be part of it, although the specific workplan will not be developed until after the contract begins” on July 1, 2024. Staff inquired about any updates the Company had received now that the contract period has begun, but Staff has not yet heard a response to this inquiry as of September 19, 2024.

During the February 22 Open Meeting, the Commission expressed concerns about the possibility of a duplication of work between a potential value of solar study and a distributional equity analysis (DEA) conducted by PSE. Staff understands these concerns and asked PSE what elements of the WSAS’s Interim Report would be duplicative of the Company’s DEA methodology as developed in conjunction with the Lawrence Berkely National Lab. The Company responded that it “does not have enough information about the WSAS study to provide a helpful response to this question.”

Staff is concerned that any equity-related guidance in the WSAS Interim Report may be general in nature due to its statewide application. Staff asserts that a PSE program-specific DEA would provide a level of granularity not likely to result from a statewide study. This would leave substantial value in PSE exploring the impacts of its net metering program in its service area – and among its customers – specifically. However, Staff also recognizes that we are likely to know more about this statewide effort when the WSAS’s Interim Report is published in June

⁷ Steps: (1) Establish community and stakeholder process, (2) Articulate the DEA context, (3) Identify priority populations, (4) Develop DEA metrics, (5) Apply DEA metrics to priority populations, (6) Present and interpret results, (7) Make resource decisions using results from DEA and BCA.

⁸ RCW 19.405.060(1)(c)(iii)

2025. Further, Staff understands that Commission decisions are informed by documents in the record, and we believe the June 2025 Washington State Academy of Sciences expected Interim Report will enhance the record for this docket.

Outreach and Interested Person Engagement

As of September 17, 2024, no comments have been filed in this docket since PSE's petition was filed.

Staff has had discussions with the Company and Department of Commerce staff about this filing. Staff has also reached out to other stakeholders but has not heard back from any who plan to take a position regarding this petition.

Conclusion

For the reasons above, Staff believes approving its petition to remove the two conditions is warranted and in the public interest. However, we do see significant risk of PSE simply waiting for outside guidance – and not taking responsibility for the impacts of this program – if no stipulations remain. In the absence of a completed, final statewide value of solar study, including recommendations for distributional equity within PSE's territory, or additional legislative directives, Staff recommends adjusting the language in the conditions to read as follows:

1. (Remove Condition 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. (Remove Condition 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.
3. (Add Condition) PSE will file Washington State Academy of Sciences expected Interim Report (due June 30, 2025) in this docket.
4. (Add Condition) As informed by the findings in the Washington State Academy of Sciences expected Interim Report (to be submitted with the Commission June 30, 2025), PSE must conduct a territory-specific distributional equity analysis on its net metering program (Schedule 150) and file it in this docket. PSE must complete at least the first six (6) steps, as described in Figure 1. Key Stages in Distributional Equity Analysis Framework (or Framework), from the U.S. Department of Energy's "Distributional Equity Analysis for Energy Efficiency and Other Distributed Energy Resources: A Practical Guide" no later than December 31, 2025.
5. (Add Condition) At a minimum, PSE will invite members of its Conservation Resources Advisory Group, Equity Advisory Group, and Low-Income Advisory Committee to be part of its "Community and Stakeholder Involvement," as described in the Framework.