

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of Amending Rules in
WAC 480-96

Relating to

Integrated System Planning

DOCKET U-240281

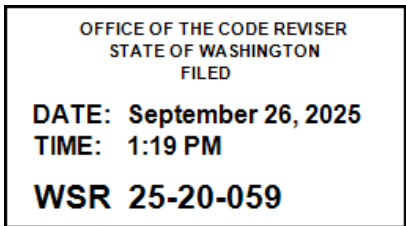
GENERAL ORDER R-609

ORDER ADOPTING RULES
PERMANENTLY

I. Introduction

- 1 **STATUTORY OR OTHER AUTHORITY:** The Washington Utilities and Transportation Commission (Commission) takes this action under Notice WSR # 25-14-054, filed with the Code Reviser on June 26, 2025. The Commission has authority to take this action pursuant to RCW 19.280.030, RCW 19.280.040, RCW 19.285.040, RCW 19.285.080, RCW 19.405.060, RCW 19.405.100, RCW 80.28.130, RCW 80.01.040, RCW 80.04.160, RCW 80.28.365, RCW 80.28.380, RCW 80.28.425, RCW 80.86, and Chapter 351, Laws of 2024.
- 2 **STATEMENT OF COMPLIANCE:** This proceeding complies with the Administrative Procedure Act (chapter 34.05 RCW), the State Register Act (chapter 34.08 RCW), the State Environmental Policy Act of 1971 (chapter 43.21C RCW), and the Regulatory Fairness Act (chapter 19.85 RCW).
- 3 **DATE OF ADOPTION:** The Commission adopts these rules on the date this Order is entered.
- 4 **CONCISE STATEMENT OF PURPOSE AND EFFECT OF THE RULE:** RCW 34.05.325(6) requires the Commission to prepare and publish a concise explanatory statement about an adopted rule. The statement must identify the Commission’s reasons for adopting the rule, describe the differences between the version of the proposed rules published in the register and the rules adopted (other than editing changes),¹ summarize the comments received regarding the proposed rule changes, and state the Commission’s responses to the comments reflecting the Commission’s consideration of them.
- 5 To avoid unnecessary duplication in the record of this docket, the Commission designates the discussion in this Order, including appendices, as its concise explanatory statement.

¹ RCW 34.05.325(6)(a)(ii).



This Order provides a complete but concise explanation of the agency's actions and its reasons for taking those actions.

- 6 **REFERENCE TO AFFECTED RULES:** This Order adopts or amends the following sections of the Washington Administrative Code:

Adopt	WAC 480-96-010	Purpose.
Adopt	WAC 480-96-015	Exemptions.
Adopt	WAC 480-96-018	Severability.
Adopt	WAC 480-96-020	Definitions.
Adopt	WAC 480-96-030	Integrated assessment and planning requirements.
Adopt	WAC 480-96-040	Assessment of resources and delivery system. Distributed energy resources and electrification.
Adopt	WAC 480-96-050	Content of an integrated system plan—Long-term planning.
Adopt	WAC 480-96-060	Content of an integrated system plan— Implementation.
Adopt	WAC 480-96-070	Reporting and compliance.
Adopt	WAC 480-96-080	Procedures.
Amend	WAC 480-107-009	Required all-source RFPs and conditions for targeted RFPs.

II. Procedural History

- 7 **PREPROPOSAL STATEMENT OF INQUIRY:** The Commission filed a Preproposal Statement of Inquiry (CR-101) on May 24, 2024, at WSR # 24-11-050. The statement advised interested persons that the Commission was initiating a rulemaking to implement consolidated planning requirements, also known as an integrated system plan (ISP), for large combination electric and natural gas utilities (LCU), to comply with state energy and climate policies. The statement advised the Commission was initiating a rulemaking to implement ESHB 1589 (Chapter 351, Laws of 2024), the Decarbonization Act for Large Combination Utilities (Decarbonization Act). The Commission informed persons of this inquiry by providing notice of the subject and the CR-101 to everyone on the Commission's list of persons requesting such information pursuant to RCW 34.05.320(3), as well as all regulated electric and natural gas companies and the Commission's list of utility attorneys.

- 8 **STAKEHOLDER PARTICIPATION:** Pursuant to the initial notice, the Commission received comments on the CR-101 and responses to a list of questions enumerated in the notice on June 24, 2024. The Commission received additional written comments on or

about October 8, 2024, October 21, 2024, January 14, 2025, February 20, 2025, May 8, 2025, May 21, 2025, and August 4, 2025. The Commission conducted an adoption hearing on August 6, 2025, and workshops and/or technical conferences on June 28, 2024, October 25, 2024, November 22, 2024, December 13, 2024, and January 9, 2025.

9 **SMALL BUSINESS ECONOMIC IMPACT:** The proposed rules apply only to the large investor-owned utility companies and thus will have no direct effect on small businesses. The Commission nevertheless issued a Small Business Economic Impact Statement questionnaire, soliciting comments and information on the financial impact of the proposed rules. The Commission received no comments in response to the questionnaire.

10 **NOTICE OF PROPOSED RULEMAKING:** The Commission filed a notice of Proposed Rulemaking (CR-102) on June 26, 2025, at WSR #25-14-054 (Notice). The Commission scheduled this matter for telephonic and virtual oral comment and adoption under Notice WSR #25-14-054 at 9:00 a.m. on Wednesday, August 6, 2025. The Notice provided interested persons the opportunity to submit written comments to the Commission by August 4, 2025.

11 **NOTICE OF 90 DAY EXTENSION OF RULEMAKING:** The Commission filed a notice of 90-day extension of rulemaking on December 13, 2024. The Commission used the 90 days of flexibility granted by the Legislature in order to communicate the potential changes to the rule based on Initiative-2066 (I-2066) to the public. This extension also allowed the Commission to gain input on the rule despite a significant power outage that delayed the series of technical conferences.

12 **WRITTEN COMMENTS:** The Commission received written comments in response to the CR-102 Notice from Puget Sound Energy (PSE or the Company), Renewable Northwest (RNW), NW Energy Coalition (NWECC), Climate Solutions (CS) and Rewiring America (RA), filing jointly, Building Industry Association of Washington (BIAW), Alliance of Western Energy Consumers (AWEC), Third Act Washington (Third Act) and the Washington Clean Energy Coalition (WCEC), filing jointly, and Donna Albert. The Commission received a number of written comments from these and other interested persons during the course of the rulemaking. A summary of all written comments and Commission staff's responses are contained in Appendix A, attached to, and made part of, this Order.

13 **RULEMAKING HEARING:** The Commission considered the proposed rules for adoption at a rulemaking hearing on Wednesday, August 6, 2025, before Chair Brian J. Rybarik, Commissioner Ann E. Rendahl, and Commissioner Milton H. Doumit. The

Commission heard a presentation by Commission staff (Staff) and oral comments from representatives of PSE, Third Act and WCEC, BIAW, AWEC, and RNW, NWEA, CS, and RA, all of whom expanded upon the written comments they previously provided.

- 14 **ADDITIONAL WRITTEN COMMENTS:** On August 11, 2025, Third Act filed additional comments noting its position that the Decarbonization Act sets forth requirements for decarbonization that include specific reduction targets from both the gas and electric component of an LCU. Specifically, Third Act urges that the decarbonization requirements not be traded for lower costs to achieve balance. Third Act points to RCW 80.86.020(11) and RCW 80.86.010(13)-(14) for support. Third Act states it appreciates concerns regarding impacts to ratepayers, but restates its belief that the Decarbonization Act commits to emissions reductions as a requirement for any ISP.
- 15 **SUGGESTIONS FOR CHANGES:** Written and oral comments suggested changes to the proposed rules. The suggested changes and Staff's recommended responses are summarized in Appendix A. The Commission adopts Staff's responses and recommendations as its own and revises the proposed rules further as described in paragraph 148 below. We provide further analysis below of the suggested changes the Commission does not accept.

III. Discussion

- 16 This rulemaking presented several unique challenges for the Commission, both substantive and procedural. Due to the inherent complexity of these rules, the Commission clarifies some key aspects of the decisions made below and explains terms used throughout this order
- 17 First, as with other recently enacted clean energy laws, implementing the Decarbonization Act will require the Commission and all interested parties to engage in a brand new process and analyze the energy system in new ways. The Commission expects this to be an iterative process that will require adjustment and improvement as all parties learn through experience. The Commission finds it likely that over time refinements to this process may require modifications to these rules in the form of exemptions to rule or added conditions through the Commission's order approving an ISP. The Commission views the rules adopted today as an important first step in achieving the Legislature's policy goals.
- 18 Combining multiple complex planning documents into one filing will be challenging. In adopting these rules today the Commission must balance competing policy objectives. Throughout this rulemaking we considered the need to balance the efficiency and clarity

of these rules with the need to meet all statutory requirements of the consolidated plans. The Commission has also considered the desirability of maintaining consistent requirements between an LCU and other utilities complying with similar statutes. For example, to maintain a consistent policy position, the Commission is hesitant to adopt differing requirements for an LCU and other investor-owned electric utilities to comply with the Clean Energy Transformation Act (CETA)² unless specifically dictated by statute or other good cause exists that has convinced us a deviation is appropriate. Many of the comments we received in this rulemaking addressed the need to find the right balance among these considerations. Although these overarching policy goals are not discussed in every subsection of this order, these considerations were pervasive and relevant to nearly all aspects of these rules. The Commission considered these competing objectives as part of our decision making for every individual part of the rule, especially those discussed below.

- 19 Second, due to the ongoing I-2066 litigation, the Commission is adopting rules that are compliant with the Decarbonization Act as it was originally passed. Therefore, the statutory citations in this order are likewise to the RCWs as they were originally codified. For example, the requirement to “[p]ropose an action plan outlining the specific actions to be taken by the large combination utility in implementing the integrated system plan following submission” in the ISP was initially codified as RCW 80.86.020(4)(z). However, due to the passage of I-2066, the current publicly available online code³ lists this subsection as RCW 80.86.020(4)(w). Because these rules and this order must be consistent with the Decarbonization Act as initially passed, all citations in this order are based on the initial RCW codification.
- 20 Third, throughout this order the Commission will refer to the rules adopted today by simply listing the WAC. However, where the Commission discusses prior versions of the draft rules, it will refer to those as “proposed WAC” to distinguish them from the final rules adopted today.

A. The purpose of the Decarbonization Act

- 21 The Commission finds it appropriate to begin this order with a discussion of the overall purpose of the Decarbonization Act. Further, we assume for the purposes of this discussion that the Superior Court’s order holding I-2066 unconstitutional will not be overturned on appeal. We address the possibility of the Supreme Court overturning that

² Chapter 19.405 RCW.

³ See <https://app.leg.wa.gov/RCW/default.aspx?cite=80.86.020>

ruling, and the Commission’s plan of action in that event, in section M, below. None of the Commission’s statements related to those proceedings are a criticism or endorsement of either I-2066 or the Decarbonization Act. The Commission is tasked with enforcing the law and implementing state policy fairly and impartially.

- 22 When passing the Decarbonization Act, the Legislature found that the Climate Commitment Act (CCA)⁴ and the CETA⁵ “require [gas and electric] companies to find innovative and creative solutions to equitably serve their customers, provide clean energy, reduce emissions, and keep rates fair, just, reasonable, and sufficient.”⁶ With respect to an LCU specifically, the Legislature found that such utilities “play an important role ... in leading the implementation of state climate policies.”⁷ The Legislature concluded that “[i]n order to meet the statewide greenhouse gas (GHG) limits in the energy sectors of the economy, more resources must be directed toward achieving decarbonization of residential and commercial heating loads and other loads that are served with fossil fuels...”⁸ The Legislature announced its intent that an LCU achieve decarbonization of their systems by, among other things, “[p]rioritizing efficient and cost-effective measures to transition customers off of the direct use of fossil fuels at the lowest reasonable cost to customers ...”⁹
- 23 To summarize, existing laws require (or strongly incentivize) decarbonization on both the electric side and the gas side of an LCU’s system. Under current planning regulations, both the gas side and the electric side must optimize their portfolios, accounting for the state’s clean energy laws. But that optimization is currently siloed, considering only the options and regulations applying to the gas and electric systems separately. The Decarbonization Act requires an LCU to combine the planning of these systems with the explicit goal of allowing and encouraging pursuit of the most cost effective decarbonization measures across both systems. In many cases, this is likely to result in an ISP that proposes a different set of specific actions compared to what siloed analyses would recommend separately for the gas system and electric system. Therefore, the Commission expects an LCU to develop ISPs that recommend a portfolio of specific actions that prioritizes the most cost effective decarbonization measures across both

⁴ Chapter 70A.65 RCW

⁵ Chapter 19.405 RCW.

⁶ ESHB 1589 § 1(1).

⁷ ESHB 1589 § 1(2).

⁸ ESHB 1589 § 1(3).

⁹ ESHB 1589 § 1(2).

systems. That is the Legislature's stated purpose in requiring combined planning of the two systems for an LCU. An ISP that simply optimizes the preferred portfolios and decarbonization measures on the gas and electric systems separately fails to achieve the Legislature's intended outcome.¹⁰

24 Effectively, the Decarbonization Act incorporates the combined system decarbonization measures into the lowest reasonable cost analysis for both the gas and electric systems. There is no conflict, for example, between CETA's requirement to achieve interim targets at lowest reasonable cost and the Decarbonization Act's directive to pursue the most cost effective decarbonization measures across both systems. Plans developed under these two standards would lead to different recommended targets and specific actions for the electric system. But for an LCU, the Decarbonization Act's requirement to plan for and pursue combined system decarbonization is incorporated and considered as a constraint when assessing whether an LCU has met the statutory requirements, such as CETA, that apply individually to gas and electric systems. Any other conclusion would put an LCU in the impossible position of being required to both optimize across the combined system while also being required to optimize each system separately, a contradictory set of statutory requirements. The Commission includes this interpretation in this adoption order to avoid any unnecessary confusion on this subject in the future.

25 This leads into another clarification that is important to make regarding the statutorily required action plan. The ISP is a plan involving both an LCU's gas system and electric system. Thus, the action plan requirement in RCW 80.86.020(4)(z)¹¹ includes specific actions the LCU must take related to both the electric side and the gas side of its system. The legislative findings and intent section clearly specify that the specific action requirements were meant to apply to the gas side. Sec. 1(6) of the Decarbonization Act states: "It is the intent of the legislature to support this transition by adopting requirements for large combination utilities to conduct integrated system planning to develop specific actions supporting gas system decarbonization and electrification, and reduction in the gas rate base."

26 The Commission has previously found in the context of CETA and Clean Energy Implementation Plans (CEIP) that specific actions are not mere hypotheticals or planning

¹⁰ The Commission notes here that even in the absence of Decarbonization Act requirements utilities providing both gas and electric services are expected to account for the interaction between the systems.

¹¹ RCW 80.86.020(4)(w) if I-2066 is reinstated.

exercises, but specific steps that the utility plans to take over the implementation period.¹² CETA does not define specific actions in statute, and neither does the Decarbonization Act.¹³ Given that CETA and the Decarbonization Act relate to the same or similar subject, the canons of statutory construction guide the Commission toward harmonizing the statutes.¹⁴

B. Exemptions

27 RCW 80.86.020(2) vested the Commission with the authority to determine, through rulemaking, which planning requirements should be consolidated into a single ISP for an LCU. The statute specifies that an LCU that files an ISP is no longer required to file separate plans for those planning requirements that the Commission has determined should be consolidated into the ISP.¹⁵ However, the statutorily required contents of any plan that has been consolidated into an ISP must still be met by the ISP.¹⁶ Under this statutory language, once the Commission consolidates a planning requirement, for example, a CEIP, an LCU no longer needs to file a separate CEIP in addition to the ISP. It follows then that the LCU would not need to file a separate CEIP that complies with the Commission’s existing administrative rules for CEIPs.

28 However, PSE submitted comments regarding drafts of the ISP rules in which the Company stated that the ISP rules “must contain clear exemptions from existing rules that large combination utilities are no longer expected to follow.”¹⁷ According to PSE, the draft ISP rules would subject it “to a convoluted set of legacy and new rules that will be cumbersome, administratively burdensome, and potentially impossible to manage.”¹⁸ PSE suggested that in failing to include exemptions to a number of existing rules, the

¹² See Docket UE-210795, Order 08, page 58 ¶ 221 – p. 66 ¶ 246.

¹³ RCW 19.405.020; RCW 80.86.010.

¹⁴ *Hallauer v. Spectrum Props., Inc.*, 143 Wn.2d 126, 146, 18 P.3d 540 (2001), *see also* *Bainbridge Island Police Guild v. City of Puyallup*, 172 Wn.2d 398, 423, 259 P.3d 190 (2011) (“Statutes in pari material should be harmonized so as to give force and effect to each and this rule *applies with peculiar force to statutes passed at the same session of the Legislature.*”). *Am. Legion Post No. 149 v. Dep’t of Health*, 164 Wn.2d 570, 588, 192 P.3d 306 (2008) (“This court assumes the legislature does not intend to create inconsistent statutes. Statutes are to be read together, whenever possible, to achieve a harmonious total statutory scheme which maintains the integrity of the respective statutes.”).

¹⁵ RCW 80.86.020(2)(a).

¹⁶ RCW 80.86.020(2)(a).

¹⁷ PSE comments, page 2, May 8, 2025.

¹⁸ PSE comments, page 2, May 5, 2025.

draft ISP rules subject the company to ISP rules that are “both substantively similar or identical to some, and in potential conflict with other, existing rules applicable to electrical and gas companies.”¹⁹

- 29 PSE filed comments that included the following suggested language to address exemptions:

Due to the requirements listed in this chapter, large combination utilities are exempt from the following sections of the WAC: 480-100-620 (Content of an integrated resource plan), 480-100-625 (Integrated resource plan development and timing), 480-100- 630 (Integrated resource planning advisory groups), 480-100-640(11) (Biennial CEIP update), 480-100- 645 (Process for review of CEIP and updates), 480-100-655 (Public participation in a CEIP), and 480-90- 238 (Gas integrated resource planning).²⁰

- 30 In response to PSE’s concerns, WAC 480-96-015(1) explicitly exempts an LCU from a list of rules that is consistent with PSE’s request. These exemptions were included to clarify that the Commission does not intend to require the filing of separate plans that have been consolidated into an ISP.
- 31 WAC 480-96-015(1) establishes exemptions from a set of rules because the LCU is required to meet the content requirements through this newly established ISP process. To further clarify how the ISP rules will interact with existing rules, WAC 480-96-015(1) specifies that where the ISP rules refer to other administrative rules, the provisions of the cited rule referenced in the ISP rules must be met within the ISP or as part of the ISP process. This includes rules from which an LCU is exempt under WAC 480-96-015. This language clarifies that if the ISP rules incorporate that rule or elements of that rule by reference, the ISP must still comply with that rule or element of the rule.
- 32 For example, under WAC 480-96-015, an LCU is exempt from filing a separate CEIP that complies with WAC 480-100-655 (Public participation in CEIP). However, where a rule such as WAC 480-96-080(1) requires that public participation in the development of an ISP meet the requirements for public participation under WAC 480-100-655, the LCU must comply with those terms in the ISP. Thus, while an LCU need not file a separate CEIP complying with WAC 480-100-655, it must file an ISP that is developed with

¹⁹ PSE comments, page 2, May 5, 2025.

²⁰ PSE attachment 2, page 1, May 8, 2025.

public participation requirements that satisfy WAC 480-100-655 because that rule is incorporated by reference into WAC 480-96-080.

C. Emission reduction targets

- 33 PSE and AWEC argue that provisions in the Decarbonization Act referring to emissions reduction targets are not enforceable and are only planning requirements, while Third Act argues that such targets are specific targets required in any ISP, suggesting the targets are enforceable.²¹ The Commission finds that the statutory language regarding emission reduction targets in the Decarbonization Act is ambiguous. However, for the reasons outlined below, the Commission interprets the statutory language to indicate that the emission reduction targets are not enforceable and modifies the language in the proposed rules accordingly.²²
- 34 The Decarbonization Act includes several references to emission reduction targets, including a definition (RCW 80.86.010(14)), in sections describing what should be included in an ISP (RCW 80.86.020(4)(c) and (d)), and in describing how an LCU should calculate the targets (RCW 80.86.050). The definition of “emissions reduction target” states that the Commission approves the target, but does not provide further clarification about whether such a target in the LCU’s ISP is enforceable,²³ nor does the dictionary definition of “target” provide such clarification.²⁴ Further, the Decarbonization Act requires that an LCU include in their ISPs:

(c) ... [S]cenarios that achieve emissions reductions for both gas and electric operations equal to at least their proportional share of emissions reductions required under RCW 70A.45.020;

²¹ AWEC comments, page 7, August 4, 2025. PSE comments, page 9, August 4, 2025. Third Act comments, page 1-2, August 11.

²² To be precise, “enforceable” here means subject to a penalty from the Commission if the combination utility does not meet the target.

²³ RCW 80.86.010(14). “‘Emissions reduction target’ means a targeted reduction of projected cumulative greenhouse gas emissions of a large combination utility approved by the commission for an emissions reduction period that is at least as stringent as the limits established in RCW 70A.45.020.”

²⁴ “Target” is defined as: “a goal to be achieved” <https://www.merriam-webster.com/dictionary/target>; “a level or situation that you intend to achieve” <https://dictionary.cambridge.org/dictionary/english/target>; “a result that you are trying to achieve.” <https://www.collinsdictionary.com/dictionary/english/target>.

(d) ...[S]cenarios with emissions reduction targets for both gas and electric operations for each emissions reduction period that account for the interactions between gas and electric systems; ...²⁵

35 The statute does not explicitly contain any penalties or enforcement mechanisms for emission reduction targets, nor does it state clearly that these targets are purely voluntary, aspirational, or just a planning exercise.²⁶ Finally, a review of the legislative history of the law does not reveal anything conclusive about legislative intent on this question.²⁷ Therefore, the Commission needs to interpret this ambiguous aspect of the statute and determine whether the Legislature intended to make the emissions reduction targets enforceable.

36 Nothing in the plain language of chapter 80.86 RCW explicitly requires compliance with or achievement of emissions reduction targets. RCW 80.86.050(2) states that an LCU's cumulative GHG emissions reductions are projected to "make progress toward the achievement of the emissions reduction targets[,] but this is a requirement related to what must be demonstrated within the ISP, and does not answer the question of enforceability. RCW 80.86.020(4)(c) and (d) require only that the ISP "include scenarios" with proportional emissions reductions and emissions reduction targets. While the Commission does not believe, as PSE does, that the language in subsections - .020(4)(c) and (d) definitively answers the question of enforceability, this language does strongly indicate that the Legislature did not view the achievement of emission reduction targets included in an ISP as mandatory. If achieving these targets was mandatory, then all scenarios would need to consider them, and similar to other language in the same section, the Legislature would have directed an LCU to "achieve" emissions reduction targets, as we discuss below.²⁸ Additionally, compared with the Energy Independence Act (EIA) and CETA, the Decarbonization Act does not have any specific enforcement provisions.²⁹ The Legislature is aware of how to draft enforceable targets with specific

²⁵ RCW 80.86.020(4)(c), (d).

²⁶ While RCW 80.86.100 does state that "[t]he commission may adopt rules to ensure the proper implementation and enforcement" of the statute, this does not answer the question of whether only the planning requirements are enforceable, or if targets/results are as well.

²⁷ Legislative history available at: <https://app.leg.wa.gov/billsummary?BillNumber=1589&Year=2023#:~:text=Supporting%20Washington%27s%20clean%20energy%20economy%20and%20transitioning%20to,Committee%20on%20Environment%20%26%20Energy%20at%201%3A30%20PM>.

²⁸ See RCW 80.86.020(4)(e) and (g).

²⁹ Chapter 19.285 RCW. The Energy Independence Act (EIA or I-937) requires electric utilities serving at least 25,000 retail customers to use renewable energy and energy conservation.

penalties and could have done so in this instance were that the intent. The Commission finds that recent legislation³⁰ with penalties explicitly included for missing relevant targets makes it less probable that the intent here was to make emission reduction targets implicitly enforceable through Commission order.

37 Further, the emissions reduction target language in the Decarbonization Act is distinguishable from pre-2030 interim targets under CETA. In the Commission's 2020 rulemaking order establishing rules implementing CETA, we concluded that interim targets prior to 2030 were enforceable through Commission order.³¹ The difference between the structure of these two laws is crucial in explaining the different conclusion we reach today. Under CETA, there are specific, outlined penalties for failure to meet interim targets after 2030.³² Emission reduction targets under the Decarbonization Act, on the other hand, do not have a future date at which point a specific penalty for missing the target is outlined in statute. This makes it much less likely that the legislative intent was to make emission reduction targets implicitly enforceable through Commission order.

38 The Commission also recognizes requiring compliance with emission reduction targets under the Decarbonization Act would be duplicative with existing state statutes that regulate emission reductions. Notably, CETA requires emission reductions for electric utilities while the CCA encourages emission reductions through a market-based strategy. In the case of cost-effective emission reductions for natural gas utilities, the agency primarily tasked with enforcing the CCA is the Department of Ecology. If emissions reduction targets were enforceable under the Decarbonization Act, the Commission is concerned that this would create unnecessary potential for conflict between the decisions and actions of the different agencies. While the Commission coordinates with other agencies on many matters related to the clean energy transition, overlapping compliance targets could be confusing and inefficient, not the likely outcome the Legislature intended.

³⁰ See RCW 19.405.090 (CETA penalties); RCW 19.285.060 (EIA penalties); RCW 70A.65.200 (CCA penalties).

³¹ Dockets UE-191023 and UE-190698., at page 34, ¶ 91.

³² RCW 19.405.090.

39 Lastly, it is important to view this decision within the greater context of the Commission’s overall enforcement authority and the current state of clean energy regulations in Washington. The ISP will include CETA interim targets, as well as energy efficiency/conservation and demand response specific targets under the Decarbonization Act, both of which are enforceable.³³

Statutory Interpretation of Energy Efficiency/Conservation and Demand Response Targets

40 In comments on the proposed rule AWEC points out that “WAC 380-96-030(4) and (5) contained language that PSE “shall achieve” the statutory planning standards set forth in RCW 80.86.020(4)(e) and (g).” AWEC continues to argue that these requirements are for planning and not enforcement and should instead read “plan to achieve.”³⁴

41 In contrast with the emission reduction targets, we find that the targets for energy efficiency/conservation (EEC) and demand response (DR) under RCW 80.86.020(4) are enforceable through Commission order. Given the statutory language in RCW 80.86.020(4)(e) and (g) for an LCU to achieve these targets, the Commission may enforce the targets once the emissions reduction periods begin in 2030. The Commission will still require an LCU to include these targets in an ISP prior to 2030 consistent with RCW 80.28.020(12)(g)(ii), however, targets set prior to the first emissions reduction period will not be enforceable through Commission order. In addition, as these requirements require a finding of technical or commercial feasibility, the Commission will make this determination when it approves the ISP and these targets.

a) The energy efficiency/conservation (EEC) and demand response (DR) targets are enforceable through Commission order.

42 The statutory language indicates that the EEC and DR targets must be met and are enforceable through Commission order. The statute requires that “[b]y January 1, 2027, and on a timeline set by the commission thereafter, large combination utilities shall file an integrated system plan demonstrating how the large combination utilities’ plans are consistent with the requirements of this chapter and any rules and guidance adopted by the commission, and which: ... [a]chieve “two percent of electric load annually with conservation and energy efficiency resources” and “annual demand response and demand flexibility equal to or greater than 10 percent of winter and summer peak electric

³³ See below for a discussion of the timing of the enforceability of these targets.

³⁴ AWEC comments, page 2, August 4, 2025.

demand.”³⁵ By requiring that the ISP demonstrate both how it is consistent with the statute and Commission rules, and “which ... achieve” these targets, the statutory language of RCW 80.86.020(4)(e) and (g) is distinguishable from the language on emission reduction targets, discussed above. Common dictionary definitions of “achieve” clearly indicate that the utility is meant to reach the targets mentioned in subsections (e) and (g), and not just plan to reach them in the ISP.³⁶ Definitions of “achievement” are equally if not more convincing.³⁷ This plain language indicates that the LCU is expected to accomplish these specific targets set in the plan. Both subsections begin with the word “achieve” and later use the phrase “level of achievement” with respect to the targets that are being set. In context, this specific language means that the utility is expected to achieve these targets, not just plan to meet them.

b) These targets are enforceable beginning in 2030, but proposed targets must be included prior to 2030.

43 Both subsections RCW 80.86.020(4)(e) and (g) have exceptions to the requirement of achieving these targets. These exceptions are triggered if the Commission finds that meeting these targets is “neither technically nor commercially feasible during the applicable emissions reduction period.” The Commission interprets this to mean that the targets themselves are enforceable starting in 2030, when the emission reduction periods begin.³⁸ Otherwise, this language would mean that the technical and commercial feasibility exception is available after 2030, but not before. This would be an odd result that would serve no discernable policy objective, and therefore the Commission believes

³⁵ RCW 80.86.020(4)(e) and (g).

³⁶ “Achieve” is defined as: “to succeed at reaching or accomplishing (a goal, result, etc.) especially through effort” <https://www.merriam-webster.com/dictionary/achieve>; “to succeed in finishing something or reaching an aim, especially after a lot of work or effort” https://dictionary.cambridge.org/dictionary/english/achieve#google_vignette “If you achieve a particular aim or effect, you succeed in doing it or causing it to happen, usually after a lot of effort.” https://www.collinsdictionary.com/dictionary/english/achieve#google_vignette.

³⁷ “Achievement” is defined as: “the act of achieving something”, “a result gained by effort : accomplishment” <https://www.merriam-webster.com/dictionary/achievement> “something very good and difficult that you have succeeded in doing” <https://dictionary.cambridge.org/dictionary/english/achievement> “An achievement is something that someone has succeeded in doing, especially after a lot of effort.” <https://www.collinsdictionary.com/us/dictionary/english/achievement>.

³⁸ “Emission reduction period” is defined in the Decarbonization Act as “one of five periods of five calendar years each, with the five periods beginning on January 1st of calendar years 2030, 2035, 2040, 2045, and 2050, respectively.” (RCW 80.86.010(13)). Thus, any determination of compliance for EEC and DR targets would not apply until after 2030.

that this reading is an incorrect interpretation of the statute. While these targets are not enforceable through Commission order prior to 2030, we find that proposed targets must be included in the ISP. RCW 80.28.020(12)(g)(ii) requires the Commission to consider whether the ISP “[w]ould achieve the energy efficiency and demand response targets in subsection (4)(e) and (g) of this section” when deciding whether or not to approve the plan. In contrast to the subsections -(4)(e), -(4)(g), and subsection -(12)(g)(i), this requirement is not limited to “during the applicable emissions reduction period”. The Commission therefore concludes that the first ISP must include proposed targets and that the agency must approve, reject or approve with conditions those targets. However, as noted above, the enforceability of these targets begins after 2030.

c) The Commission will determine commercial and technical feasibility when considering the ISP.

44 In this order, we make clear that the Commission will determine commercial and technical feasibility under RCW 80.86.020(4)(e) and (g) in the order approving, rejecting or approving the ISP with conditions. This is both administratively efficient and provides an LCU fair notice regarding the expected achievement level for energy efficiency, conservation, and demand response over the course of the implementation period. Should technical and commercial feasibility differ significantly from the assumptions of the ISP, the Commission expects the utility to make prudent decisions in light of changed circumstances.

D. Cost Test

45 The Decarbonization Act provides that the Commission shall establish by rule:

[A] cost test for emissions reduction measures achieved by large combination utilities to comply with state clean energy and climate policies. The cost test must be used by large combination utilities under this chapter for the purpose of determining the lowest reasonable cost of decarbonization and electrification measures in integrated system plans, at the portfolio level, and for any other purpose determined by the commission by rule.³⁹

46 Several rules that we adopt in this Order provide guidance on implementation of the cost test. WAC 480-96-030(8) describes how each large combination utility must use the cost test as a key input in the selection of its preferred portfolio under WAC 480-96-050(5), and as an input to the Commission's determination on whether the ISP is in the public

³⁹ RCW 80.86.020(10).

interest pursuant to WAC 480-96-050(8). In addition, WAC 480-96-060(8) details how the societal and rate impact components are to be accounted for within the cost test.

47 Further, WAC 480-96-050(8) outlines how each LCU must describe its selection of the preferred portfolio considering the lowest reasonable cost required by RCW 80.86.010(22) and public interest elements required by RCW 80.86.020(11). The rules also require each LCU to include a narrative description of how the cost test was used as a key input and contributed to its selection of the preferred portfolio.

48 Throughout the rulemaking process, the Commission received several comments concerning how the cost test would inform the Commission's public interest consideration, which impacts should or should not be included in the cost test, and how specific impacts should or should not be accounted for. The Commission responds to these comments and overlapping themes in turn, below.

E. Input to the Commission's Public Interest Determination

49 During the CR-101 process, Donna Albert, RNW, CS, NWEA, RA (Joint Commenters), and PSE all agreed that the cost test should be used as a tool to support the Commission's public interest determination and provided varying comments outlining concerns regarding how the cost test should align with this determination.

50 PSE disagreed that the cost test was intended to be used by the Commission to evaluate whether the entire ISP was in the public interest and argued that the cost test should "narrowly focus on those elements that are readily quantifiable in evaluating the cost of emission reduction measures," and should be "limited to providing societal costs and rate impacts."⁴⁰ PSE also argued that the evaluation of all the Commission's review criteria should occur within the decision framework of making the public interest determination.⁴¹

51 During the CR-102 comment period, PSE reiterated this point, asserting that "the goal of integrated resource/system planning is to serve load at the lowest reasonable cost, with benefits such as avoiding greenhouse gases being reflected in the cost figure."⁴²

⁴⁰ PSE comments, page 14, May 8, 2025.

⁴¹ PSE comments, page 14, May 8, 2025.

⁴² PSE comments, page 14, August 4, 2025.

- 52 The Joint Commenters agreed that the cost test should be used as a tool to determine a lowest reasonable cost portfolio and support the Commission’s public interest determination.⁴³ However, they commented that key requirements from RCW 80.86.010(22) and RCW 80.86.020(12) were missing from the list of impacts in the cost test.⁴⁴ RCW 80.86.010(22) includes “long-term costs and benefits” and “public policies regarding resource preference adopted by Washington state or the federal government, the cost of risks associated with environmental effects including potential spills and emissions of carbon dioxide.” RCW 80.86.020(12) includes the “equitable distribution and prioritization of energy benefits and reduction of burdens to vulnerable populations, highly impacted communities, and overburdened communities”, “long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks”, and “energy security and resiliency”. The Joint Commenters recommended that the Commission “ensure these statutory requirements are all included as societal and/or rate and bill impacts evaluated in the cost test, or alternatively, specify where these statutory requirements will be evaluated elsewhere in the ISP.”⁴⁵
- 53 Donna Albert commented that RCW 80.86.020(12) “is not a list of what belongs in the cost test” and that “selection and approval of a preferred portfolio for the ISP should be done within a larger decision framework that includes considerations that should not be monetized in the cost test.”⁴⁶
- 54 Third Act and WCEC commented that the cost test determines the lowest reasonable cost, at the portfolio level, pursuant to RCW 80.86.20(9), and “is not an overriding factor that determines which portfolio is selected as the preferred portfolio.”⁴⁷ They go on to argue that “the draft rule forces the decision framework to be within the cost test” and that “the “reasonable cost” of each portfolio as determined by the cost test should be but one factor in the decision framework.”⁴⁸
- 55 AWEC recommended in comments filed throughout the CR-101 and the CR-102 processes that the Commission should “exercise its discretion to adopt a cost test that will serve to insulate customers from unreasonable costs that could result from

⁴³ Joint Commenter comments, page 2, May 8, 2025.

⁴⁴ Joint Commenter comments, page 2-3, May 8, 2025.

⁴⁵ Joint Commenter comments, page 3, May 8, 2025.

⁴⁶ Donna Albert comments, page 3, May 5, 2025.

⁴⁷ Third Act and WCEC comments, page 1, May 6, 2025.

⁴⁸ Third Act and WCEC comments, page 1, May 6, 2025.

implementation of ISP portfolios” and that “to evaluate whether this is the case, the rules should also require PSE to provide more granular rate impact and bill impact analysis.”⁴⁹ AWEC recommended the Commission achieve this goal by adopting a two part cost test. Part one would be a “Planning Cost Test,” which AWEC asserted is consistent with the Commission’s proposed WAC 480-96-030(8). Part two would be a “Customer Cost Test,” which would “function to ensure that customers do not experience unfair cost burdens and to moderate cross-subsidization between electric and gas service as PSE decarbonizes its system, even from a lowest reasonable cost portfolio.”⁵⁰ Under AWEC’s proposed “Customer Cost Test[,]” each LCU must “identify in its ISP options that would allow the Commission to approve an ISP with an amended preferred portfolio that results in forecast rate impacts to each customer class that are no more than 4% greater than the base case scenario over the plan period.”⁵¹

56 During the CR-102 process, BIAW commented that the cost test “relies too heavily upon qualitative data,” arguing that while “this information may be helpful when setting policy goals in the Legislature, it’s inappropriate for regulatory bodies such as the UTC” and that “financial decisions should be backed by financial evidence.”⁵²

57 The Commission agrees with commenters that the cost test is one input in the larger ISP public interest determination and adopts language in WAC 480-96-030(8) that reflects this. We recognize that some impacts cannot or should not be accounted for as monetized impacts in the cost test. While we address specific concerns on the treatment of impacts in the following section, the Commission affirms here that the cost test and the impacts included within it must be accounted for under a comprehensive decision framework, within proposed WAC 480-96-050(8). This means that some impacts are likely most appropriately assessed independently from and not factored directly into the portfolio optimization model but under the rule would still need to be considered within the decision framework. We elaborate on this more in the following section. However, insofar as the cost test incorporates impacts necessary to align with both lowest reasonable cost and public interest components, the cost test will represent a significant input of the overall decision framework. Between WAC 480-96-030(8) and WAC 480-96-050(8), adopted in this order, each LCU will be required to provide to the

⁴⁹ AWEC comments, page 2, May 8, 2025.

⁵⁰ AWEC comments, page 2, May 8, 2025.

⁵¹ AWEC comments, page 2, May 8, 2025.

⁵² BIAW comments, page 1, August 4, 2025.

Commission a full record that adequately demonstrates how its preferred portfolio – and the overall ISP – does or does not align with statutory requirements.

- 58 The Commission declines to include the specific language from RCW 80.86.010(22) and RCW 80.86.020(12) outlined by Joint Commenters. The proposed cost test rules include a broad set of impacts that encompass the statutory requirement to include “long-term costs and benefits” and “public policies regarding resource preference adopted by Washington state or the federal government.” Likewise, proposed WAC 480-96-030(8)(a)(ii)(C) provides “other environmental impacts[,]” which is intended to encompass “the statutory requirement to include the cost of risks associated with environmental effects including potential spills and emissions of carbon dioxide.” The proposed cost test rules strike a balance in providing flexibility on what impacts to account for without being ambiguous or vague. That said, we understand that the statutory definition of “lowest reasonable cost” is broad, and these rules do not preclude an LCU from considering, or interested groups from recommending, other impacts that are not explicitly listed but would be appropriate for consideration in future ISPs.
- 59 Regarding the specific components of RCW 80.86.020(12) not explicitly outlined in the proposed cost test rules, the decision framework rules adopted in this Order include the provision that each LCU include a narrative description that explains “how the preferred portfolio aligns with the public interest components pursuant to RCW 80.86.020(12).”⁵³ The Commission expects that each LCU will meet its statutory obligation and show how the ISP is in the public interest, pursuant to RCW 80.86.020(12), by demonstrating how the decision framework was used to analyze and select its preferred portfolio.
- 60 In response to concerns raised by PSE, BIAW, Donna Albert, and Joint Commenters, the Commission declines to limit the cost test based on whether impacts are accounted for using monetary versus non-monetary values and addresses specific methodology concerns in the next section of this Order. Proposed WAC 480-96-030(8) includes the impacts necessary to align with the definition of lowest reasonable cost under RCW 80.86.010(22) and the public interest components under RCW 80.86.020(12). The cost test must therefore include a broad set of impacts to meet these statutory requirements.
- 61 The Commission declines to accept PSE’s recommendation for the cost test to “narrowly focus on those elements that are readily quantifiable in evaluating the cost of emission reduction measures,” and should be “limited to providing societal costs and rate impacts.” PSE’s proposal would limit the cost test to only utility system revenue requirements and

⁵³ WAC 480-96-050(8)(c).

the social cost of greenhouse gases (GHGs). It would exclude from the cost test, for example, other environmental impacts, health and safety impacts, and equity impacts. The Commission recognizes that under PSE's proposal, the Company would demonstrate compliance with the other impacts outside the cost test. However, the Commission is not convinced this version of the cost test would provide sufficient analysis to determine whether the ISP is in the public interest. This proposal would tend to produce a *lowest cost* portfolio but would not capture impacts necessary to determine whether it is *lowest reasonable cost* or whether it accounts for the statutorily required public interest considerations.⁵⁴ Under this proposal, considering these impacts outside the cost test might unduly diminish the weight that they receive in the analysis. The Commission acknowledges that the monetary values of the LCU's revenue requirement and the social cost of GHGs can be readily analyzed through optimization models, and that the non-monetary impacts need to be accounted for outside of the models. While the cost test as defined in the rules allows for this approach, it would be inconsistent with the statute to define the scope of the cost test on the basis of how the impacts are modeled.

62 The Commission declines to accept AWEC's recommendation to adopt a two-part cost test composed of a "Customer Cost Test" and a "Planning Cost Test". Instead, the rate impacts provided as part of the cost test can be used to identify the customer cost impacts of each portfolio and therefore can be used to ensure that customer cost impacts are reasonable in light of the other impacts of the preferred portfolio. Further, the Commission declines to introduce a specific percent value of rate increases for which to limit ISP approval. While the Commission is mindful of affordability impacts, the Commission does not find enough evidence in the record to justify four percent or any another number as a cap or limit to rate impacts. In the context of a specific ISP, an LCU and any interested party, such as AWEC, can propose a customer cost impact cap or benchmark for limiting customer impacts considering the specific conditions and information at that time. The Commission expects each LCU to provide a full record of information necessary for the Commission, Commission staff, the Public Counsel Unit of the Washington Office of the Attorney General (Public Counsel), and all interested parties to assess and evaluate the relative affordability of each portfolio analyzed.

63 Finally, the Commission declines BIAW's proposal to limit the cost test based only on "financial evidence." Not only does the statutory definition of lowest reasonable cost encompass "public policies regarding resource preference adopted by Washington state or the federal government[,]" but it also includes "long-term costs and benefits." In implementing the Decarbonization Act, the Commission must consider statutory direction

⁵⁴ ESHB 1589, Section 3(10).

to consider qualitative impacts within the cost test and limiting the test to financial impacts would exclude certain impacts required by statute.⁵⁵

F. Treatment of Impacts, Including Expectations Concerning Monetization

- 64 Several commenters raised concerns regarding whether the cost test rules provide sufficient flexibility to include both monetized and non-monetized impacts in the cost test.
- 65 During the CR-101 process, PSE argued that “not all impacts can or should be monetized or quantified” and commented “that the requirement to monetize impacts would bog the ISP down in extended debates about appropriate dollar-per-unit values or if a monetization value is appropriate at all.”⁵⁶ PSE further argued that specific impacts, including host customer impacts, other fuels, and equity, should be removed from the cost test for specific reasons regarding methodology. PSE reiterated its concern during the CR-102 process that to monetize all “nonutility system impacts” would be inappropriate.⁵⁷
- 66 PSE also expressed concern that the term “monetizable” is problematic because it implies that anything is in theory monetizable and recommended that the rules use the term “monetized” instead to narrow the requirement down to impacts that it has been able to monetize at the time of each ISP.⁵⁸
- 67 Joint Commenters expressed support for earlier drafts of the rules, stating they offer flexibility for accounting for both monetized and nonmonetized impacts in the cost test, but expressed concern that without explicitly directing each LCU in the rules to incrementally improve over time, “the default will be to stick to whichever methodology is used in the inaugural integrated system plan even as best practices evolve.”⁵⁹ They recommended that “the ISP rules should require the utility to seek interested party feedback on the monetization and quantification of hard-to-quantify impacts.”⁶⁰

⁵⁵ ESHB 1589, Section 2(22); Section 3(10).

⁵⁶ PSE comments, page 16, May 8, 2025.

⁵⁷ PSE comments, page 14, August 4, 2025.

⁵⁸ PSE comments, page 16, May 8, 2025.

⁵⁹ Joint Commenter comments, page 4, May 8, 2025.

⁶⁰ Joint Commenter comments, page 4, May 8, 2025.

- 68 Donna Albert raised concerns that “overarching policy directives such as customer health, customer safety, and customer equity” should not be included as monetized values in the cost test.⁶¹ Donna Albert goes on to argue that dollar values should not be assigned to policy directives for this purpose as “such an analysis can give a false sense of confidence in a precise numerical result which has no meaning in the real world.”⁶² Donna Albert reiterated this concern during the CR-102 process, arguing that “no matter how health, equity, and environmental impacts are monetized in a computer model, the physical effects of health, equity, and environmental impacts will remain.”⁶³
- 69 Third Act and WCEC argued that “many cost test factors should not be evaluated solely on monetized values.”⁶⁴ They argue that the “lowest reasonable cost of a portfolio is only one factor in evaluating potentially alternative portfolios” and that “the decision framework should be larger than the cost test, not the other way around as it is currently framed in the draft rules.”⁶⁵
- 70 AWEC raised a concern that the “economic development” impact within the cost test should be revised to say, “Washington State economic development net of Washington State economic losses associated with the impact of increased utility rates on consumer spending and business investment.”⁶⁶
- 71 AWEC also raised a concern on “the lack of granularity specified by rule for required rate and bill impact projections,”⁶⁷ arguing that the Commission cannot meet the public interest requirements under RCW 80.86.020(11) “without understanding, in the very least, impacts on residential, commercial and industrial classes for both gas and electric service.”⁶⁸ AWEC proposed that each LCU “be required to provide forecast[ed] rate impact information, by rate schedule, for each year of the anticipated implementation period (as defined in rule)” and for the remainder of the 20-year ISP planning period “to provide Residential, Commercial and Industrial overall rate impacts.”⁶⁹

⁶¹ Donna Albert comments, page 3, May 5, 2025.

⁶² Donna Albert comments, page 3, May 5, 2025.

⁶³ Donna Albert comments, page 1, July 30, 2025.

⁶⁴ Tom Kraemer, Third Act and WCEC comments, page 1, May 6, 2025.

⁶⁵ Tom Kraemer, Third Act and WCEC comments, page 2, May 6, 2025.

⁶⁶ AWEC comments, page 2, May 8, 2025.

⁶⁷ AWEC comments, page 2, May 8, 2025.

⁶⁸ AWEC comments, page 2, May 8, 2025.

⁶⁹ AWEC comments, page 3, May 8, 2025.

- 72 The Commission declines to limit the impacts in the cost test based on whether or not they can, or should, be monetized at the time an ISP is conducted. As noted in the Public Interest section above, the cost test includes the impacts necessary for alignment with the lowest reasonable cost, pursuant to RCW 80.86.010(22), and the public interest components, pursuant to RCW 80.86.020(12).
- 73 The Commission recognizes that an LCU will use computer modeling simulations to optimize portfolios of resources, and that these simulations require the use of monetary values. The Commission does not expect that all impacts will be monetized at the time an LCU conducts its portfolio optimization or will otherwise be appropriate to monetize.
- 74 Inclusion of non-monetized impacts means that each LCU will need to take three steps in determining the portfolio with the lowest reasonable cost. The first step will include the computer modeling simulations that will account for all the monetized impacts. The second step will include consideration of all the impacts that are not monetized. The non-monetized impacts will include those that are presented quantitatively, those that are presented qualitatively, and those that are presented in “complementary analyses”.⁷⁰ The third step will be to assess the results of the monetary and non-monetary impacts to determine which portfolio is likely to have the lowest reasonable cost and best serve the public interest. The Commission expects that each LCU will present all the monetary and non-monetary results transparently and provide a narrative description of how all results were considered in selecting the preferred portfolio.⁷¹
- 75 The Commission recognizes the concerns raised by PSE, Donna Albert, Third Act and WCEC that many impacts should not be accounted for strictly using monetized values, specifically impacts such as health, safety, and equity. The proposed cost test rules do not prescribe a specific methodology for accounting for specific impacts. As noted above, the cost test rules we adopt in this Order allow for non-monetized impacts to be addressed quantitatively, qualitatively, and/or through complementary analysis. For example, if an LCU does not have monetary or quantitative values for safety impacts, then any significant differences in safety impacts between portfolios can be described qualitatively. Those portfolios with lower safety concerns will be viewed more favorably than those with higher concerns. Further, during a specific ISP process intervenors are

⁷⁰ The Commission provides additional detail on potential complementary analyses, including the rate impacts, distributional equity impacts, and potentially job and economic development impacts in the following section.

⁷¹ WAC 480-96-050(8)(c)(i)-(iii)

free to propose non-monetary safety or public health standards or thresholds that all resource portfolios must include, as long as those standards or thresholds are reasonable in the context of the ISP and are fully justified based on evidence provided by the proponent.

76 Likewise, several impacts are better accounted for using complementary analyses, where the impacts are evaluated separately from monetized impacts. For example, complementary analyses may be used to examine the following impacts:

1. Economic Development and Job Impacts. While economic development impacts can be put into monetary terms, there are reasons for not adding them into the monetary impacts included in the cost test. Economic development impacts are fundamentally different from the other costs and benefits and adding them together can lead to a double counting of impacts. Instead, any estimates of economic development or jobs associated with the resource portfolios should be presented separately from the monetized results.
2. Equity Impacts. Equity impacts can be complex and multi-faceted, and it may be difficult to fully capture all relevant impacts with one or more streams of monetized values. Since CETA was enacted, electric utilities in Washington have made progress developing techniques for considering equity in utility resource planning, including customer benefit indicators and other techniques. While these techniques are still new and developing, and will likely continue to change over time, the Commission expects that these types of approaches will be used in ISPs to indicate the equity impacts of portfolios analyzed under the cost test.
3. Rate and Bill Impacts. While rate and bill impacts can be put into monetary terms, adding them together makes it difficult to assess either lowest reasonable cost or the effect on rates.

77 The cost test rules provide flexibility to account for impacts using these methods. The Commission expects each LCU to consider industry practice and consult Commission Staff, advisory groups, and the public in determining the most appropriate method of accounting for these impacts. As many interested parties in this rulemaking, including Public Counsel, participate in utility advisory groups, an LCU should ensure it is engaging with all interested persons. The Commission expects that in describing how its preferred portfolio aligns with the public interest components under WAC 480-96-050(8) and represents the lowest reasonable cost, an LCU will demonstrate the process and methodology it used to account for each impact.

- 78 To clarify our expectation that not all impacts *must* be monetized at the time the cost test is conducted, the Commission accepts and incorporates PSE’s recommendation to change the term “monetizable” to “monetized” and to include the phrase “to the extent practical” within WAC 480-96-030(8) adopted by this Order.
- 79 The Commission agrees with the concern raised by Joint Commenters and affirms our expectation that each LCU iteratively improve on its methodology for accounting for each impact during the ISP development process and from one ISP to the next. While the Commission recognizes PSE’s concern that strict requirements to monetize impact could “bog the ISP down in extended debates about appropriate dollar-per-unit values or if a monetization value is appropriate at all,”⁷² we believe that a robust and collaborative process is necessary to ensure all material and relevant impacts are adequately valued.⁷³ Proposed WAC 480-96-050(8)(c)(i) includes language providing that “impacts that will be accounted for using monetized values should be identified through engagement and consultation with the commission, its advisory groups, and the public.” Likewise, proposed WAC 480-96-050(8)(c)(iii) provides language directing each LCU to determine “through engagement and consultation with the commission, its advisory groups, and the public” how to account for, at minimum, rate impacts, bill impacts, economic development impacts, and equity impacts. Through the collaborative process, each LCU and interested parties should prioritize those impacts that require improved estimation practices versus those that can wait, to ensure that the ISPs are conducted in a timely fashion.
- 80 The Commission rejects PSE’s proposal to exclude “host customer impacts” in the cost test. Host customer impacts apply when utility customer participation is integral to a company acquiring a resource, such as distributed energy resources (DERs), including energy efficiency and demand response. Commission standard practice has been to include both host customer impacts and other fuel impacts in evaluating DERs and we see no reason to alter that practice now. Further, the Commission believes it is important that the DERs in the ISP are evaluated using the same assumptions and methods that are applied in other processes where they are evaluated. Most resources evaluated for an ISP will not have applicable “host customer impacts” or “other fuel” impacts but, when these

⁷² PSE comments, page 16, May 8, 2025.

⁷³ The Commission recognizes that certain impacts are hard-to-quantify but maintains that recognition and inclusion of those impacts is necessary to ensure they are not ignored or deprioritized. Including impacts now with the expectation that interested groups work towards appropriate valuation in the future is preferable to removing those impacts, which may signal they are not relevant or have no value.

impacts exist, they should be included in the analysis. As the cost test requires an LCU to determine the lowest reasonable cost of decarbonization and electrification measures in ISPs at the portfolio level, host customer impacts are necessary to appropriately assess DERs. The Commission recognizes that including host customer impacts will create challenges for each LCU but expects that these can be addressed using simplified assumptions worked out in collaboration with Commission staff and other interested parties.

- 81 The Commission also rejects PSE’s proposal to exclude “other fuels” in the cost test.⁷⁴ One of the key innovative aspects of an ISP is to integrate the impacts of electricity and gas utilities into a single planning paradigm. Including “other fuels” in the analysis is completely consistent with this paradigm.
- 82 The Commission rejects AWEC’s proposal to expand the rules on “economic development” impacts to say, “Washington State economic development net of Washington State economic losses associated with the impact of increased utility rates on consumer spending and business investment.” This impact is already included within the public consideration component under RCW 80.86.020(12), which includes “economic development[.]” The Commission expects that an LCU will use industry best practice when conducting studies of economic development. Best practice requires that economic development estimates include both economic gains and economic losses. It also requires that all economic impacts of utility investments be accounted for, including impacts from increases and decreases in customer costs. The Commission also expects that interested parties will have opportunities to provide input on such best practices during future ISP processes.
- 83 The Commission also rejects AWEC’s proposal to require an LCU “to provide forecast[ed] rate impact information, by rate schedule, for each year of the anticipated implementation period (as defined in rule)” and for the remainder of the 20-year ISP planning period “to provide Residential, Commercial and Industrial overall rate impacts.” Under proposed WAC 480-96-030(8)(b), adopted in this Order, the Commission is requiring that an LCU “indicate the extent to which each portfolio increases or decreases forecasted rates on average for each applicable year of the study period” across the combined gas and electric system. That information should be sufficient for the purpose of mitigating customer rate impacts. The additional detail requested by AWEC would not provide much additional information for this purpose and would be overly burdensome to each LCU conducting an ISP.

⁷⁴ PSE comments, page 15, May 8, 2025.

G. Public Participation Rules

- 84 In order to develop an effective ISP, an LCU must consult with Staff, advisory groups, and facilitate public participation in the resource planning process. In adopting WAC 480-96-080(1), we reaffirm our determination in the CETA rulemaking that the utility should conduct a public participation process that is accessible, clear, responsive, and transparent.⁷⁵ This part of the rule makes clear that a utility must be in compliance with the public participation rules outlined in the CEIP. This is consistent with the legislative intent to consolidate plans like the CEIP into the ISP. Given that WAC 480-100-655 already outlines public participation rules that are applicable to the ISP process, we find no need to adopt a novel set of rules for the ISP. However, since the CEIP rules would only apply to the electric planning process, we believe it is necessary to specify that natural gas customers are entitled to the same level of participation as electric customers. This is consistent with the exemption criteria in WAC 480-96-015. Further, it avoids duplication of rules that already exist. Additionally, applying WAC 480-100-655 to an LCU maintains the same minimum standards that apply to all other electric utilities.
- 85 During the CR-101 process, Third Act and WCEC asked the Commission to codify the public participation framework developed by the International Association for Public Participation (IAP2) in rule. The IAP2 framework defines three pillars for effective public participation. The 1st pillar “Spectrum of Public Participation” helps define the public’s role in any engagement process. The 2nd pillar “IAP2 Core Values” identifies seven core values that define the expectations and participation process. The 3rd pillar “IAP2 Code of Ethics” is a set of principles that guide the actions of public participation practitioners.⁷⁶ The Commission previously considered the IAP2 framework during the development of the CEIP rules, and consistent with our previous decision, we decline to adopt the IAP2 framework as a part of our mandatory ISP rules, however we view this framework as providing important guidance for the LCU to consider during its public participation process.⁷⁷ During the CR-101 phase Donna Albert suggested that the Commission conduct the public participation process for the utility. Third Act and WCEC suggested that the Commission be involved in picking advisory group members. We decline to assume responsibility for the public participation process from a utility as extending the Commission’s authority to conducting a utility’s advisory group would put

⁷⁵ Docket U-191023, Order 601, pg. 46-60.

⁷⁶ IAP2 website available at: www.iap2.org/page/pillars.

⁷⁷ Docket U-191023 Order 601, pg. 50 ¶ 142.

the Commission in a position beyond its scope or expertise. However, the Commission encourages anyone with an interest in a matter that is not selected to participate in an advisory group to file public comments, speak in front of the Commission at an Open Meeting, or schedule a meeting with Commission staff. As we discuss below in Section L, the Commission will schedule regular public meetings with an LCU to engage in the process of putting together an ISP and will encourage public comments at these meetings

- 86 During the CR-101 process the Commission also received comments from Donna Albert, Third Act, Joint Commenters, and WCEC, which all expressed some concerns about the level of public participation in the Resource Planning Advisory Group. Each suggested a different method of achieving greater participation and transparency. Prior drafts of proposed WAC 480-96-080(1) made reference to advisory group membership, but we have elected not to include that language in the rules or adopt the language in this order. However, we expect each LCU to periodically consider the membership of its advisory groups given the scope of the ISP and make changes to its public participation plan to reflect such needs and changes.
- 87 Third Act and WCEC request that PSE be more collaborative in its public engagement and that proposed WAC 480-96-080(2)(c) and (d) address meaningful public participation and how comments from members of the public should be handled. WAC 480-96-0802(d) contains some detail about the level of public participation and quality of feedback, and it requires an LCU to convey “how the input was considered or used.” Furthermore, each LCU remains responsible for compliance with WAC 480-100-655, which requires consideration of public input.
- 88 During the CR-101 process Joint Commenters filed comments requesting that the Commission require by rule that an LCU release ISP materials to the public at least seven days prior to an advisory group meeting, instead of three days as required in WAC 480-100-655(1)(g). PSE comments that the Commission should include the public participation rules found in WAC 480-100-655 for ISPs to keep in place legacy IRP requirements.⁷⁸
- 89 To maintain consistency with public engagement rules applicable to other electric utilities, we continue to find that the Commission’s decision in the CETA adoption order is appropriate,⁷⁹ and that three business days is sufficient time to share information prior

⁷⁸ PSE comments, pg10, Aug 4, 2025.

⁷⁹ Docket U-191023, Order 601, pg. 51, ¶ 145.

to a meeting. However, an LCU should strive for more time if it is possible in the schedule.

90 PSE and Joint Commenters have suggested merging the public participation plan and ISP workplan into one filing. The Commission finds merit in merging the public participation plan and work plan requirements consistent with the need to streamline regulatory requirements and reflects this change in the adopted rules.

91 PSE requests that the Commission clarify which exemptions apply to proposed WAC 480-96-080(1).⁸⁰ As we have clarified any exemptions to the ISP rules in proposed WAC 480-96-015 discussed above, we decline to make specific changes to proposed WAC 480-96-080(1).

92 Finally, previous Commission orders included conditions that assumed that the ISP process would include the filing of a draft ISP.⁸¹ However, because these rules do not require PSE to file a draft ISP, the Commission will, pursuant to WAC 480-07-875, propose to remove condition 17 of Order 13 in Docket UE- 210795 for consistency with the decisions made in this order.

H. Requests for Proposals (RFPs)

93 PSE requested during the CR-101 phase that the Commission consider amending current rules concerning requests for proposals (RFPs) to allow for flexibility in acquiring resources based on approved ISPs. Specifically, PSE provided suggested amendments that propose a standard exemption for small or short-term procurements under certain thresholds.⁸² The current rules in WAC 480-107-009(1) governing all-source RFPs was developed after the passage of CETA and applies to all investor-owned electric companies in the state.⁸³ The Commission declined to open such a rulemaking as adopting new RFP rules for an LCU on the time frame of conducting this rulemaking would be an additional burden on resources during a time when resources are already

⁸⁰ PSE comments, pg. 10, Aug 4, 2025.

⁸¹ Docket UE-210795, Order 13, Appendix A, Condition 17 ("For the 2025 CEIP 2027 ISP PSE must file a draft CEIP ISP on a timeline the Company determines sufficient to incorporate comments on the draft CEIP ISP into the final CEIP 2027 ISP. PSE must also file a detailed narrative explaining why specific comments were not incorporated into the final CEIP 2027 ISP.") Strikeouts omitted.

⁸² PSE Redlines (attachment 2), May 8, 2025.

⁸³ Docket U-190837, Order 602.

constrained, and the Commission finds it appropriate to maintain consistent RFP requirements for electric utilities.

94 However, we note that PSE and all other utilities may request an exemption from current rules under WAC 480-07-110. Should PSE desire more flexibility as the ISP process goes forward, the Company may request an exemption from the RFP rules. Further, given the need for resources to meet capacity needs and CETA requirements, as well as recent changes in federal rules and programs, the Commission finds it appropriate to open a rulemaking to consider amendments to chapter 480-107 WAC generally, not limited to changes due to the development of ISPs. Recognizing that the Commission's calendar and workload continues to be heavy, we will determine the appropriate time to initiate the rulemaking at a later date.

I. Modeling Licenses for Intervenorors

95 The Decarbonization Act in RCW 80.86.020(9)(a) provides:

To maximize transparency, the commission may require a large combination utility to make the utility's data input files available in a native format. Each large combination utility shall publish its final plan either as part of an annual report or as a separate document available to the public. The report may be in an electronic form.

96 In keeping with this statutory requirement, WAC 480-96-080(3), as adopted by this Order, requires a utility to disclose the data it has used in its modeling. To further maximize transparency within the rules, WAC 480-96-080(3)(d) requires that an LCU must grant a license to intervenors if the LCU uses software that requires a license. Providing software inputs without the means for others to access them diminishes meaningful participation and is contrary to the statutory requirement of maximizing transparency. Thus, in adopting rules in this order, we require LCU's to provide software licenses if the model the LCU uses requires such licenses.

97 During the CR-101 and CR-102 processes, parties suggested a variety of options surrounding this proposal. PSE suggested that intervenor funds be used to purchase modeling software licenses as the Company does not have the budget to purchase such licenses. AWEC also supported the use of intervenor funds to purchase software licenses but suggested as an alternative that if the LCU was to provide the licenses to interested parties that it be allowed to recover the cost of the licenses through rates. Third Act and WCEC did not oppose an LCU recovering the cost of licenses for interested parties through rates. Joint Commenters support giving licenses to intervenors, and through their

comments, gave examples where commissions from across the country made this policy work.

98 The Commission continues to find that making modeling licenses available would enhance transparency and the level of participation for intervenors. Based on the comments received, we find that allowing recovery of the cost of licenses through utility rates is the most appropriate way to facilitate this process.

99 The proposal that intervenor funds be used for licenses may create barriers to participation for interested parties and could detract from an intervenor's ability to engage in analyzing other aspects of an ISP. There are limited funds available to intervenors under the recently approved funding agreement.⁸⁴ Given the likely complexity of ISPs, it is appropriate that intervenors are not required to choose between using these limited funds to pick between modeling the ISP or engaging in other parts of the ISP that would benefit from expert analysis.

100 A previous draft of WAC 480-96-080(3)(d) identified a specific number of licenses to be distributed. Upon further consideration, limiting the distribution of licenses would not meet the statutory direction to maximize transparency. Thus, we decline to provide guidance within the rules on how many licenses should be distributed and the manner in which they are distributed.

101 We also acknowledge that allowing all intervenors to obtain a license to modeling software and requiring the LCU to provide licenses at any cost could significantly increase customer costs, as the costs of the licenses would be included in rates.

102 Therefore, we provide guidance in this Order that an LCU should establish a process to vet the ability of those to whom it provides licenses both to limit the rate impact to customers and ensure proper scrutiny of the LCU's preferred portfolio. We request that an LCU establish a process to verify that modeling licenses are provided to intervenors that will be able to use them effectively and to administer this process in good faith.⁸⁵ If the LCU determines that an intervenor is not an appropriate candidate for a license, the LCU should petition the Commission for an exemption from WAC 480-96-080(3)(d). Likewise, intervenors denied a license under WAC 480-96-080(3)(d) should have the ability to request the Commission order a utility to provide them a license, explaining their capabilities for using the license. This creates a fair process that allows the LCU and

⁸⁴ Docket U-210595, Order 03.

⁸⁵ The Commission encourages parties to make efforts to make arrangements to combine litigation efforts where possible to reduce the number of licenses needed in a given proceeding.

affected intervenors to discuss the merits of intervenor access to software licenses recoverable in rates. Further, such a process will allow intervenors to either develop modeling expertise or hire consultants to test their assumptions in the LCU's model.

103 Establishing this process by order allows the utility to develop a process with interested parties that is iterative and allows for some regulatory flexibility. The Commission expects the utility to outline its proposed process for granting licenses in the public participation plans. This approach gives the Commission flexibility to offer further guidance in future orders.

J. Timing of the ISP

104 RCW 80.86.020(4) directs an LCU to file its first ISP by January 1, 2027, and allows the Commission to establish the timeline for subsequent ISPs. WAC 480-96-080(4) establishes a filing timeline under which the first ISP would be filed with the Commission by April 1, 2027, the second ISP filed on January 1, 2030, a third filed on January 1, 2033, and a new ISP every four years thereafter. The rules extend the date of the initial ISP filing because the Commission opted to extend the rulemaking deadline by 90 days due to the approval of I-2066, and the winter storms that caused extended power outages for many PSE customers and delayed consideration of cost test proposals in this rulemaking. For the ease of regulatory compliance with CETA, the Commission adopts the timeline for filing the ISP in WAC 480-96-080(4) to ensure that ISP implementation periods would ultimately align with the filing deadlines outlined in CETA. RCW 80.86.020(1) aims to consolidate plans into one filing to reduce regulatory barriers, and the rule adopted in this Order aligns the ISP with CETA regulatory timelines consistent with that intent.

105 During the CR-101 and CR-102 process, interested parties submitted various approaches to the timing of filing ISPs. In the CR-102 process, PSE suggested submitting its second and third ISPs by April 1, 2030, and April 1, 2033, respectively. For the reasons discussed below, we find this to be a viable approach, although it will compress the timeline for an LCU. However, in order to sync the implementation periods of these filings with CETA's statutory timeline, we modify PSE's proposed filing deadlines for the second and third ISPs to January 1, 2030, and January 1, 2033, respectively. While we understand PSE's concerns related to the compressed timeline of the first set of ISPs, the Commission believes that concern has been addressed adequately through clarifying the implementation period and the removal of the midway update requirement, discussed below. Further, we must balance the need for additional time to develop the ISP with the interest in shorter intervals between ISPs in the first few cycles.

- 106 In addition, PSE and AWEC suggested the Commission alter the definition of “implementation period” to account for the period where the utility will have a filed ISP but not yet an approved ISP. The main thrust of AWEC’s argument is that without Commission approval, the Commission is asking an LCU to implement a plan without a determination that it’s in the public interest. Asking an LCU to act upon its filed ISP would create regulatory uncertainty, as there is potential that the Commission might reject or condition an action the LCU takes as part of the implementation of the ISP during the 12-month approval window. PSE commented that the proposed definition of implementation period, coupled with the timing of when ISPs are proposed to be filed, does not represent a realistic path to achievement for the Company.
- 107 The definition of implementation period in proposed WAC 480-96-020(31) and prior draft rules was modelled after the CEIP rules, in particular WAC 480-100-605. That CETA rule designates an implementation period beginning at the date of filing, as required by statute. The Commission is interested in keeping regulatory consistency between electric utilities, given that an ISP will contain a CEIP. However, we appreciate the concerns PSE and AWEC have raised and agree that a change is appropriate. Unlike in the CETA context, under the Decarbonization Act the Commission has the authority to set the timeline in which ISPs are filed.⁸⁶ In the CEIP context, the Commission has experienced the complications that arise when an implementation period begins as soon as a plan is filed, even if that plan could be adjudicated for a year or longer.
- 108 Accordingly, we find it appropriate to adjust the definition of “implementation period” in WAC 480-96-020(31) to begin after the ISP is approved by the Commission. For the first ISP, this will mean that the first implementation period will start April 1, 2028, and last until December 31, 2030. Subsequently, as we have determined in this order, the second ISP will be filed January 1, 2030, with an implementation period beginning on January 1, 2031, lasting until December 31, 2033. The third ISP will be filed on January 1, 2033, with its implementation period beginning on January 1, 2034, and ending on December 31, 2037. After this time, the ISP implementation periods will be aligned with the CETA implementation periods and last four years from the time of approval.
- 109 Though the utility has from the time the first ISP is filed to the time it is approved where it will not be subject to any enforceable interim or specific targets, we still expect the utility to make progress towards the proposed targets to the extent it is reasonable to do so. The Commission will review the prudence of decisions made during this time in light

⁸⁶ RCW 80.86.020(4).

of all relevant statutory requirements, and as always, expects utilities to adaptively manage their systems.

K. ISP Midway Update

- 110 After reviewing the comments in this docket, the Commission has decided to remove the midway update requirement from the rule. Instead, the Commission requires an LCU to file reports with the Commission every 6 months after the beginning of an implementation period. These informational reports are to be filed in the same docket as the ISP and describe the utility's progress in implementing the requirements of an ISP, any updated forecasts, and any adaptive management the utility has undertaken in response to unforeseen events. These reports should outline the progress made with respect to each specific action that was included as part of the approved preferred portfolio in an ISP, summarize all actions taken to improve equity over the past six months, and provide an update on the LCU's public engagement process. These reports are related to the Company's progress in implementing the approved ISP and do not require the LCU to include updated forecasts or estimates as part of the report. The Commission will include the report as an item on an open meeting agenda to publicly discuss these reports and provide feedback to the utility. The Commission's decision to remove the midway update as part of these rules does not preclude parties from proposing specific updates to an ISP as a condition of approval.
- 111 WAC 480-96-080(5), as proposed in the CR-102, required that an LCU prepare a midway update during the implementation period, with some caveats. In the proposed rule, an LCU must file a midway update with the Commission in the middle of each implementation period that spans four or more years.
- 112 Through the CR-101 and CR-102 phases, commenters were split on whether to eliminate or require the midway update in rule. PSE expressed concern with having enough time to complete a midway update and during the CR-101 process recommended removing the midway update.⁸⁷ The Company stated: "PSE recommends revisiting this requirement during the approval process for the first ISP or at some other time in the future."⁸⁸ During the CR-102 phase, PSE offered additional ideas for consideration, including having the midway updates encompass the electric system only, having a midway update on limited elements of the electric and gas system, or having midway updates only be required once

⁸⁷ PSE comments, pg. 19, May 8, 2025.

⁸⁸ PSE comments, pg. 19, May 8, 2025.

the ISP is filed on a four-year timeline.⁸⁹ Joint Commenters request requiring the utility to file during each implementation period either requesting an ISP update or to forgo the update. The Joint Commenters continue to state that bringing the filing to an open meeting would provide a “clear and known process to all parties and afford the utility and intervenors and opportunity to demonstrate why a midway update is either necessary or not.”⁹⁰

113 After reviewing the comments on the proposed rule, we modify the rule to no longer require the midway update. We considered the proposal to limit the midway update to the electric system only, but find this contrary to the purpose of the ISP. However, removing the midway updates without adding any substitute review process would give the Commission a four-year period in which it would have a limited view of how the ISP is performing over its implementation period.

114 While we will not require midway updates, we do believe that given the novel nature of the type of planning that the ISP requires, the Company should file progress reports with the Commission every six months from the date of the ISP is filed. A twice-yearly filing with an opportunity for discussion at an open meeting will give the Commission and the public a chance to hear from the utility on the advancement of the ISP. These reports and subsequent meetings will allow the opportunity for public comments and review. The Commission finds that this process strikes the appropriate balance between administrative efficiency and the need for public transparency and oversight.

L. Alternative Rules

115 In May of 2024, the Commission began the rulemaking process in this docket with the filing of the CR-101 notice along with a Notice of Opportunity to file comments. After one round of comments and a workshop, Commission staff released discussion draft rules in September of 2024, along with a Notice of Opportunity to Comment.

116 In November of 2024, the people of the state of Washington voted to approve I-2066.⁹¹ I-2066 significantly altered, but did not fully repeal, the Decarbonization Act, the legislation that required the rulemaking in this docket.⁹² I-2066 did not repeal the

⁸⁹ PSE comments, pg. 2, Aug 4, 2025.

⁹⁰ Joint Commenter comments, pg. 7, August 4, 2025.

⁹¹ Initiative 2066 *available*
at: https://www2.sos.wa.gov/assets/elections/initiatives/finaltext_3177.pdf.

⁹² Initiative 2066 repealed ISP requirements related to achieving all cost-effective electrification, providing for electrification readiness, assessing potential for geographically targeted

requirement that the Commission adopt rules implementing the Decarbonization Act or that an LCU prepare and submit an ISP with the Commission, but repealed specific provisions to be included in an ISP. Given these changes as a result of the passage of I-2066, Commission staff made changes to the discussion draft rules in order to comply with the new law. Staff released the second draft rules and Notice of Opportunity to File Written Comments in February 2025.

- 117 The constitutionality of I-2066 was challenged in court, and in March of 2025, the initiative was ruled unconstitutional by the King County Superior Court.⁹³ The Superior Court's ruling enjoined the state of Washington from implementing or enforcing I-2066.⁹⁴ Because no party sought a stay the effectiveness of the decision, the Commission revised its discussion draft rules once again, to comply with the law as it stood before passage of I-2066. Staff released the third version of discussion draft rules and a Notice of Opportunity to Comment in April of 2025. This third set of draft rules included revisions to bring the draft rules into alignment with the original law.
- 118 After the release of the third discussion draft rules, PSE observed in filed comments that the draft rules added back content that was removed due to the passage of I-2066. Because the litigation relating to I-2066 was still pending, PSE suggested that the Commission pursue two sets of rules to prepare for the outcome of the litigation.⁹⁵

electrification, assessing pipeline alternatives, and applying a risk reduction premium accounting for CCA allowance price when evaluating the lowest reasonable cost of decarbonization measures. The initiative also added a requirement prohibiting the Commission from approving an ISP that requires or incentivizes an LCU to terminate natural gas service or authorizes an LCU to require involuntary fuel switching. In addition, I-2066 repealed the following whole sections of the Decarbonization Act: 2024 c351 s1 (reciting legislative intent); 2024 c351 s7 (concerning accelerated depreciation and merger of gas and electric rate bases); 2024 c351 s8 (concerning rebates or other inducements for purchase of appliances and equipment; 2024 c351 s10 (requiring outreach to consumer-owned utilities); and 2024 c351 s21 (concerning severability).

⁹³ *Climate Solutions et al., v. State of Washington and Building Industry Association of Washington*, cause # 24-2-28630-6 SEA, Order granting plaintiffs' motion for summary judgment and denying defendants' motion for summary judgment (issued May 9, 2025). The court ruled orally at a hearing held on March 21, 2025.

⁹⁴ *Id.* at 17 ("Defendant State of Washington, its officials, employees, agents, and all persons in active concert or participation with Defendant State of Washington, are enjoined from implementing or enforcing I-2066.").

⁹⁵ PSE comments, pg. 1, May 8, 2025.

AWEC commented in support of PSE's proposal that the Commission draft two sets of rules to prepare for either outcome.⁹⁶

- 119 The Superior Court's ruling has been appealed, and that appeal is pending as of the date of this order. The Commission does not expect a final Washington State Supreme Court decision determining the constitutionality of I-2066 to have been issued prior to the statutory deadline for adoption of these rules. The Commission agrees with PSE that it is reasonable to prepare for either outcome of the litigation, although under the Superior Court's order, the Commission is prohibited from adopting rules that would enforce I-2066's amendments to the Decarbonization Act. Therefore, the Commission now adopts rules that comply with the law as it stands currently. However, the Commission takes two steps to address the possibility that the Washington Supreme Court overturns the Superior Court's ruling. First, the Commission adopts a severability section in WAC 480-96-018, which provides that "[i]f any provision of this chapter or its application to any person or circumstance is held invalid, the remainder of the chapter or the application of the provision to other persons or circumstances is not affected." Adopting this severability language would allow the Commission to address in a subsequent rulemaking those provisions of the rules that are no longer valid without all of the rules becoming invalid. Second, the Commission presents amendments to the rules we adopt in this order as an alternative set of draft rules in Appendix C that the Commission will consider adopting should the Washington Supreme Court overturn the Superior Court's ruling.
- 120 If the Supreme Court overturns the Superior Court's ruling and reinstates I-2066, the Commission will be required to institute an expedited rulemaking to bring the ISP rules we adopt by this order into compliance with the law. The Commission offers the discussion draft in Appendix C to provide the public with advanced notice of the possible amendments to these rules. The alternative rules remove requirements related to cost-effective electrification, electrification readiness, geographically targeted electrification, non-pipeline alternatives, risk reduction premium, and electrification potential assessment.
- 121 As previously noted, nothing in this discussion should be interpreted as an endorsement or criticism of either I-2066 or the Decarbonization Act. The Commission is tasked with implementing the law fairly and impartially. The agency's goal in implementing statutes is to enact the Legislature's intent and pursue the achievement of state policy goals. Our purpose in making this alternative set of rules available is to give the public and interested parties as much time to review the amendments to the rules we adopt in this

⁹⁶ AWEC comments, pg. 1, August 4, 2025.

order that would be necessary in the event that the Supreme Court does overturn the Superior Court’s decision. To accomplish these amendments, the Commission will initiate an expedited rulemaking under RCW 34.05.353 to ensure that the rules are in place prior to the first ISP filing deadline.

M. Low-income Electrification Customer Consent

- 122 WAC 480-95-060(4)(b)(ii), adopted by this Order, requires an LCU to demonstrate benefit to low-income customers participating in low-income electrification. The Commission recognizes the importance of reducing the energy burden of low-income customers, while also recognizing that short-term bill impacts may not fully reflect the cost and benefits impacting the customer. The rule therefore provides protection against energy burden increases generally, as opposed to protecting customers against only short-term bill impacts.
- 123 Further, WAC 480-96-060(4)(b)(v) requires an LCU to obtain consent from low-income customers who may face increased energy burden based on program participation. The Commission recognizes low-income customers should have the choice to make decisions that benefit them holistically even if that means a higher energy burden in the short term. However, customers must be fully informed about their choices.
- 124 PSE comments it would be a “regulatory barrier for implementing low-income electrification programs” to conduct rate and bill impact analysis at a more granular level.⁹⁷ Third Act and WCEC comment that participation in low-income electrification programs should always lower individual customer’s energy burden.⁹⁸
- 125 The environmental advocates support leaving the question of how to inform and obtain consent from low-income customers to discussions with workgroups, and eventually, specific tariff filings that outline program proposals.⁹⁹
- 126 The Commission sees the importance of balancing program nimbleness with low-income customer price protections. To support greater flexibility, the Commission is not adopting rules to require low-income customer consent before electrifying, however, the Commission expects PSE to work with interested parties through the low-income

⁹⁷ PSE comments, pg. 13, Aug 4, 2025.

⁹⁸ Third Act and WCEC comments, page 8, May 6, 2025.

⁹⁹ Joint Commenter comments, pg. 2, May 8, 2025.

advisory committee to work to protect low-income customers in a way that is not unduly administratively burdensome.

N. Geographically Targeted Electrification – Balanced Consideration of Service Territories

127 WAC 480-96-060(4)(d), adopted by this Order, contains the following language relating to geographically targeted electrification proposals:

When a large combination utility proposes geographically targeted electrification in an integrated system plan, it has the burden of clearly demonstrating that it exercised impartial treatment toward the electrification of gas customers that are within the large combination utility's combined electric and gas service territory, and the customers in its gas-only service territory.

128 The Decarbonization Act contains several provisions concerning geographically targeted electrification. RCW 80.86.020(4)(k) requires that an LCU file an ISP that assesses the potential for geographically targeted electrification. RCW 80.86.020(4)(h) requires the ISP to achieve all cost-effective electrification of end uses that are identified through an assessment of alternatives to gas infrastructure projects, including geographically targeted electrification.¹⁰⁰ The ISP must also assess non-pipeline alternatives, including geographically targeted electrification, as an alternative to replacing aging gas infrastructure or expanded gas capacity.¹⁰¹ The Commission adopts WAC 480-96-060(4)(d) in furtherance of these statutory provisions.

129 This rule requiring balanced consideration of both gas-only and combined service territories in electrification planning has evolved throughout this rulemaking. The first draft discussion rules contained the following language related to geographically targeted electrification proposals:

When a large combination utility proposes geographically targeted electrification in an integrated system plan, it has the burden of clearly demonstrating that it treated the electrification of gas customers that are within the large combination utility's combined electric and gas service territory and the customers in its gas only service territory impartially. Geographically targeted electrification proposals that target areas where the large combination utility's gas and electric

¹⁰⁰ RCW 80.86.020(4)(m).

¹⁰¹ RCW 80.86.020(4)(m).

service territories overlap will be rejected unless: (a) the utility provides evidence that the costs and benefits of electrification in the proposed area are materially different than the costs and benefits of geographically targeted electrification in the large combination utility's gas only service territory, or; (b) the large combination utility proposes geographically targeted electrification of areas in its gas only service territory that is approximately the same magnitude as the Geographically Targeted Electrification proposed in its combination service territory within the same integrated system plan.¹⁰²

- 130 Two parties offered comments on this initial language. Sightline Institute expressed support for promoting parity in electrification between an LCU's gas-only and dual fuel service territories, but cautioned that the proposed rule could unintentionally stymie decarbonization progress.¹⁰³ As an alternative to the proposed rule language, Sightline Institute suggested that the Commission use inputs from non-pipeline alternative ranking and cost effectiveness, and consideration for low-income communities to develop electrification targets for the LCU's dual fuel and gas-only service territories.
- 131 PSE commented that nothing in the Decarbonization Act supported the draft rule language. Further, PSE asserted that the provision would have the practical effect of discouraging or rendering impossible the first instances of geographically targeted electrification due to "challenges associated with the question of customer allocation of costs associated with such investments when the customers are in different utility service territories."¹⁰⁴
- 132 The Commission released the second draft discussion ISP rules in January 2025, removing requirements relating to geographically targeted electrification due to the passage of I-2066, which repealed those requirements. The third draft discussion ISP rules were released after I-2066 was reinstated by the Superior Court and reincorporated the language in the same form as the first draft discussion ISP rules.¹⁰⁵
- 133 With the release of third draft discussion ISP rules, the Commission asked interested parties to provide comment on the following:

¹⁰² Proposed Draft Rules for Integrated System Plan, Proposed WAC 480-95-050(3), September 20, 2004

¹⁰³ Sightline Institute comments, pg. 3, October 21, 2024.

¹⁰⁴ PSE comments, pg. 8, October 21, 2024.

¹⁰⁵ Third set of draft rules – proposed WAC 480-95-060(4)(d). released April 8, 2025.

Balanced consideration of targeted electrification geography. The current draft ISP rules require a large combination utility to demonstrate that targeted electrification actions consider electrification of gas loads not served by the large combination utility (not only dual-fuel customers). Is this requirement overly burdensome? Is this a concern that needs to be addressed in rule?¹⁰⁶

- 134 The Commission received multiple responsive comments. Donna Albert commented that the LCU must be ready to provide electrical capacity for electrifying heat and transportation, and this requires advance planning and coordination with whatever entity is providing electricity in the LCU's gas-only territory.¹⁰⁷ Third Act commented that the requirements would not be overly burdensome, arguing that the utility should be required to plan for electrification of gas loads regardless of the supplier of the abandoned gas load.¹⁰⁸ PSE reiterated its October 2024 comments on this topic.¹⁰⁹
- 135 The Commission considered the comments received and proposed WAC 480-96-060(4)(d) in the CR-102 filing. The Commission received comments on WAC 480-96-060(4)(d) from BIAW and PSE.
- 136 BIAW stated that the provision undermines fuel neutrality by encouraging an LCU to pursue targeted electrification in areas they serve with gas, even when consumer-owned utilities provide electric service.¹¹⁰
- 137 PSE objected to the requirement to demonstrate impartial treatment toward customers and stated it is unsure how to comply with the requirement. PSE also stated that because it does not want to violate a Commission rule, the rule could dissuade it from pursuing "different electrification programs."¹¹¹
- 138 Under the rules adopted in this Order, only cost effective geographically targeted electrification would be approved as part of the ISP. Far from undermining fuel neutrality, these rules encourage fuel neutrality through a comparison between gas and electric system costs. The analysis required under these rules determines the most cost-

¹⁰⁶ Notice of Opportunity to File Written Comments, page 4, April 8, 2025.

¹⁰⁷ Donna Albert comments, pg. 6, May 5, 2025.

¹⁰⁸ Third Act comments, pg. 8, May 6, 2025.

¹⁰⁹ PSE comments, pg. 9, May 8, 2025.

¹¹⁰ BIAW comments, pages 3-4, August 4, 2025.

¹¹¹ PSE comments, pg. 13, August 4, 2025.

effective portfolio of specific actions to address customer needs and thus do not bias utility decision making toward any particular course of action.

- 139 The Commission adopts WAC 480-96-060(4)(d), which is supported by provisions in the Decarbonization Act. We understand PSE's concern, but as previously noted, an ISP must assess the potential for geographically targeted electrification. The ISP must also achieve all cost-effective electrification of end uses identified through an assessment of alternatives to gas infrastructure projects, including geographically targeted electrification. Geographic electrification must also be considered in the ISP's analysis of nonpipeline alternatives. Taken together, all of these currently existing statutory requirements mean that the ISP should be able to explain why the LCU is proposing geographically targeted electrification in specific parts of its service territory and not others. We therefore respectfully disagree with PSE that WAC 480-96-060(4)(d) would be difficult to comply with or would dissuade it from pursuing geographically targeted electrification. WAC 480-96-060(4)(d) furthers statutory requirements by ensuring that the LCU will thoughtfully evaluate potential for electrification in areas where it is not the provider of electric service rather than concentrating solely on customers in its combined gas and electric service territory. In this manner, the potential for electrification will be comprehensively assessed.
- 140 The rule also furthers the statutory objectives by requiring equal consideration of all customers across the LCU's service territories, ensuring that the LCU's gas-only customers, who will be served by another utility after electrification, are not arbitrarily excluded. In keeping with its traditional authority,¹¹² the Commission seeks to protect these consumers from any discrimination that may result from assumptions regarding the cost-effectiveness of electrification in these areas. The Commission expects the LCU to demonstrate that it has fully analyzed potential for electrification in all areas, and not just where they will retain the customers after electrification.
- 141 This final version of the rule streamlines the earlier version by eliminating the portions that would have mandated rejection of geographically targeted electrification proposals that failed to meet specified criteria. The Commission eliminated these requirements to reduce the burden on the LCU and alleviate concerns that the rules would have the effect of discouraging geographically targeted electrification.

¹¹² See RCW 80.28.020; RCW 80.28.100; RCW 80.04.110(1)(c) (Prohibiting rate discrimination between similarly situated customers).

- 142 The Commission declines to implement Sightline Institute’s suggestion that the Commission use various inputs to develop geographic electrification targets for the LCU. The Commission finds that this would be more administratively burdensome for the LCU than generally requiring the LCU to demonstrate impartial treatment.
- 143 The Commission does not believe the final rule is overly burdensome. Because the LCU is already required by the Decarbonization Act to assess potential for geographically targeted electrification, consider all cost-effective electrification, and analyze nonpipeline alternatives, including geographically targeted electrification, the Commission believes that the LCU will already possess the inputs needed to articulate how the data supports, or does not support, electrification in its service territory.
- 144 Finally, the Commission points to the earlier version of this rule for guidance regarding how an LCU may demonstrate that it has exercised impartial treatment toward customers when proposing geographically targeted electrification. Although the final rule does not require this showing, the LCU may compare the costs and benefits of electrification in the proposed area with other areas. For example, if the LCU proposes targeted electrification in its combined electric and gas service territory, it should be able to explain how the costs and benefits in the proposed area are different from what they would be in its gas-only service territory. In this manner, the LCU can show that it has fully considered all customers. Similarly, the LCU may demonstrate impartial treatment by proposing geographically targeted electrification of approximately the same magnitude in both combined and gas-only service territories, though this is not required by the rule.

O. Clarification of the intent of WAC 480-96-050(5)(a)

- 145 The Commission received comments critical of this subsection. Regarding Proposed WAC 480-95-050(5)(a), an earlier version of the rule, PSE commented that it was uncertain which policies are being referenced in the directive to "comply with applicable state laws and policies."¹¹³ PSE further commented that it was not reasonable to require compliance with the “full body of extremely complex CCA rules” in the context of ISP portfolio analysis.¹¹⁴ Finally, PSE noted that WAC 480-96-050(5) continues to include elements that are not related to CETA.¹¹⁵

¹¹³ PSE, Attachment 2 to Comments, pg. 11, May 8, 2025.

¹¹⁴ PSE, Attachment 2 to Comments, pg. 11, May 8, 2025.

¹¹⁵ PSE comments, pg. 12, August 4, 2025.

146 WAC 480-96-050(5)(a) provides that an ISP must show that the long-term preferred portfolio expects to: “Comply with applicable state laws and policies affecting energy planning including, but not limited to, the clean energy transformation standards in WAC 480-100-610(1) through (3) and the Climate Commitment Act in chapter 173-446 WAC, at the lowest reasonable cost.” This subsection is not a request to describe the procedural steps that the LCU will take to comply with the laws listed, it is a requirement that the utility account for the large-scale impacts that these laws will likely have on the electric and gas system when the LCU is choosing its preferred portfolio. For example, under the CCA and chapter 173-446 WAC, the rules implementing the CCA, this rule is not concerned with a description of when or how the utility will submit compliance instruments under WAC 173-446-600. It is, however, concerned with the LCU demonstrating how the preferred portfolio will realistically (and cost effectively) comply with the CCA in light of the restriction of available allowances within the CCA’s cap and trade program, per RCW 70A.65.070(2), RCW 70A.45.020, and WAC 173-446-250(2). In short, the preferred portfolio must account for the relevant projected economic impacts of compliance with relevant state laws and policies. Thus, while we recognize the concerns from commenters, we find the rule language appropriate in implementing the Decarbonization Act.

147 **COMMISSION ACTION:** After considering all of the information regarding this proposal, the Commission finds and concludes that it should amend and adopt the rules as proposed in the CR-102 at WSR #25-14-054 with the changes described in paragraph 148 below.

148 **CHANGES FROM PROPOSAL:** The Commission adopts the proposal with the following changes from the text noticed at WSR #25-14-054:

- | | |
|---------------|--|
| 480-96-010 | Delete “electrification of transportation plans,” |
| 480-96-010 | Substitute “the large combination utility” for “interested parties, or the commission on its own motion” before “may petition” |
| 480-96-010 | Insert “Unless otherwise ordered by the Commission, a large combination utility may choose to file an electrification of transportation plan as part of the ISP or separately” |
| 480-96-015(2) | Delete “(2) Until the timing of an integrated system plan is consistent with the four-year filing period of a clean energy implementation plan under RCW 19.405.060, electrification transportation plans are not required to be included in an integrated system plan.” |

- 480-96-020(31) Substitute “filing” for “approval”, insert “two” before “integrated system”, substitute “plan” for “plans”, substitute “December 31, 2029” for “December 31, 2030”, substitute “2030” with “2031” after “January 1” in the definition of “Implementation period”
- 480-96-030(4) Insert “Beginning in 2030,” before a large combination utility shall.
- 480-96-030(5) Insert “Beginning in 2030,” before a large combination utility shall.
- 480-96-030(8)(K) Substitute “to account for the application risk of greenhouse gas allowance ceiling prices” for “that must account for the applicable allowance ceiling prices”
- 480-96-030(8)(K)(b) Delete "in" after “electric utility”
- 480-96-030(8)(K)(c) Delete "s" in the word “decisions”
- 480-96-030(8)(K)(c)(iii) Substitute "matric of cost test results" for “Decision Framework”.
- 480-96-030(9) Substitute "XXX" for “675”
- 480-96-040(2) Insert "the utility’s proportional share of" before “the state’s greenhouse has emissions”
- 480-96-040(3) Insert "the utility’s proportional share of" before “the state’s greenhouse has emissions”
- 480-96-050(3) Substitute “and risks” and” for “; and”
- 480-96-050(5)(c) Insert “Beginning in 2030,” before “achieve”.
- 480-96-050(5)(d) Insert “Beginning in 2030,” before “achieve”.
- 480-96-060(4)(d) Substitute “reliance” for “reliability”
- 480-96-060(5)(e)(ii) Insert “consistent with the” before “energy transformation”, insert “in” before “RCW 19.405.050”, and delete “consistent with” before “RCW 19.405.050”
- 480-96-080(3)(d) Insert “The commission will address cost recovery for license fees within 60 days of any petition to defer such

amounts that may be made by a large combination utility.” at the end of the subsection.

- 480-96-080(4)(a) Insert “, second, and third” after “first”, substitute “plan or ISP” for “plans”, substitute “A final” for “The first”, insert “the second ISP by January 1, 2030, and the third ISP by January 1, 2023.” after “2027;”
- 480-96-080(4)(b) Insert “Unless otherwise ordered by the commission, a” at the beginning of the subsection.
- 480-96-080(4)(b) Delete “and ISP midway updates”
- 480-96-080(4)(b) Delete “, unless ordered by the commission” before “:”
- 480-96-080(4)(b)(i) Delete “A final ISP by October 1, 2029;”
- 480-96-080(4)(b)(ii) Delete the subsection “(ii) If required under subsection (5) of this section, a midway update must be filed no more than 21 months after filing an ISP;”
- 480-96-080(4)(c) Delete “and expectation for the subsequent midway update”
- 480-96-080(5) Delete entire section “ISP midway update” including “On the timeline described in subsection (4) of this section, a large combination utility must file a midway update if any of the following conditions are true...”
- 480-96-080(6) Substitute “(6)” for “(5)”, delete “and midway update”, “and midway update”, “or midway update” and “or midway update”.

STATEMENT OF ACTION; STATEMENT OF EFFECTIVE DATE:

After reviewing the entire record, the Commission determines that WAC 480-96-015, WAC 480-96-018, WAC 480-96-020, WAC 480-96-030, WAC 480-96-040, WAC 480-96-050, WAC 480-96-060, WAC 480-96-070, and WAC 480-96-080 should be adopted, and WAC 480-107-009 should be amended to read as set forth in Appendices B , as rules of the Washington Utilities and Transportation Commission, to take effect immediately pursuant to RCW 34.05.380(3)(a).

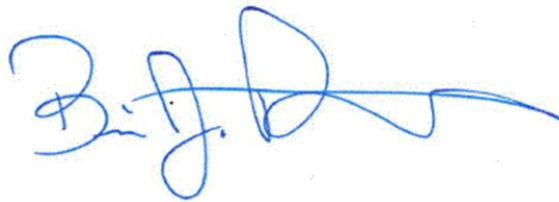
IV. ORDER

THE COMMISSION ORDERS:

- 149 The Commission adopts WAC 480-96-015, WAC 480-96-018, WAC 480-96-020, WAC 480-96-030, WAC 480-96-040, WAC 480-96-050, WAC 480-96-060, WAC 480-96-070, and WAC 480-96-080, and amends WAC 480-107-009 to read as set forth in Appendix B, as rules of the Washington Utilities and Transportation Commission, to take effect immediately pursuant to RCW 34.05.380(3)(a).
- 150 This Order and the rule set out below, after being recorded in the register of the Washington Utilities and Transportation Commission, shall be forwarded to the Code Reviser for filing pursuant to RCW 80.01 and RCW 34.05 and WAC 1-21.

DATED at Olympia, Washington, September 26, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



BRIAN J. RYBARIK, Chair



ANN E. RENDAHL, Commissioner



MILTON H. DOUMIT, Commissioner

Note: The following is added at Code Reviser request for statistical purposes:

Number of Sections Adopted in Order to Comply with Federal Statute: New 0, amended 0, repealed 0; Federal Rules or Standards: New 0, amended 0, repealed 0; or Recently Enacted State Statutes: New 9, amended 1, repealed 0.

Number of Sections Adopted at Request of a Nongovernmental Entity: New 0, amended 0, repealed 0.

Number of Sections Adopted on the Agency's own Initiative: New 9, amended 1, repealed 0.

Number of Sections Adopted in Order to Clarify, Streamline, or Reform Agency Procedures: New 9, amended 1, repealed 0.

Number of Sections Adopted using Negotiated Rule Making: New 0, amended 0, repealed 0; Pilot Rule Making: New 0, amended 0, repealed 0; or Other Alternative Rule Making: New 0, amended 0, repealed 0.

Appendix A

Comment Summary Matrix

Appendix B

WAC 480-96 - RULES

Appendix C

Potential rule changes related to I-2066 litigation (illustrative only)