

**Exh. MAB-1T
Dockets UE-230172 and UE-210852
Witness: Molly A. Brewer**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**PACIFICORP d/b/a PACIFIC POWER
AND LIGHT COMPANY,**

Respondent.

**DOCKETS UE-230172 and
UE-210852 (Consolidated)**

In the Matter of

**ALLIANCE OF WESTERN ENERGY
CONSUMERS'**

**Petition for Order Approving Deferral of
Increased Fly Ash Revenues**

TESTIMONY OF

MOLLY A. BREWER

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Equity in Capital Planning

September 14, 2023

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LIST OF EXHIBITS

- Exh. MAB-2 PacifiCorp Response to UTC Staff Data Request No. 23
- Exh. MAB-3 PacifiCorp Response to UTC Staff Data Request No. 27
- Exh. MAB-4 PacifiCorp Response to UTC Staff Data Request No. 25
- Exh. MAB-5 PacifiCorp Response to UTC Staff Data Request No. 26

1 I. INTRODUCTION

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Q. Please state your name and business address.

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

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

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

Q. Would you please state your educational and professional background?

A. I graduated from Western Washington University in 2014 with a B.A. in Community Development and Multicultural Studies. In 2020, I graduated from the University of Washington Evans School of Public Policy with an M.A. in Environmental Policy. In Spring 2022, I completed a Graduate Certificate in Public Utility Regulation & Economics from New Mexico State University. I also completed a National Association of Regulatory Utility Commissioners course, “Including Equity and Energy and Environmental Justice in State Public Utility Commission Decisions” in July 2022. Additionally, I have worked for Seattle Public Utilities where I led a Race

1 and Social Justice Initiative work group to create an equity strategy for
2 environmental ordinances.

3

4 **Q. Have you previously testified before the Commission?**

5 A. Yes, I sponsored testimony on behalf of Commission Staff in PSE's 2022 general
6 rate case, Dockets UE-220066, UG-220067 and UG-210918.

7

8 **II. SCOPE AND SUMMARY OF TESTIMONY**

9

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

11 A. The purpose of this testimony is to determine if Pacific Power and Light Company
12 (PacifiCorp or Company) is applying an equity lens and planning for equitable
13 outcomes in its capital planning processes.

14 My testimony starts with a discussion of the Commission's previous
15 guidance on equity issues and Staff's application of the public interest to
16 PacifiCorp's capital planning process. Next, I provide an overview of PacifiCorp's
17 capital planning processes. I then discuss where the Company's case was insufficient
18 in demonstrating that it is planning for equitable outcomes in capital planning. Finally, I
19 provide Staff's recommendations for what the Company should do to better incorporate
20 equity into its capital planning.

21

1 **Q. Please summarize your recommendations.**

2 A. First, Staff recommends the Company incorporate a distributional equity analysis
3 (“DEA”), which can coexist alongside existing benefit-cost analysis, into its capital
4 planning frameworks. PacifiCorp should submit a compliance filing demonstrating
5 this has been done by the end of the Multi Year Rate Plan (MYRP).

6 Next, Staff recommends that PacifiCorp develop benefits and costs (with
7 associated weights, where applicable) related to equity for use in the portfolio
8 optimization step in its transmission and distribution capital planning framework.

9 Finally, Staff recommends that PacifiCorp modify the criteria that trigger the
10 need to add a new transmission or distribution capital project. Equity related criteria
11 should be added to this trigger, as it relates to evaluating system needs in capital
12 planning.

13

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

15 A. Yes, I prepared Exhibits MAB-2 through MAB-5.

- 16 • Exh. MAB-2 shows PacifiCorp’s response to UTC Staff DR No. 23.
- 17 • Exh. MAB-3 shows PacifiCorp’s response to UTC Staff DR No. 27.
- 18 • Exh. MAB-4 shows PacifiCorp’s response to UTC Staff DR No. 25.
- 19 • Exh. MAB-5 shows PacifiCorp’s response to UTC Staff DR No. 26.

20

1 **III. APPLICATION OF THE PUBLIC INTEREST TO**
2 **PACIFICORP'S CAPITAL PLANNING**

3
4 **A. Equity Considerations**

5
6 **1. Commission guidance on equity in MYRPs.**

7
8 **Q. Has the Commission previously opined on how equity could be considered in**
9 **the public interest as it applies to reviewing MYRPs?**

10 A. Yes, the Commission opined on how equity could be considered in the public
11 interest in the following dockets: first, in Docket UG-210755 Order 09 (Cascade
12 GRC Order); next, in consolidated Dockets UE-220053/UG-220054 Final Order
13 10/04; and last, in consolidated Dockets UE-220066/UG-220067 Final Order 24/10.
14 The Commission also opined on equity as it relates to the Clean Energy
15 Transformation Act (CETA) within Puget Sound Energy's (PSE) Clean Energy
16 Implementation Plan (CEIP) in Docket UE- 210795, Final Order 08.

17
18 **Q. Is there any ongoing Commission effort to address equity in regulatory work?**

19 A. Yes. Though it is yet to be made public, the Commission is beginning an equity
20 docket that aims to explore the four tenants of energy justice: distributional justice,
21 procedural justice, recognition justice, and restorative justice.

1 **Q. Did the Commission clarify its definition of the public interest to include equity**
2 **considerations?**

3 A. Yes. In the Cascade GRC Order, the Commission clarifies its definition of the public
4 interest to include equity considerations.¹

5 The Commission described a few central themes related to equity in the
6 Cascade GRC Order. First, it describes the Washington Office of Equity's three
7 principles of equity:

- 8 • Equity requires developing, strengthening, and supporting policies and
9 procedures that distribute and prioritize resources to those who have been
10 historically and currently marginalized, including tribes;
- 11 • Equity requires the elimination of systemic barriers that have been deeply
12 entrenched in systems of inequality and oppression; and
- 13 • Equity achieves procedural and outcome fairness, promoting dignity, honor,
14 and respect for all people.²

15 Next, it describes the core tenants of energy justice:

16 1. Distributional justice, which refers to the distribution of benefits and burdens
17 across populations. Distributional justice aims to ensure that marginalized and
18 vulnerable populations do not receive an inordinate share of the burdens nor
19 are denied access to benefits.

20 2. Procedural justice, which focuses on inclusive decision-making processes and

¹ *Wash. Utils. & Trans. Comm'n v. Cascade Natural Gas Corporation*, Docket UG-210755, Final Order 09, 16-17, ¶ 52 (Cascade GRC Order).

² Cascade GRC Order at 17, ¶ 54.

1 seeks to ensure that proceedings are fair, equitable, and inclusive for
2 participants, recognizing that marginalized and vulnerable populations have
3 historically been excluded from decision-making processes.

4 3. Recognition justice, which requires an understanding of historic and ongoing
5 inequalities and prescribes efforts that seek to reconcile these inequalities.

6 4. Restorative justice, which is using regulatory government organizations or
7 other interventions to disrupt and address distributional, recognitional, or
8 procedural injustices, and to correct them through laws, rules, policies,
9 orders, and practices.³

10 Last, the Commission opined on how equity might be incorporated into
11 future MYRPs.

12

13 **Q. Did the Commission set a clear expectation that all regulated companies should**
14 **inquire whether each proposed modification to their rates, practices, or**
15 **operations corrects or perpetuates inequities?**

16 A. Yes. Using these words exactly⁴ in the Cascade GRC Order, the Commission further
17 indicated that Companies should be prepared to provide testimony and evidence to
18 support their position.

19

20 **Q. What did the Commission say about applying an equity lens to the public**
21 **interest going forward?**

³ *Id.* at 18, ¶ 56.

⁴ Cascade GRC Order at 19, ¶ 58.

1 A. In the Cascade GRC Order, the Commission stated, “So that the Commission’s
2 decisions do not continue to contribute to ongoing systemic harms, we must apply an
3 equity lens in all public interest considerations going forward...recognizing that no
4 action is equity-neutral.”⁵

5
6 **Q. Did the Commission define “equity lens?”**

7 A. No. The Commission did not specifically define what it means to apply an equity
8 lens. Instead, the Commission opted to discuss equity at a high level.⁶ The order
9 does note in a footnote that: “State law defines “equity lens” as providing
10 consideration to those characteristics for which groups of people have been
11 historically, and are currently, marginalized to evaluate the equitable impacts of an
12 agency’s policy.”⁷

13
14 **Q. When did the Commission provide the guidance referenced above?**

15 A. The Cascade GRC Order was issued on August 23, 2022. The latest Avista GRC
16 Order was issued December 12, 2022, and the latest PSE Order was issued on
17 December 22, 2022. This gave PacifiCorp around six months before the Company
18 initially filed this GRC in March of 2023 to incorporate Commission guidance from
19 the Cascade GRC Order into this filing, and around three months to incorporate the
20 equity-related information from the Avista and PSE GRC Orders.

21

⁵ *Id.*

⁶ *Id.* at 17, ¶ 53.

⁷ *Id.* at 19, n. 39.

1 **2. Staff consideration of equity in this MYRP.**

2

3 **Q. Did Staff apply the Commission’s guidance on equity in its review of this**
4 **MYRP?**

5 A. Yes, Staff considered what the Commission has said about equity when reviewing
6 PacifiCorp’s case. Staff reviewed equity considerations broadly in the case, and
7 specifically, in capital planning.

8

9 **Q. Absent a specific definition of the terms ‘equitable outcome’ and ‘equity lens’,**
10 **how did Staff consider these terms for the purpose of its review of this MYRP?**

11 A. For the purpose of reviewing PacifiCorp’s MYRP, Staff regarded as an equity lens
12 any specific and intentional framework, practice, or procedure used to consider or
13 evaluate a decision applying the core tenants of equity justice described in the
14 Cascade GRC Order.⁸ Similarly, Staff considers an equitable outcome to mean any
15 outcome that successfully achieves or promotes the core tenants of energy justice.
16 These definitions are intentionally broad to allow for more specific direction from
17 the Commission in the future.

18

19 **Q. Did PacifiCorp provide testimony regarding how it incorporated equity into**
20 **this MYRP?**

⁸ Cascade GRC Order at 18, ¶ 56.

1 A. Yes, Company witness Medina’s testimony described several actions the Company
2 took to address equity in this MYRP, as well as several other actions unrelated to this
3 MYRP that the Company has taken generally to address equity as a company. I
4 describe these steps below in Section IV.A.

5
6 **Q. Please briefly summarize Company witness Medina’s testimony on equity.**

7 A. Company witness Medina first described what the Company is doing internally to
8 further equity.⁹ The testimony listed three proposals covered by other witnesses that
9 the Company claims are equity-related: The proposal to replace tiered energy
10 charges with seasonal energy charges (Meredith, Exh. RMM-1T), the construction of
11 two new substations (Vail, Exh. RAV-1T), and the rebuilding of the company’s
12 North Temple Property (Branch, Exh. JB-1T). The testimony also listed actions that
13 the Company has taken “outside of this case”¹⁰ to improve equity.

14
15 **Q. Did PacifiCorp sufficiently incorporate equity into its capital planning processes
16 in this MYRP?**

17 A. No, the Company did not provide sufficient evidence that it is planning for equitable
18 outcomes, or applying an equity lens in its capital planning processes in this MYRP.
19 I further discuss this in section IV of this testimony.

⁹ Medina, Exh. CMM-1T at 3:16-4:16.

¹⁰ *Id.* at 5:5-11:13. Staff notes that many of the actions listed in this section of the testimony are already done, and therefore not part of the MYRP. The Company does describe these items as “outside of this case”, and presumably therefore irrelevant to evaluating whether the proposed MYRP meets equity requirements. However, the Company also devotes 6 ½ pages of the 11 pages of equity testimony to outlining these efforts. If it is the Company’s position that these actions are not part of the MYRP, it is unclear why they are discussed in Company testimony at such length.

1 **IV. OVERVIEW OF CAPITAL PLANNING**

2

3 **A. Distribution System Planning**

4

5 **Q. Please summarize how PacifiCorp conducts its distribution system planning.**

6 A. PacifiCorp outlines how it conducts distribution system planning in Section 6 of
7 PacifiCorp’s publicly available 2022 All Source Request for Proposals (2022 AS
8 RFP) document which the Company provided in response to UTC Staff’s DR No.
9 23.¹¹ In the 2022 AS RFP, the Company describes that it evaluates RFP bids to
10 identify new resources that will maximize customer benefits, while satisfying
11 capacity, energy, and reliability needs.¹² PacifiCorp uses PLEXOS portfolio
12 optimization model software to aid in this process.

13 The evaluation process consists of the following phases:

- 14 1. Minimum criteria and bid eligibility.
- 15 2. Due diligence and non-price scoring.
- 16 3. Bid preparation for input into PLEXOS, including resource shaping.
- 17 4. PLEXOS modeling, including bid selection, portfolio optimization,
18 reliability testing, price-policy scenario analysis, stochastic risk analysis
19 and price scoring.

¹¹ Brewer, Exh. MAB-2.

¹² *In re Petition For an Order Approving Proposed Request for Proposals*, Docket UE-210979, “2022 All-Source Request for Proposals”, Section 6, 33 (filed May 13, 2022) (2022 AS RFP). Available at: <https://www.pacificorp.com/suppliers/rfps/2022-all-source-rfp/RFP-documents-appendices.html>.

- 1 5. Combination of price and non-price scoring and ranking of preferred
2 resources.
3 6. Sensitivities may be run as part of the state regulatory approval process.
4 7. State-specific resource analyses to comply with evolving regulations.¹³
5

6 **Q. Does the Company currently include equity considerations in any of the above**
7 **phases?**

8 A. Yes, the Company appears to include equity considerations in the non-price scoring
9 step in phase two. PacifiCorp requires bidders to fill out an Equity Questionnaire.¹⁴
10 The Company states that in Washington it uses the results of this questionnaire to
11 give preference to projects that provide environmental and economic benefits to
12 highly impacted communities and vulnerable populations (“Named
13 Communities”).¹⁵

14 According to the Company the Equity Questionnaire responses will be used
15 in the final phase of the above evaluation process to measure Washington customer
16 benefit indicators as part of Washington’s CETA.¹⁶
17

18 **Q. Are there any other areas where PacifiCorp considers equity-related factors in**
19 **the above phases?**

¹³ 2022 AS RFP at Section 6, page 33.
¹⁴ *Id.* at Appendix P.
¹⁵ *Id.* at 36.
¹⁶ *Id.*

1 A. Yes, in the event of a tie in the fifth phase, wherein the Company combines price and
2 non-price scoring, PacifiCorp states that it will give preference to renewable energy
3 and demand-side resources that provide environmental and economic benefits to
4 communities afflicted with poverty or high unemployment, or that suffer from high
5 emission levels of toxic air contaminants, criteria air pollutants, and greenhouse
6 gases.¹⁷

7

8 **B. Transmission System Planning**

9

10 **Q. Please summarize how PacifiCorp conducts its transmission system planning.**

11 A. PacifiCorp states that it conducts its transmission system planning in accordance
12 with Open Access Transmission Tariff (OATT) requirements, Federal Energy
13 Regulatory Commission (FERC) policies, and North American Electric Reliability
14 Corporation (NERC) Reliability Standards compliance.¹⁸ When determining which
15 projects to fund, the Company uses criteria such as FERC and NERC standards,
16 estimated cost, schedule, exposure risk, magnitude of load loss, load shedding exposure,
17 customer outage durations, load restoration capabilities and capacity added.

18

19 **Q. Does the Company currently include equity considerations in its transmission**
20 **planning process?**

¹⁷ 2022 AS RFP at 40.

¹⁸ Brewer, Exh. MAB-2.

1 A. No. Staff does not see any evidence suggesting it does. While PacifiCorp states that
2 it gathers stakeholder feedback on some large, major transmission projects,¹⁹ Staff
3 does not believe the Company uses any specific equity framework in its transmission
4 planning.

5

6 **V. RECOMMENDATIONS TO IMPROVE EQUITY IN PACIFICORP'S**
7 **CAPITAL PLANNING PROCESSES**

8

9 **A. Deficiencies in PacifiCorp's Case**

10

11 **Q. You stated previously that the Company did not adequately incorporate equity**
12 **into its capital planning processes in this MYRP. Could you elaborate on how**
13 **you arrived at this position?**

14 A. Yes. First, Staff reviewed the Company witness testimony. Company witness
15 McVee's testimony reviewed Commission guidance on equity and how it should
16 inform the Company's proposed rates, practices, and operations.²⁰ Company witness
17 Medina's testimony described the three actions the Company took to include equity
18 considerations in this MYRP:

19 1. Company witness Robert M. Meredith explained the Company's rate
20 design proposal to replace tiered energy charges with seasonal energy
21 charges, and split the basic charge into two separate charges for

¹⁹ *Id.* at 3.

²⁰ McVee, Exh. MDM-1T at 19:1-20:5.

1 customers living in single-family and multi-family dwellings.
2 2. Company witness Richard A. Vail testified that the Company considered
3 and complied with the Yakama Nation’s restrictions on upgrades of
4 distribution facilities, when deciding to construct two new substations
5 with new 115 kV transmission lines on Yakama land.

6 3. Company witness Jayson Branch testified on how the Company chose to
7 revamp its North Temple Property, located in an area and community
8 that is economically disenfranchised, where it will build new corporate
9 facilities.²¹

10 Next, Staff engaged in a series of discussions with PacifiCorp staff and
11 subsequently issued DRs to gather more information about the above actions, as well as
12 about capital planning generally. Staff examined the above actions and capital planning
13 processes generally to arrive at its position.

14 Last, Staff reviewed the actions outside of this case discussed in Company
15 witness Medina’s testimony.²²

16
17 **Q. First, what did Staff find insufficient regarding equity in relation to the rate design**
18 **proposal when reviewing testimony, engaging in discussions, and reviewing DR**
19 **responses?**

20 A. Staff found it was unclear whether the Company applied an equity lens to the
21 proposal for seasonal energy charges and split the basic charge. Company witness

²¹ Medina, Exh. CMM-1T at 4:23-5:4.
²² Medina Exh. CMM-1T at 5:5 –11:13.

1 Meredith indicates that more accurate cost causation, affordability for customers, and
2 better alignment with Washington’s decarbonization goals are all drivers of this
3 proposal.²³ In response to Staff DR No. 27²⁴ where Staff specifically asked whether
4 PacifiCorp incorporated an equity lens into its decision, the Company responded by
5 directing Staff to view Company witness Meredith’s testimony, and provided a power
6 point presentation that it gave to the EAG on this proposal.

7 Staff acknowledges that by considering affordability for low-income customers
8 and by discussing this proposal with the EAG, the Company took some steps towards
9 planning for an equitable outcome. However, based on the information provided thus far,
10 this proposal only appears to clearly address one of the four aspects of energy justice:
11 procedural justice. As outlined in the testimony of Staff witness Hillstead (Exh. KMH-
12 1T), Staff is not convinced that approving seasonal rates is in the public interest
13 generally, nor that seasonal rates would improve distributional equity specifically, based
14 on the record in this case.

15
16 **Q. Next, what did Staff find insufficient regarding equity in relation to the two**
17 **substation projects when reviewing testimony, engaging in discussions, and**
18 **reviewing DR responses?**

19 A. Company witness Vail stated that when deciding to fund the substation projects and
20 evaluating alternatives, PacifiCorp respected the Yakama Nation restriction that prevents
21 the upgrade of distribution system facilities that supply areas off the tribal lands.²⁵ In

²³ Meredith Exh. RMM-1T at 12:17-13:2; and 24:5-7.

²⁴ Brewer Exh. MAB-3.

²⁵ Vail, Exh. RAV-1T at 27:1-10 (“The Yakama Tribe recently enacted restrictions that prevent the upgrade of distribution system facilities that supply areas off the tribal lands. To respect this requirement...”). Based on the

1 response to Staff DR No. 25²⁶, the Company described that it considered equity in this
2 project specifically by respecting the Yakama Nation’s restrictions when considering
3 alternatives and which project to fund. Staff finds this to be inadequate because the
4 Company is expected to respect a tribal nation’s restrictions regardless of any equity
5 laws or frameworks. Staff does not find that this constitutes applying any sort of equity
6 framework at the time of making the decision, or actively applying the tenants of equity
7 justice. Rather, Staff speculates that because the projects were in relation to a tribe, the
8 Company may have listed these projects as related to equity, while not necessarily
9 applying an equity lens to the decision.

10 Additionally, the response to DR 25 asserts that “...both the selected and
11 alternative projects were consistent with principles of equity...,”²⁷ which further
12 raises the question of whether equity considerations had any impact on the decision
13 to construct these substations at all.

14 In summary, Staff finds the Company did not apply an equity lens and is simply
15 arguing post hoc that these projects are equity related.

16
17 **Q. Lastly, what did Staff find insufficient regarding equity in relation to the North**
18 **Temple project when reviewing testimony, engaging in discussions, and reviewing**
19 **DR responses?**

short descriptions of this “restriction” in the testimonies of Company witnesses Vail and Medina, it appears likely that PacifiCorp is obligated to abide by this restriction.

²⁶ Brewer, Exh. MAB-4.

²⁷ *Id.*

1 A. Staff sees no clear link between investing in the North Temple Property and any direct
2 benefit to Named Communities, nor does Staff see evidence that the Company applied
3 an equity lens at the time of making this decision. In its response to Staff DR No. 26,
4 PacifiCorp notes that its decision to invest in this project happened in 2019, before any
5 specific statute or guidance on equity came out in Washington.²⁸ If this is true, Staff
6 finds it unlikely that this project demonstrates how the Company considered equity in
7 this MYRP. Staff understands that the Company sought feedback from interested parties
8 on this project, which is certainly fundamental to investment decision-making absent any
9 additional laws or guidance on equity. In testimony, discussions, and DR responses,
10 Staff found no evidence that the Company applied any equity lens to this project at any
11 stage. Rather, Staff believes that because the project implicates an economically
12 disadvantaged community in Utah, the Company arbitrarily listed this project as related
13 to equity in this MYRP. Staff finds the Company did not apply an equity lens and is
14 simply arguing post hoc that this project is equity related.

15
16 **Q. What questions did Staff’s review of equity in the North Temple Property decision**
17 **raise?**

18 A. The Company’s assertion that the North Temple Property should be considered as an
19 investment that contributes to fulfilling statutory equity requirements raises an important
20 question regarding the scope of equity requirements under RCW 80.28.425 and CETA.
21 The Company explains that the North Temple Property is “located in an area and
22 community that is economically disenfranchised, where it will build new corporate

²⁸ Brewer Exh. MAB-5.

1 facilities.”²⁹ Assuming for the sake of argument that this is true and that the
2 reconstruction of the North Temple Property would indeed positively impact that
3 community, the question remains whether the scope of the equity requirements extend to
4 a community outside of the Company’s Washington service territory.

5 If a project involves states that do not have laws regarding equity, Staff is not
6 clear on if it is appropriate for the Company to simply measure and account for
7 equity benefits only for Washington customers. Staff is interested in seeing equity
8 benefits for all affected customers, not only those who are in the Washington service
9 territory. However, it is unclear how equity improvements outside of the Company’s
10 Washington service territory could be considered within CETA’s distributional
11 equity requirements, which focus on customers within the Washington state service
12 territory.³⁰

13
14 **Q. What tradeoffs has Staff identified in this issue?**

15 A. Since PacifiCorp is a multi-jurisdictional utility whose service territory covers six
16 states and since some projects involve multiple states, the Company may face
17 tradeoffs in how it incorporates equity into investments in an appropriate way.

²⁹ Medina, Exh. CMM-1T at 5:3-4.

³⁰ See RCW 19.405.040(8); RCW 19.405.020 (23) & (40). In short, equitable distribution is described under CETA in relation to Named Communities, a term not found in statute but now commonly used to refer to Vulnerable Populations and Highly Impacted Communities collectively. Because these definitions apply only to Washington State customers, the equity requirement in RCW 19.405.040(8) appears to be restricted to communities and customers within the state. In the PSE CEIP Order, Docket UE-210795 at 95, ¶ 350- 96, ¶ 353, the Commission provided guidance on which equity related costs are attributable to CETA in light of the Commission’s guidance on the equity requirements in the MYRP statute, RCW 80.28.425. Unfortunately, that guidance does not answer the question raised in this case. If the equity requirements under the MYRP statute extended beyond Washington service territory and CETA’s equity requirements did not, the equity costs related to investments/projects outside of Washington would still be included in both the baseline and preferred portfolio.

1 If the Company were to apply equity analysis to all decisions, investments and actions
2 that are a part of serving Washington customers, like in the case of the North Temple
3 Property, then that may require assessing the equity impacts of projects far from
4 Washington service territory and determining whether those projects would improve
5 equity in the communities directly impacted by those decisions. The Commission would
6 then have to analyze equity benefits and costs for Utah residents in the surrounding area,
7 because a small portion of the costs of the project are apportioned to Washington
8 customers.

9 If the Company limits equity analysis to within PacifiCorp's Washington state
10 service territory, this might be seen as turning a blind eye to equity concerns outside of
11 the state, which seems at odds with the Commission's strong commitment to equity. If,
12 for example, a transmission project involved communities in Washington and in other
13 states with no equity laws, it seems arbitrary to decide that equity benefits of the same
14 project don't matter for the non-Washington customers.

15 However, Staff acknowledges that the Commission does not necessarily have
16 jurisdiction over how or if PacifiCorp incorporates equity into decisions affecting
17 customers outside of Washington.

18
19 **Q. What does PacifiCorp's inclusion of the North Temple Property as an investment**
20 **related to equity in this MYRP indicate about the Company's position on this**
21 **matter?**

22 A. Presumably, given that PacifiCorp highlighted the North Temple Property project as
23 equity-related in a Washington MYRP, the Company's position is that the scope of
24 Washington's equity requirements *does* extend outside of Washington service territory.

1 However, when asked to confirm this in Staff DR 26, the Company did not provide a
2 direct response.³¹

3

4 **Q. How might PacifiCorp and the Commission resolve these types of potential**
5 **challenges?**

6 A. In theory, the best practice would be for the Company to apply an equity lens and
7 plan for equitable outcomes in its capital planning processes in all investment
8 decisions that affect Washington customers. However, Staff does not take a position
9 on exactly how the Commission should handle Washington’s equity requirements for
10 PacifiCorp’s interstate investments that involve communities outside of Washington
11 service territory.

12 Staff does not believe that the Commission has provided direct guidance on this
13 question, and asks the Commission to consider providing clarification on the issue. An
14 expansive view of the scope of equity requirements may raise legal questions, which
15 Staff will address in its’ post-hearing brief.

16

17 **Q. Do you have any final thoughts on the company’s equity testimony and the**
18 **evidence the Company has provided that the MYRP complies with equity**
19 **requirements?**

20 A. Yes. Based on the conclusions Staff reached about the three projects listed above, it
21 appears that almost nothing in the MYRP is an expense or investment actually related to
22 improving distributional or recognition justice. This is disappointing given the clear

³¹ Brewer, Exh. MAB-5 (Staff DR 26(4)).

1 guidance from the Commission in the Cascade GRC Order and subsequent decisions that
2 highlight the importance of achieving equity and incorporating equity consideration into
3 decision making. The Commission stated unequivocally that “recognizing that no action
4 is equity-neutral, regulated companies should inquire whether each proposed
5 modification to their rates, practices, or operations corrects or perpetuates inequities.
6 Companies likewise should be prepared to provide testimony and evidence to support
7 their position.”³²

8 What PacifiCorp provided in this case falls far short of that mark. Staff believes
9 that the equity requirements in CETA and RCW 80.28.425 were intended to instigate
10 real-world changes to the decision making and investments made by electric utilities.
11 The equity proposals in this case appear to be nothing more than verbal window-dressing
12 draped over the Company’s business-as-usual.

13 The Company may reply that the decisions on the projects were made prior to
14 the equity requirements, in RCW 80.28.425, as the Company mentions in many of the
15 responses to Staff’s DRs related to equity. This response is true enough, but only
16 explains why these projects are not supported with contemporaneous equity analysis. It
17 does not explain why PacifiCorp offers nothing else to demonstrate that its MYRP
18 properly incorporates equity. PacifiCorp is not in the same position that Avista and PSE
19 were in last year during their respective GRCs, as it had nearly seven months before
20 filing this GRC to consider how it could comply with Commission guidance from the
21 Cascade GRC Order.

³² Cascade GRC Order at 19, ¶ 58.

1 **Q. Next, what did Staff find insufficient regarding equity in capital planning when**
2 **reviewing testimony, engaging in discussions, and reviewing DR responses?**

3 A. Staff found that the Company did not apply enough of an equity lens in the various
4 phases of distribution and transmission capital planning. Staff acknowledges that the
5 Company uses an equity questionnaire as a part of its RFP process and commends the
6 Company for introducing this element into its distribution decision-making process.
7 Staff also acknowledges that the Company’s transmission decisions are largely informed
8 by interstate needs and federal regulation. However, to ensure that a process as complex
9 as capital planning adequately transforms to effectively consider equity, the Company
10 must incorporate additional equity elements.

11

12 **Q. Lastly, what did Staff find about the list of actions outside of this case provided in**
13 **Medina’s testimony?**

14 A. Because these actions were outside of this case, they didn’t factor into Staff’s position.
15 Further, many of those actions were required as a part of CETA, or other Commission
16 orders or initiatives. Staff commends the Company for working to comply with those
17 requirements outside of this case, but believes that compliance with these other
18 requirements does little, if anything, to demonstrate that the Company’s MYRP proposal
19 meets the equity standards of RCW 80.28.425(1).

20

21 **Q. Medina discussed how the Company did not include a proposal for a distributional**
22 **equity analysis in this case. What is Staff’s response to that?**

1 A. Staff disagrees with the Company’s statement that the Commission rejected DEA
2 proposals by both Avista and PSE.³³ Staff clarifies that the Commission modified both
3 Avista³⁴ and PSE’s³⁵ settlement stipulation terms related to a DEA, to state that there
4 will be a Commission-led process to refine DEA methodology, rather than a
5 Commission Staff-led process. This does not mean the Commission rejected these
6 companies’ DEA proposals. Further, PSE was ordered to develop a DEA pilot before
7 beginning the Commission-led process.³⁶ As such, Staff disagrees with PacifiCorp’s
8 reasoning. The Company should have included at minimum the preparations it is making
9 to learn about and incorporate DEA as part of the MYRP.

10
11 **Q. Does Staff believe PacifiCorp should have included information about steps it is**
12 **taking to learn about and eventually incorporate DEA into its capital planning**
13 **processes, in this MYRP?**

14 A. Yes. Staff believes PacifiCorp should have included at minimum some discussion about
15 its efforts to work towards incorporating DEA methodology into its capital planning
16 process. Staff does not expect that the Company would have included a specific proposal
17 for a DEA in this MYRP, but Staff disagrees with the Company’s approach to sidestep
18 initiative in this matter.

19

³³ Medina, Exh. CMM-1T at 11:14-21.

³⁴ *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Dockets UE 220053 & UG 220054, Order 10/04, 28, ¶ 78 (Dec. 12, 2022).

³⁵ *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy Inc.*, Dockets UE 220066 & UG 220067, Order 24/10, 72, ¶ 236 (Dec. 22, 2022).

³⁶ *Id.* at 71, ¶ 231.

1 **Q. In testimony, the Company states that it intends to participate in this**
2 **collaborative DEA process once established by the Commission. Why is that not**
3 **sufficient?**

4 A. PacifiCorp need not wait for any pending Commission-led process to make progress
5 towards learning about and planning for how it might incorporate a DEA.³⁷ Staff believes
6 that the collaborative Commission-led process is not meant to ferry the IOUs through the
7 entire process, but rather an opportunity for IOUs to collaborate on their work-in-
8 progress.

9
10 **Q. What are Staff’s specific recommendations for how the Company can**
11 **incorporate an equity lens in its capital planning processes?**

12 A. Staff recommends that the Company develop a DEA, develop new benefits and costs
13 related to equity in its optimization step, and change system evaluation thresholds,
14 which are discussed in more depth below.

15
16 **Q. At what phase or stage in capital planning should PacifiCorp apply these**
17 **recommendations?**

18 A. In the absence of a comprehensive and sequential outline of PacifiCorp’s entire
19 distribution and transmission system planning process, Staff has attempted to
20 describe the most relevant planning phase for each recommendation. However, Staff

³⁷ See *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy Inc.*, Dockets UE-220066, UG-220067, UE-210795, Order 10/01, 6-7, ¶ 24 (April 18, 2022) (denial of motion to consolidate affirmed in Orders 15/03) (“The Commission may also consider that the Company is required to work towards CETA compliance even while awaiting Commission approval of interim targets in the CEIP. “) Staff notes here that CETA compliance includes equity requirements.

1 remains open to further discussion with the Company to ensure that PacifiCorp
2 applies Staff's recommendations to the appropriate planning phases. In the following
3 section, I will elaborate on each recommendation.

4
5 **B. Recommendations**

6
7 **1. Develop a distributional equity analysis (DEA).**

8
9 **Q. Please summarize your recommendation to develop a distributional equity**
10 **analysis.**

11 A. Staff recommends that the Company develop a DEA alongside any existing benefit-
12 cost analysis (BCA). To accomplish this, Staff agrees with the Company's
13 intention³⁸ to participate in the DEA workshops within the Commission's equity
14 docket,³⁹ and use any available resources as listed later in this subsection. These
15 workshops are planned to begin around April 2024. Staff expects the Company will
16 incorporate a DEA into its own capital planning processes and submit a compliance
17 filing to the Commission no later than the end of this MYRP demonstrating it has
18 done so. Staff also expects the Company will attend all other workshops and
19 opportunities for engagement within that equity docket.

20

³⁸ Medina, Exh. CMM-1T at 11:14-21.

³⁹ The docket number has yet to be made public.

1 **Q. Can you elaborate on what DEA is and how it differs from traditional BCA?**

2 A. Yes. DEAs explore how projects affect target populations relative to other
3 customers, whereas BCAs explore how projects affect customers on average. Thus,
4 PacifiCorp’s DEA must differentiate benefits and costs to subpopulations of
5 customers, including Named Communities. DEAs are performed alongside BCAs⁴⁰
6 as decision-makers attempt to track what subpopulations receive various benefits and
7 costs.⁴¹

8

9 **Q. Can you give an example illustrating these differences?**

10 A. Yes. Again, DEA measures benefits and costs for a target population to aid decision-
11 makers in funding projects that achieve specific objectives or such target
12 populations. In a simplified scenario using a DEA, if a project’s benefit-cost ratio is
13 above 1 for the targeted population, meaning the benefits outweigh the costs, then
14 the project may be funded to achieve goals specific to that population. In contrast, a
15 BCA measures the total aggregated benefits and costs of a project for the total
16 population on average. In that situation, a project may be funded if the benefit-cost
17 ratio is above 1 for the entire population, but this analysis will not capture how target
18 populations, such as Named Communities, either benefit or are burdened by the

⁴⁰ Richard Revesz & Samantha Yi, *Distributional Consequences and Regulatory Analysis*, 52 LEWIS AND CLARK ENV. L. R. 53, 90-96 (2022). Available at: <https://law.lclark.edu/live/files/33187-52-1-revesz-yipdf>.

⁴¹ National Energy Screening Project, *Methods, Tools and Resources: A Handbook for Quantifying Distributed Energy Resource Impacts for Benefit-Cost Analysis*, 182-191 (March 2022)(MTR Handbook). Available at: <https://www.nationalenergyscreeningproject.org/resources/quantifying-impacts/>.

1 project. For even more detailed examples, please see Staff’s previous testimony on
2 this matter in PSE’s last GRC.⁴²

3
4 **Q. Has the Commission indicated it intends for companies to start using a DEA?**

5 A. Yes. In both Avista and PSE’s 2022 general rate cases, the Commission ordered that
6 each company both participate in a Commission-led process to develop DEA
7 methodology, and begin DEA implementation.

8
9 **Q. Does Staff believe that the Company should also work in advance of the
10 Commission-led process to learn how it may incorporate a DEA into capital
11 planning, and to understand and apply the guidance on equity in rule, law, and
12 Commission orders?**

13 A. Yes. As I previously mentioned, Staff believes the Company should draw upon all
14 available resources in advance of the Commission-led workshop. Since the DEA
15 workshops are not planned to begin until April 2024, Staff believes that all
16 Washington IOUs must use this time to become as educated as possible and come to
17 the workshops prepared with proposals and questions. Staff clarifies its intention that
18 the Commission-led process should be an opportunity for Washington IOUs to
19 collaborate on how to refine DEA methodology, and not a process where the
20 Commission one-directionally instructs IOUs on how to conduct a DEA. Moreover,
21 the broader equity docket will benefit from richer conversation and more specific

⁴² *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy Inc.*, Dockets UE-220066 & UG-220067, Brewer, Exh. MAB-1T at 21:6 - 22:13 (filed July 28, 2022).

1 findings if participants arrive with the understanding that equity should already be
2 central to decision-making.

3

4 **Q. Are there resources available for the Company to learn more about how to**
5 **conduct a DEA?**

6 A. Yes. Staff has already highlighted various resources in the footnotes of this
7 testimony, and adds the following, noting that this list is not exhaustive. Staff and
8 other interested parties have been engaging in work related to DEA in the context of
9 distributed energy resources (DERs) in docket UE-210804. Further, the Lawrence
10 Berkley National Labs (LBNL) has been holding a DEA advisory group.⁴³ LBNL
11 has been creating a report on the use of DEAs in the context of DERs, using another
12 Washington IOU as its case study. The Company can engage in similar work to learn
13 more about conducting DEAs.

14 Next, NARUC is hosting a course on DEAs in September 2023.⁴⁴ The
15 Company can monitor future NARUC, and other organizations', courses for more
16 training on incorporating equity into utility work.

17 Lastly, the Commission is leading an equity docket which aims to explore the
18 tenants of energy justice: procedural justice, distributional justice, recognition

⁴³Tim Woolf, Alice Napoleon, Natalie Mims Frick, Lisa C Schwartz & Julie Michals, "Distributional Equity Analysis: Advisory Committee" (Dec. 2022). Available at: <https://emp.lbl.gov/publications/distributional-equity-analysis>.

⁴⁴Regulatory Training Initiative - NARUC. Available at: <https://emp.lbl.gov/publications/distributional-equity-analysis>.

1 justice, and restorative justice. In that docket, the Commission will lead discussions
2 around incorporating DEAs into utility work.

3

4 **Q. What else can PacifiCorp do other than a DEA to incorporate equity into**
5 **capital planning?**

6 A. PacifiCorp should also work to measure equity related benefits and costs for all
7 distribution and transmission projects so that even if a DEA is not used for a given
8 investment decision, there is still a framework for the Company to measure these
9 qualities. Staff elaborates on this below.

10

11 **2. Develop benefits and costs related to equity.**

12

13 **Q. Please summarize your recommendation for PacifiCorp to develop benefits and**
14 **costs related to equity in its capital planning processes?**

15 A. Staff recommends that PacifiCorp develop benefits and costs (with associated
16 weights where applicable) related to equity for use in its transmission and
17 distribution capital planning framework. The Company must, at minimum,
18 collaborate with its Equity Advisory Group, Integrated Resource Plan (“IRP”)
19 Advisory Group, and its customers, particularly in Named Communities.
20 Engagement with these groups should occur at least at the “Collaboration” level on

1 the International Association for Public Participation Spectrum.⁴⁵ New benefits and
2 costs should reflect the tenants of energy justice described in the Cascade GRC
3 Order.⁴⁶ At minimum these benefits and costs should include, but are not limited to,
4 societal impacts, non-energy benefits and burdens, and the social cost of greenhouse
5 gases, as well as any other benefits and costs deemed appropriate after engagement
6 with PacifiCorp’s advisory groups and customers.
7

8 **Q. What do you mean by a benefit or cost in this context?**

9 A. Generally, a benefit or cost in this context is some attribute of a capital project that
10 the Company measures when deciding whether to fund a project. Traditionally that
11 might encompass things like resiliency or reliability benefits, environmental benefits,
12 safety risks, public perception risks, public health risks, and more. A Company might
13 assign a quantitative or qualitative value to each benefit as a part of a BCA.
14 Therefore, when recommending equity related benefits and costs, Staff intends to
15 ensure that the Company goes beyond what it traditionally considers when
16 determining if a project should be funded, and that that equity framework is baked
17 into every decision.
18

19 **Q. What do you mean by ‘weighting’ a benefit or cost?**

20 A. Applying a weight to a benefit or cost means valuing certain benefits over others to

⁴⁵ International Association for Public Participation Spectrum USA, IAP2 Public Participation Spectrum.
Available at: <https://iap2usa.org/cvs>.

⁴⁶ Cascade GRC Order at 16, ¶ 52 – 20, ¶ 60.

1 some degree. For example, a company could decide that environmental benefits are
2 1.5 times more impactful than public perception benefits. In this recommendation,
3 the Company should engage with interested parties to determine appropriate weights
4 for equity benefits along with its existing benefits.

5
6 **Q. Should all equity benefits be quantitative?**

7 A. No. Equity benefits could be quantitative or qualitative where appropriate.

8

9 **Q. Why is this recommendation necessary?**

10 A. The Company does not appear to meaningfully incorporate benefits or costs that
11 relate to equity in its distribution or transmission capital planning processes. With
12 this recommendation, equity-related benefits and costs can become known and
13 measured, and PacifiCorp can then reasonably design programs and projects to
14 achieve equitable outcomes, and prioritize these projects given budget constraints.

15

16 **Q. Is there anything that the Company is currently doing in this regard that it
17 could build upon?**

18 A. Yes. Currently, it appears that PacifiCorp attempts to account for equity in its Equity
19 Questionnaire, as described previously in this testimony. Adding equity related
20 benefits and costs to its optimization modeling would ensure that every project, not
21 only those in distribution system planning, is evaluated through an equity lens.
22 Additionally, the Company could translate some of its customer benefit indicators
23 (CBIs) within its CEIP to become more broad equity benefits in this context.

1 **3. Change system evaluation thresholds.**

2

3 **Q. Please elaborate on Staff’s recommendation to change system evaluation**
4 **thresholds.**

5 A. Staff recommends that PacifiCorp develop customer-focused system evaluation
6 thresholds that reflect disproportionate impacts on particular circuits or census tracts.
7 Customer-focused thresholds could include, but are not limited to, the value of lost
8 load, Customers Experiencing Multiple Interruptions (CEMI), Customer Complaints,
9 Customer Minutes Interrupted (CMI), or other equity-focused thresholds. In
10 particular, Staff recommends PacifiCorp examine factors that relate to the impact of
11 reliability and resiliency to subpopulations of customers, such as the opportunity cost
12 of an outage to subpopulations of customers, or the value of lost load to
13 subpopulations of customers.

14

15 **Q. How would using different customer-focused thresholds for system evaluation**
16 **contribute to more equitable outcomes?**

17 A. Using different customer-focused thresholds would contribute to equitable outcomes
18 by allowing the Company to identify disproportionate impacts to subpopulations of
19 customers and then initiate a system evaluation, thereby enabling the Company to
20 evaluate alternatives that would mitigate those identified impacts. This
21 recommendation is necessary because PacifiCorp presented no evidence that the
22 Company currently uses customer-focused thresholds that are capable of initiating a

1 system evaluation in response to disproportionate impacts on subpopulations of
2 customers on particular circuits or census tracts.

3
4 **Q. Why is it important to embed equity at this early stage in capital planning?**

5 A. Without embedding equity into this early stage in capital planning, the Company
6 may not be aware of Named Community system needs. PacifiCorp must be able to
7 understand the system needs of Named Communities to ensure the equitable
8 distribution of benefits and burdens required in WAC 480-100-610(4)(c)(i). Unless
9 the Company works to change what normally triggers a system need, there could be
10 disproportionate burdens on Named Communities that the Company is not aware of
11 and is thus not addressing.

12
13 **Q. Do you have any examples of a situation where this recommendation would be**
14 **beneficial?**

15 A. Yes. Hypothetically, if the Company was currently using SAIDI and SAIFI to
16 measure when a given circuit needed updates, a system need may only be identified
17 when an outage duration or outage frequency metric was triggered for the system on
18 average. This would not capture impacts on specific types of customers, such as
19 Named Communities. Alternatively, if the Company added metrics such as
20 identifying outage duration and frequency, CEMI or CMI for Named Communities,
21 it may be able to better identify a need to serve those customers. Further, if the
22 Company studied the value of lost load for Named Communities specifically, it

1 might discover other impacts of outages that may be vastly more burdensome on
2 Named Communities than on other customers.

3

4 **Q. Does this conclude your testimony?**

5 **A. Yes.**