

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY

for an Order Adjusting Clean Energy  
Implementation Plan Annual Interim Targets  
for 2024 and 2025

Docket UE-210795

**PETITION OF PUGET SOUND  
ENERGY TO AMEND ORDERS 08  
AND 12 AND ADJUST PSE'S  
CLEAN ENERGY  
IMPLEMENTATION PLAN  
ANNUAL INTERIM TARGETS  
FOR 2024 AND 2025**

**I. INTRODUCTION**

1. Pursuant to Washington Administrative Code (“WAC”) 480-07-370(3) and WAC 480-07-875, Puget Sound Energy (“PSE”) respectfully petitions the Washington Utilities and Transportation Commission (“Commission”) for an order amending Order 08<sup>1</sup> and Order 12<sup>2</sup> in this proceeding. Consistent with WAC 480-07-870(1), changed conditions and an effect of the Orders that the Commission did not intend warrant adjusting PSE’s Clean Energy Implementation Plan (“CEIP”) annual interim targets for 2024 and 2025. As discussed in more detail below, the existing 2024 and 2025 annual interim targets are no longer within reach absent PSE making significant short-term clean energy purchases estimated at over \$200 million dollars in additional cost.<sup>3</sup> The volume of clean energy resources PSE would need to purchase may not be available even at such an unreasonable, additional cost. Therefore, PSE requests the Commission issue an order adjusting its CEIP annual interim targets for 2024 and 2025 to 48 percent.

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<sup>1</sup> *In the Matter of Puget Sound Energy Clean Energy Implementation Plan Pursuant to WAC 480-100-640*, Docket UE-210975, Order 08 Approving CEIP Subject to Conditions (June 6, 2023).

<sup>2</sup> *In the Matter of Puget Sound Energy Clean Energy Implementation Plan Pursuant to WAC 480-100-640*, Docket UE-210975, Order 12 Approving CEIP Biennial Update Subject to Conditions (Mar. 25, 2024).

<sup>3</sup> Jacobs Decl. at ¶ 7.

2. The statutes and rules at issue in this Petition include Revised Code of Washington (“RCW”) 19.405, Washington’s Clean Energy Transformation Act (“CETA”), and WAC 480--100-640 related to clean energy transformation standards. In addition to filing this Petition, PSE will be filing an accounting petition (the “Accounting Petition”) related to tracking and deferral of the additional costs<sup>4</sup> to customers of short-term clean energy purchases associated with PSE’s efforts to achieve its existing CEIP annual interim targets for the remainder of 2024 and for 2025. In the absence of Commission action on this Petition, PSE will move forward with making additional short-term clean energy purchases, as available, in accordance with previous guidance from the Commission and will defer those costs as outlined in the Accounting Petition.
3. PSE is engaged in the business of providing electric and gas service within the State of Washington as a public service company and is subject to the regulatory authority of the Commission. Its full name and mailing address for the purpose of this Petition are:

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<sup>4</sup> This Petition does not use the phrase “incremental cost” to avoid confusion with the Commission’s definition of how to calculate incremental cost under WAC 480-100-660. The calculation of incremental cost under the rules does not measure actual impacts to customer bills.

425.635.1419

## II. SUMMARY OF PETITION

4. PSE requests that the Commission issue an order adjusting its CEIP annual interim targets for 2024 and 2025 to 48 percent. This Petition is supported by the Declaration of Joshua J. Jacobs (“Jacobs Decl.”) and attachments thereto, which are being filed concurrently with this Petition. PSE’s recent analysis indicates PSE cannot, under a wide range of potential scenarios, exceed a 48 percent annual interim target for 2024 and 2025 without purchasing a significant amount of additional short-term clean energy resources. The Commission previously approved PSE’s CEIP annual interim targets for 2024 and 2025 in Order 08 approving PSE’s 2021 CEIP<sup>5</sup> and in Order 12 approving PSE’s 2023 Biennial Update.<sup>6</sup> The pathway for meeting PSE’s annual interim targets has become more challenging over the past year since PSE filed its Biennial Update. Consistent with information PSE provided in its Biennial Update, PSE’s retail electric demand has continued to grow at a pace such that retail electric sales over the four-year compliance period (2022-2025) are significantly higher than forecasted retail electric sales over the same four-year compliance period used in the 2021 CEIP.
5. Other factors are also contributing to the current conditions. Clean energy generation has been much lower than forecasted, in large part due to lower-than normal hydro conditions in 2023 and 2024. New acquisitions have been constrained by timelines for new long-term clean energy resources, which have extended beyond this compliance window as these projects face their own supply chain, siting, permitting and transmission challenges. In short, attempting to achieve the existing CEIP annual targets for 2024 and 2025 is not feasible without making short-term clean energy market purchases at significant, additional costs for PSE’s customers. These costs are not a good value for customers, as they do not add new long-term clean energy resources to the grid or result in emission reductions in the region as intended by CETA. In passing CETA, the

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<sup>5</sup> Order 8 at ¶¶ 404 and 434.

<sup>6</sup> Order 12 at ¶¶ 16(1) and 28.

Legislature declared that “Washington must address the impacts of climate change by leading the transition to a clean energy economy. One way in which Washington must lead this transition is by transforming energy supply, modernizing its electricity system...” While some level of demand for existing clean energy resources supports this legislative intent, an over-reliance in the short-term on existing clean energy resources only serves to drive up prices for consumers of electricity, without creating additional value in support of the Legislature’s intended transformation. PSE believes it is approaching the tipping-point – where high levels of short-term clean energy purchases provide no additionality toward the clean energy transition and instead only serve to raise electricity prices.

6. Furthermore, the Commission expressed concerns about unreasonable costs and the potential of meeting targets with short-term clean energy resources when it considered PSE’s Biennial Update, as reflected in the language in Condition 1 of Order 12. It is therefore consistent with WAC 480-07-870(1), and in the public interest for the Commission to approve PSE’s request to adjust the CEIP annual interim targets for 2024 and 2025 to 48 percent as more fully described herein. PSE will remain focused on actions and investments that help PSE meet its 2030 CETA statutory requirements.

### III. BACKGROUND

7. CETA, as implemented by WAC 480-100-640(1), requires electric investor-owned utilities such as PSE to develop a CEIP every four years. Each electric investor-owned utility must also make a biennial CEIP update filing on or before November 1<sup>st</sup> of each odd-numbered year the utility does not file a CEIP.<sup>7</sup> The CEIP describes a utility’s plan for making progress toward meeting the clean energy transformation standards in CETA, including that all retail sales of electricity be greenhouse gas neutral by 2030,<sup>8</sup> and that by January 1, 2045, 100 percent of all electricity sales

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<sup>7</sup> WAC 480-100-640(11); in accordance with Order 01 in Docket No. UG-240434, the CEIP PSE would have filed in 2025 will be filed in 2027 as part of an Integrated System Plan.

<sup>8</sup> RCW 19.405.040(1).

to Washington customers are supplied by either non-emitting or renewable electricity generation resources.<sup>9</sup> Pursuant to WAC 480-100-640(2), each CEIP and biennial CEIP update must include, among other things, interim targets in the form of the percent of forecasted retail sales of electricity supplied by non-emitting and renewable resources prior to 2030 and from 2030 through 2045.

8. PSE's annual interim targets for 2022-2025 were developed in the 2021 CEIP based on modeling conducted as part of the 2021 IRP. This modeling relied on hypothetical – not actual, known resources –and their estimated costs. It also relied on 80-year historical resource performance of fuel-limited resources such as hydro under median water conditions, which increasingly overstates the actual resource performance in some years. The targets PSE selected reflected the ambitious pace PSE wanted to set early on in making progress towards its 2030 CETA objectives and beyond.
9. PSE filed its first CEIP with the Commission on December 17, 2021 (“2021 CEIP”). The Commission approved PSE's 2021 CEIP subject to conditions on June 6, 2023, in Order 8. PSE timely filed its 2023 Biennial CEIP Update on November 1, 2023 (“2023 Biennial Update”). In the 2023 Biennial Update, PSE proposed to shift its interim targets to a single four-year average interim target, and also change the annual interim target values. The Commission approved PSE's 2023 Biennial Update on March 25, 2024, in Order 12 with conditions that required PSE to maintain the annual interim targets approved in Order 08 and maintain the methodology of having one interim target for each of the four years in the compliance period.<sup>10</sup> The Commission also stated in Order 12 regarding interim targets:

If PSE would need to purchase unreasonably costly energy to meet the 2025 Interim Targets, the Commission will consider this in determining whether the Company has complied with the Interim Targets for the first compliance period. (Order 12 at ¶ 28)

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<sup>9</sup> RCW 19.405.050(1).

<sup>10</sup> Order 12 at ¶¶ 16(1) and 28; the existing annual interim targets for 2024 and 2025 are 59 percent and 63 percent, respectively.

10. It is not possible for PSE to ascertain how the Commission will determine what is a reasonable (or unreasonable) cost for clean energy to meet the 2024 and 2025 annual interim targets. Based on the discussion at the recessed open meeting concerning PSE's Biennial CEIP Update, it is apparent the Commission does not want PSE to pursue the annual interim targets "at any cost." However, it is unclear from the language in the condition in Order 12 and subsequent discussion concerning PSE's Integrated System Plan Work Plan filing in Docket No. UG-240434, how the Commission might evaluate the reasonableness of costs "in determining whether the Company has complied with the Interim Targets for the first Compliance period."
11. This creates substantial risk and uncertainty for PSE and its customers as PSE works to meet its annual interim targets for the remainder of 2024 and 2025. PSE understands it is expected to meet the annual interim targets, yet it has no clarity as to what the Commission believes the tipping point for "unreasonably costly" is when evaluating additional short-term clean energy purchases.

**A. Making "Reasonable Progress" toward CETA**

12. In the midst of this uncertainty, PSE continues to take steps to meet its approved annual interim targets, which establish the clean energy need for this first compliance period, while also being mindful of the recent discussion at the Commission concerning unreasonable cost. PSE is continuing to aggressively pursue utility scale and distributed energy resources consistent with customer expectations and Washington state clean energy policies. Since CETA was passed in 2019, PSE has signed 30 contracts for a total of 3,810 MW of CETA-compliant nameplate capacity. Eleven of those contracts relate to specific resources that are new to the Pacific Northwest region.<sup>11</sup>
13. PSE has also scaled up its demand response portfolio and, since launching in the 2023-2024 inaugural winter and summer season for demand response, PSE called sixteen demand response

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<sup>11</sup> Jacobs Decl. at ¶ 2.

events and achieved a maximum peak capacity load reduction of 64.66 MW.<sup>12</sup> In advance of the 2024 summer season, PSE focused on increasing enrollment for existing demand response programs, including electric vehicle programs, and launched new programs for water heaters, residential batteries, and smart thermostats for small/medium businesses.<sup>13</sup>

14. With regard to distributed energy resources, PSE is working to conceptualize and develop a full suite of distributed energy resource programs and is engaged with the Conservation Resource Advisory Group, the Equity Advisory Group, and customers, particularly customers in historically marginalized communities, directly to develop individual programs that meet customer needs.<sup>14</sup>
15. Furthermore, PSE is continuing to aggressively pursue opportunities to add new DER and utility-scale resources to meet CETA. On December 22, 2022, PSE filed its distributed solar and storage request for proposals (“RFP”) in Docket UE-220971. In addition, on July 1, 2024, PSE filed a voluntary all-source RFP for CETA-compliant energy and capacity resources in Docket UE-240532. PSE has issued seven RFPs seeking CETA-eligible resources since CETA was enacted. The significant amount of clean energy resources PSE plans to acquire through these RFPs demonstrates that PSE is currently, and has every intention to continue, making reasonable progress towards meeting the long-term CETA goals.<sup>15</sup>
16. Actual progress towards meeting clean energy targets, by its very nature is non-linear or somewhat lumpy, since the resource acquisition process involves deal execution and construction of new or expansion projects.<sup>16</sup> Nonetheless, as recently as July 11, 2024, in approving PSE’s

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<sup>12</sup> Jacobs Decl at 3.

<sup>13</sup> PSE Petition for an Order Extending Filing and Reporting Requirements and Requiring the Filing of an Integrated System Plan (“ISP”), Docket UG-240434 (June 5, 2024), Attachment A, Planning Transition Work Plan at 9 (“ISP Work Plan”); 2023 Biennial Update at 1.7, and 5.6-5.17.

<sup>14</sup> ISP Work Plan at 9-10; *see also*, 2023 Biennial Update 1.7, and 5.19-5.52.

<sup>15</sup> PSE’s most recent 2024 Voluntary All-Source RFP is seeking 2.3 million annual MWh of additional CETA-compliant energy to meet its CETA target in 2030.

<sup>16</sup> Jacobs Decl. at ¶ 4.

Integrated System Plan Work Plan, the Commission found that PSE was making “reasonable progress towards achieving both CETA compliance and equitable goals.”<sup>17</sup>

**B. Challenging Pathway to Achieve Interim Targets**

17. PSE remains committed to the long-term CETA goals that require all retail sales of electricity be greenhouse gas neutral by 2030,<sup>18</sup> and that by January 1, 2045, 100 percent of all electricity sales to Washington customers be supplied by either non-emitting or renewable electricity generation resources.<sup>19</sup> However, the pathway in the near term to meet interim targets has become much more challenging than was expected when CETA was passed and the 2021 CEIP was filed.
18. First, PSE has seen significantly more retail electric load growth on its system than was forecasted in the 2021 CEIP. It is important to note that the 2021 CEIP used the load forecast developed for the 2021 IRP, which was based on 2020 conditions, during a time where the impacts of COVID were being immediately felt but their lasting impact on electric loads was very uncertain. As shown in the 2023 Biennial Update, actual retail sales in 2022 were almost 2 million MWh higher than forecast in the 2021 CEIP, and PSE’s forecasted retail sales were higher than the sales forecasted in the 2021 CEIP for 2023, 2024, and 2025 (the three years remaining in the first four-year period) as follows: 995,986 MWh higher for 2023; 1.26 million MWh higher for 2024; and 1.44 million MWh higher for 2025.<sup>20</sup> An increase in 2024 retail electric load requires significantly more clean energy generation resources to achieve an annual target that was originally established for 2024 because the target is a percentage of retail electric load. As an example, to meet the existing 2024 annual interim target of 59 percent, PSE would need an additional 688,992 MWh of clean energy to cover the increase in retail electric load shown in the 2023 Biennial Update; clean energy that was not included in PSE’s projected clean energy need in 2021.<sup>21</sup>

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<sup>17</sup> Order 01, Docket UG-240434 at ¶ 30 (July 11, 2024).

<sup>18</sup> RCW 19.405.040(1).

<sup>19</sup> RCW 19.405.050(1).

<sup>20</sup> See 2023 Biennial Update at 2.2; *see also* 1.2 and 2.10-2.11.

<sup>21</sup> See 2023 Biennial Update at 2.4-2.5.



19. In addition, actual generation from clean energy resources in 2023 and the first half of 2024 have performed significantly below levels forecasted in the 2021 CEIP and the 2023 Biennial Update. As Table 1 shows, actual generation of existing hydro performed only 66 percent to 82 percent of the forecast in the 2021 CEIP and 2023 Biennial Update. Actual generation from existing wind, solar and biomass in the last four months of 2023 was only 83 percent of the 2023 Biennial Update forecast due to the extreme weather. In 2023, the discrepancy between forecast and actual production of PSE's hydro and renewable resources was ~1.5 million MWh. The magnitude of this shortfall is greater than the annual output of two Wild Horse-sized wind farms.<sup>22</sup> Although PSE plans for a wide range of variability as part of its resource adequacy analysis, the 2021 CEIP was the first time PSE used generic resources as part of its long-range planning tools to develop near-term targets and plans. Despite planning contingencies that take into account significant variability, PSE was unable to predict the compounding impacts of multiple generation resources performing significantly below average combined with post-COVID demand increases that exceeded expectations.

**Table 1. Comparison of Actual Generation from Existing Clean Energy Resources to Forecasted Levels in the 2021 CEIP and 2023 Biennial Update**

Period	Existing hydro projects				Existing wind/solar/biomass projects				Total shortfall (hydro + other renewable resources)
	Actual (MWh)	Forecast (MWh)	Shortfall (actual - forecast)	Actual / Forecast %	Actual (MWh)	Forecast	Shortfall (actual - forecast)	Actual / Forecast %	
Actual generation compared to forecasted generation in 2021 CEIP									
2023	4,346,301	5,539,523	(1,193,222)	78%	3,705,256	4,053,639	(348,383)	91%	(1,541,605)
2024 (Jan-Aug)	2,612,650	3,965,320	(1,352,670)	66%	2,841,424	2,815,042	26,382	101%	(1,326,288)
Actual generation compared to forecasted generation in 2023 Biennial Update (January - August 2023 are actuals in 2023 Biennial Update)									
2023 (Sep-Dec)	1,880,127	2,285,605	(405,478)	82%	1,146,240	1,383,581	(237,341)	83%	(642,819)
2024 (Jan-Aug)	4,030,078	5,450,832	(1,420,754)	74%	2,841,424	3,006,512	(165,088)	95%	(1,585,842)

<sup>22</sup> In the 2021 CEIP, PSE assumed an annual output for Wild Horse of ~0.64 million MWh.

20. Another factor making it a challenge to meet the annual interim targets is that many clean energy resources under development in the region have delayed their commercial operating dates due to interconnection and transmission issues and supply chain constraints.<sup>23</sup> Due to these delays, the operating dates for clean energy resources PSE is actively considering or has recently secured mainly fall outside the 2022-2025 compliance period, including some beyond 2027.<sup>24</sup>
21. Last, Washington’s climate related policies and mandates, which PSE supports, combined with other similar policies in the West, have increased demand for limited short term clean energy resources in markets throughout the Pacific Northwest region. In addition, new large loads such as data centers – being planned by companies with their own stringent renewable requirements – are increasing competition and market prices for new renewables. As a result, PSE and other utilities throughout the West are competing for limited clean energy resources, which come at higher costs to the utilities and their customers.<sup>25</sup> All of these factors together create significant obstacles to PSE being able to meet its CEIP 2024 and 2025 annual interim targets without incurring significant and unreasonable, additional costs to customers for short-term clean energy resources.

**C. Meeting Interim Targets at Reasonable Cost is at Risk**

22. Customer energy costs are a growing concern for PSE in light of the current cost and availability of CETA-compliant resources and other foreseeable PSE costs, such as the need for additional capacity resources in the coming years to maintain safe and reliable service. The clean energy resources PSE owns and has under contract are not sufficient to reach the existing 2024 and 2025 CEIP annual interim targets. To achieve the targets, PSE would need to acquire a significant amount of existing clean energy resources for CETA purposes on a short-term basis in the wholesale market through power purchase agreements (“PPAs”) or WSPP Schedule C Specified Source contracts. It is not clear that PSE would be able to acquire this much CETA-compliant

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<sup>23</sup> See 2023 Biennial Update at 1.2.

<sup>24</sup> *Id.* at 2.13-2.14; see also ISP Work Plan at 4-5, n. 8, 19.

<sup>25</sup> *Id.* at 2.14.

energy from the market, even if it were willing to pay very high costs for that energy. Moreover, these short-term acquisitions do not provide any additional clean energy on an on-going basis to PSE or to the region, and certainly not for meeting CETA requirements in 2030 and beyond.

23. PSE estimates that pursuit of the CEIP annual interim targets for the remainder of 2024 and 2025 will cost at least an additional \$200 million.<sup>26</sup> These cost estimates reflect the additional premium to acquire CETA-compliant energy in the short-term market and do not include the underlying energy cost that is already built into rates as part of power costs.
24. The Commission has expressed concerns about cost in prior orders and discussions related to PSE's CETA compliance. The Commission included the condition in Order 12 concerning the possible need for PSE "to purchase unreasonably costly energy to meet the 2025 Interim Targets...". That premonition has now become a reality due to the previously discussed factors having more immediate and stronger impacts.
25. The issue of controlling consumer costs while attempting to meet the lowest reasonable cost obligation was discussed extensively at the March 22, 2024, open meeting concerning PSE's 2023 Biennial Update. Commissioner Rendahl stated that "affordability is really important" and expressed concern about requiring PSE to buy a lot of expensive short-term contracts to meet an interim goal while waiting for long-term clean energy resources to come on-line after 2025. She also expressed concern that retaining the original targets from the 2021 CEIP could signal that PSE needs to "keep its foot on the accelerator" to meet those targets, which would increase costs for customers when customers are already under cost pressures.<sup>27</sup> Chair Danner stated that his focus is on making sure the CETA statutory obligations are met. He discussed balancing the need for affordability with the need to meet the interim targets, all in the context of PSE "going as fast as it possibly can" to meet the targets yet "being smart" about going as fast as you can.<sup>28</sup> Commissioner Doumit pointed out that the "target is the clear marker," and PSE can be expected

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<sup>26</sup> Jacobs Decl. at ¶ 6.

<sup>27</sup> March 22, 2024 Open Meeting Recording at 1:51:50 and 1:53:30.

<sup>28</sup> *Id.* at 1:57:05 to 1:58:05, and 2:00:50 to 2:01:01.

to do what it needs to do to meet the interim targets. He also acknowledged short-term clean energy purchases are one way for PSE to “get there” but are expensive.<sup>29</sup> PSE agrees with the Commissioner statements referenced above, and through this Petition, PSE requests a practical and necessary adjustment intended to balance the important but often competing interests regarding cost, compliance, and “being smart” in achieving clean energy targets.

26. The reasonableness of cost for short-term clean energy resources was also discussed in the July 11, 2024, open meeting concerning PSE’s application to submit an integrated system plan in Docket No. UG-240434. Two primary issues discussed at that meeting were what is required to show “reasonable progress” toward meeting the CETA 2030 and 2045 requirements and what are “unreasonably costly” short-term energy purchases.<sup>30</sup> The representative for the Alliance of Western Energy Consumers referred to the balance that is necessary to meet long-term CETA compliance and the costs to customers and stated, “if we are going to be paying significant costs, those should be in support of long-term resource acquisitions, not short-term acquisitions.”<sup>31</sup>
27. The Commission did not offer any guidance at that meeting on what “unreasonably costly” means. Instead, the Commission approved the work plan and found “reasonable progress” had been made towards CETA goals. The Commission also expressed concerns about short-term clean purchases of power instead of long-term clean energy purchase solutions and noted that they appreciated concerns expressed by parties regarding the balance between meeting CETA goals and not imposing unreasonable costs on customers.<sup>32</sup>
28. PSE has a responsibility to strike a balance between pursuing the CETA clean energy goals, maintaining a reliable electric system, and preserving affordability. When changed circumstances call for reflection and reconsideration, as they do now, PSE must be flexible and

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<sup>29</sup> *Id.* at 2:02:20 to 2:03:05.

<sup>30</sup> In the Matter of Puget Sound Energy Extending Filing and Reporting Requirements, Docket UG-240434, Order 01 Approving Extending Filing and Reporting Requirements, an Exemption from WAC Requirements, and Requiring the Filing of an Integrated System Plan (July 1, 2024)(“Order 01”), at ¶¶ 7, 8, 11, 14, 27, and 30.

<sup>31</sup> July 11, 2024 Open Meeting Recording at 41:50 to 42:05.

<sup>32</sup> *Id.* at 43:00 to 46:00.

respond to those changed circumstances. PSE is committed to meeting the 2030 and 2045 long-term CETA standards and is making reasonable progress toward doing so. As outlined throughout this Petition, the existing 2024 and 2025 annual interim targets are no longer within reach absent PSE making significant short-term clean energy purchases which PSE estimates may cost over 200 million additional dollars, assuming such a large volume of short-term clean energy resources is even available in the market to acquire.<sup>33</sup>

29. It is important to note that PSE routinely makes short-term energy purchases to meet customer demand while carefully balancing the need for clean energy resources and the lowest reasonable cost standard under CETA. While PSE believes it should continue this practice, pursuing a significant amount of short-term clean energy resources at a high cost for the remainder of 2024 and 2025 solely to meet its approved annual interim targets will add significant costs for customers, with little to no added value. Therefore, PSE requests the Commission issue an order adjusting its CEIP annual interim targets for 2024 and 2025 to 48 percent, which reflects a target PSE can realistically achieve under a range of conditions with the resources it has acquired or contracted to date.

#### **D. Proposed Revised Targets**

30. PSE is proposing revised targets of 48 percent for both 2024 and 2025. These revised targets are based on analysis that examined recent, historical actual renewable performance, particularly applying actual hydro generation from 2023 in the low hydro scenario. PSE estimates an achievable target with existing resources for 2024 and 2025 is approximately 48 percent using retail sales forecasted in the 2023 Biennial Update.<sup>34</sup>
31. Consistently lower than normal hydro performance has had a significant impact on PSE being able to achieve the targets. Since 2022, PSE has experienced two consecutive years of low hydro

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<sup>33</sup> Jacobs Decl. at ¶ 7.

<sup>34</sup> Actual retail sales (“load”) in 2023 was 151,358 MWhs higher (0.7 percent) than forecasted in the 2023 Biennial Update. In 2024, actual retail sales are 105,844 MWh lower (0.8 percent) than forecasted retail sales for 2024 in 2023 Biennial Update.

conditions. If these below average hydro conditions from 2022-2023 persist for the remainder of 2024 and all of 2025, PSE may only reach 48 percent in each year. In a worst-case scenario in which the final months of 2024 and all of 2025 mimic the lowest hydro conditions in the past 10 years, PSE may only reach 43 percent. However, PSE could achieve as high as 55 percent in 2025, if loads generally maintain as forecasted, and PSE experiences “normal” average hydro conditions in that year.<sup>35</sup> Because of the range of possible outcomes for the remainder of 2024 and especially for 2025, PSE is requesting a revised target of 48 percent in both years. PSE will endeavor to exceed those targets, but by how much is heavily dependent on weather conditions and the actual amount of electric load that shows up on PSE’s system -- two important variables PSE simply cannot control.

32. This request to change the CEIP annual interim targets for 2024 and 2025 is in response to near-term challenges only. This request in no way impacts PSE’s ability to meet its long-term CETA requirements in 2030 and beyond. PSE remains fully committed to meeting its 2030 and 2045 CETA obligations as demonstrated by the Commission’s recent “reasonable progress” finding and PSE’s ongoing efforts to procure substantial new clean energy resources throughout the balance of this decade and beyond.
33. PSE has made significant progress in acquiring clean energy resources in the first four-year interim CETA compliance period. PSE increased its clean energy resources from 35 percent in 2021 to an expected 48 percent in 2025. As noted earlier in this Petition, PSE signed contracts for a total of 3,810 MW of CETA-compliant nameplate capacity since CETA was enacted in 2019. As demonstrated by the RFPs discussed above, PSE is continuing to “keep its foot on the accelerator” to achieve the 2030 and 2045 CETA standards.

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<sup>35</sup> Jacobs Decl. at ¶ 5

**IV. PETITION TO ADJUST PSE'S CEIP ANNUAL INTERIM TARGETS TO  
48 PERCENT FOR 2024 AND 2025**

34. Under WAC 480-07-875(1), the Commission may propose, or may act in response to a petition, to alter, amend, or rescind any order the Commission has entered. Any such petition must comply with the requirements in WAC 480-07-870 for a petition for rehearing. A petition for rehearing requires sufficient grounds supported by substantial evidence or an offer of proof consisting of the following:
- (a) Changed conditions since the commission entered the order;
  - (b) Harm to the petitioner resulting from the order that the commission did not consider or anticipate when it entered the order;
  - (c) An effect of the order that the commission or the petitioner did not contemplate or intend; or
  - (d) Any good and sufficient cause that the commission did not consider or determine in the order.
35. While only one of the above-referenced grounds is required to warrant amendment of Order 08 and Order 12 to adjust PSE's CEIP annual interim targets for 2024 and 2025, at least two of the four grounds exist here: (a) changed conditions; and (c) unintended effect.
36. Circumstances have changed since the Commission issued Order 08 in June of 2023 and Order 12 in March of 2024. As stated above, unforeseen growth in PSE's electric load, reduced clean energy generation, interconnection and transmission issues, and supply chain constraints are all circumstances that have changed or worsened since the Commission approved PSE's interim targets in Order 08 and required PSE to retain those targets in Order 12. PSE has undertaken diligent efforts to acquire clean energy resources, is making reasonable progress toward meeting, and remains committed to meet, the 2030 and 2045 CETA clean energy standards in RCW 19.405.040(1) and 19.405.050(1).
37. At the time PSE filed its Biennial CEIP Update in the fall of 2023, it was unclear whether PSE would need to purchase a significant amount of short-term clean energy resources to meet its CEIP annual interim targets for 2024 and 2025. By March of 2024 when the Commission was

considering PSE's Biennial Update, these conditions had continued to worsen, exacerbating the challenges PSE had described in the Biennial Update.

38. PSE was concerned about the cost of short-term clean energy resources and the potential to increasingly need to rely on them to meet the 2024 and 2025 annual interim targets. PSE raised its concern during the discussion portion of the recessed open meeting when the Commission was discussing PSE's proposal to lower the 2025 interim target from 63 percent to 60 percent. PSE shared the range of costs it was experiencing in the short-term market, and the potential for those costs to grow in the future, particularly if PSE needed to increase its reliance on the California market.
39. In Order 12 the Commission expressed concern that PSE might need to "purchase unreasonably costly energy to meet the 2025 Interim Targets," but retained the four CEIP annual interim targets that had been established in PSE's 2021 CEIP. It is now clear that PSE will be unable to meet the CEIP annual interim targets for 2024 and 2025 without purchasing a significant amount of expensive, short-term clean energy.<sup>36</sup> This circumstance represents a changed condition under WAC 480-07-870(a).
40. If PSE purchases a significant amount of short-term clean energy resources solely to meet the CEIP annual interim targets for 2024 and 2025, PSE will be making costly, short-term clean energy purchases that do not provide lasting value to customers. This is not an outcome of CETA that the Commission or PSE intended. Indeed, the Commissioners expressed concern about leaving the interim targets, the "clear marker" in place, and signaling to PSE that it must "keep its foot on the accelerator" and "go as fast as it possibly can" to get to the targets – yet avoid imposing unreasonable costs on PSE's customers. Consistent with WAC 480-07-870(c), requiring PSE to continue to work toward achieving the existing CEIP annual interim targets for 2024 and 2025 and incur significant costs for short-term clean energy purchases that puts further

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<sup>36</sup> Jacobs Decl. at ¶¶ 6-7.



cost pressure on customers is an effect that the Commission did not intend when it issued Order 08 or Order 12.

41. Incurring unreasonable costs to meet CETA is also inconsistent with the intent of the Washington legislature. RCW 19.405.010(2) states the intent of the legislature that achieving CETA policy goals would not “impair the reliability of the electricity system or impose unreasonable costs on utility customers.” PSE agrees. This Petition seeks to avoid PSE needing to take further actions that run contrary to this legislative intent. Therefore, it is in the public interest to grant PSE’s Petition and avoid imposing unreasonable costs on PSE’s customers.

### III. IV. CONCLUSION

42. For the reasons set forth above, PSE respectfully requests that the Commission enter an order adjusting its CEIP annual interim targets for 2024 and 2025 to 48 percent.

DATED this 27th day of September, 2024.

Respectfully submitted

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