BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket UG-230968
Puget Sound Energy
Climate Commitment Act

AWEC INFORMAL DATA REQUEST NO. 001:

Please explain how PSE determined that allocating $23 million in no cost allowance revenue benefits from 2024 should be used to fund targeted decarbonization projects. Please provide all analysis and workpapers supporting PSE's proposal.

Response:

Puget Sound Energy ("PSE") proposed to allocate up to $23 million of the estimated proceeds from the sale of no-cost allowances from 2024 to fund targeted decarbonization projects, with such projects being implemented during the years 2024 through 2026. PSE developed this proposal mostly in response to Interested Parties' requests to invest some Climate Commitment Act ("CCA") auction proceeds on customer decarbonization projects.

The CCA law requires that, if investing the no-cost allowance revenues on customer decarbonization projects (which must be in addition to existing requirements in statute, rule, or other legal requirements), those benefits must be made available only for low-income, residential, and small business customers.[1] As proposed, the customer decarbonization projects are targeted toward low-income customers, multi-family buildings with low-income customers or in named communities, and named community small businesses, which is also consistent with PSE's focus on ensuring an equitable distribution of costs and benefits to customers in the transition to clean energy.

To determine the proposed "up to" amount, PSE estimated the number of decarbonization projects that could reasonably be expected to be implemented for low-income customers, multi-family buildings with low-income customers or in named communities, and named community small businesses during the period 2024-2026. The investment of $23 million is approximately 13-14% of the total anticipated 2024 no-cost allowance auction proceeds, leaving the majority (86%-87%) of these revenues for

[1] RCW 70A.65.130(2)(b): "Revenues from allowances consigned by natural gas utilities and sold at auction must be returned by providing non-volumetric credits on ratepayer utility bills, prioritizing low-income customers, or used to minimize cost impacts on low-income, residential, and small business customers through actions that include, but are not limited to, weatherization, decarbonization, conservation and efficiency services, and bill assistance. The customer benefits provided from allowances consigned to auction under this section must be in addition to existing requirements in statute, rule, or other legal requirements."

elimination of CCA cost burdens for Identified Low-Income Customers and rate impact mitigation for all eligible customers.[2]

PSE has also proposed to collaborate with PSE's Low Income Advisory Committee ("LIAC"), along with other interested parties and advisory groups, during the first quarter of 2024, to inform more detailed project design with more specific components.

Attached as Attachment A to PSE's Response to AWEC's Informal Data Request No. 001, please find an Excel file supporting PSE's proposal of the $23 million amount.

Please note that the work paper includes estimated calculations based on many assumptions which are subject to change, per the Commission's final determination in this docket, as well as per discussions with Interested Parties in Q1 2024 that PSE has proposed as part of this filing.

Furthermore, actual delivered benefits will vary, depending on the final program design and customer uptake.

[2] As seen in this filing's work paper "230968-Advice-2023-56-PSE-WP-GAS-CCA-Rate-Spread-Design-Bill-Impacts-11-22-23.xlsx" tab "Rev Req" cells E21 and E25: Gas CCA Allowances Proceeds are estimated at about $142 million (this is after withholding the $23 million), which represents $149 million in revenue requirement after adjusting for revenue sensitive items. These remaining Gas CCA Allowance Proceeds are used for bill credits consisting of those provided to low-income customers that are equal to any charges under the tariff Schedule 111, as well as non-volumetric credits for remaining eligible customers.

ATTACHMENT A to PSE's Response to AWEC Informal Data Request No. 001

	Participation Assumptions				Budget
	2024	**2025**	**2026**	**Totals**	**Cost per**
Low Income					
Full Electrification	5	25	70	100	$56,500
Heating & Water Heating	5	25	70	100	$47,000
Water Heating Only	5	25	70	100	$23,000
	15	75	210	300	
Small Business (Named Communities)					
Heating & Water Heating	10	20	40	70	$29,000
Water Heating Only	10	20	40	70	$10,500
	20	40	80	140	
Multi Family (Low Income +NC)					
Heating & Water Heating	1	2	3	6	$254,000
Water Heating Only	1	2	3	6	$104,000
	2	4	6	12	

Programs

Overhead/Admin	30%	Overhead

					Therm Savings	
2024	**2025**	**2026**	**Total**		**Per Unit**	**2024**
$282,500	$1,412,500	$3,955,000	$5,650,000		797	3,983
$235,000	$1,175,000	$3,290,000	$4,700,000		781	3,905
$115,000	$575,000	$1,610,000	$2,300,000		161	805
$632,500	$3,162,500	$8,855,000	$12,650,000	72%		8,693
$290,000	$580,000	$1,160,000	$2,030,000		3,347	33,467
$105,000	$210,000	$420,000	$735,000		1,671	16,708
$395,000	$790,000	$1,580,000	$2,765,000	16%		50,175
$254,000	$508,000	$762,000	$1,524,000		8,478	8,478
$104,000	$208,000	$312,000	$624,000		4,239	4,239
$358,000	$716,000	$1,074,000	$2,148,000	12%		12,717
$1,385,500	$4,668,500	$11,509,000	**$17,563,000**		Therm Savings	71,585
$415,650	$1,400,550	$3,452,700	$5,268,900		Running Therm Savings Total	71,585
			$22,831,900			
					MT CO2e	380
					Running Total	380

	0.00531148 thm to mt			Emission Reductions (mt CO_2e savings)		
2025	**2026**	**Total**		**Assumed equipment life**	**Per Unit over equiment life**	**Total Emissions Savings over Equipment Life**
19,916	55,763	79,662		15	63.5	6,347
19,525	54,670	78,100		15	62.2	6,222
4,025	11,270	16,100		13	11.1	1,112
43,466	121,703	173,862	29%			13,681
66,933	133,867	234,267		15	17.8	1,244
33,417	66,833	116,958		13	8.9	621
100,350	200,700	351,225	58%			1,866
16,956	25,434	50,868		15	45.0	270
8,478	12,717	25,434		13	22.5	135
25,434	38,151	76,302	13%			405
169,250	360,554	**601,389**				
240,835	529,804	**842,224**			**Total Emissions Savings over Equipment Life**	**15,952**
899	1,915	3,194				
1,279	**3,194**	**4,854**				

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2023 Climate Commitment Act

AWEC INFORMAL DATA REQUEST NO. 002:

Please provide analysis and supporting documentation demonstrating how the targeted decarbonization projects to be implemented during the years 2024 through 2026 will:

a. Mitigate additional cost burdens for PSE's Identified Low-Income Customers.
b. Contribute to lower gas system emissions caused by customers.

Response:

Puget Sound Energy ("PSE") does not have this analysis or supporting documentation because PSE has not selected final projects that will be implemented during 2024-2026, as PSE has proposed in its cover letter to collaborate with its Low-Income Advisory Group ("LIAC") and other interested parties and advisory groups in the first quarter of 2024 to inform more detailed project design with more specific components.

However, PSE is able to provide written comments below and some estimates based on assumptions that PSE used in calculating the up to $23 million estimate – please see Attachment A to PSE's Response to AWEC's Informal Data Request No. 001. Please note that the referenced work paper includes estimated calculations based on many assumptions which are subject to change, per the Commission's final determination in this docket, as well as per discussions with Interested Parties in Q1 2024 that PSE has proposed as part of this filing.

a. PSE believes that the main way its Identified Low-Income Customers would see additional mitigation of cost burdens is through direct install projects because PSE would be offsetting all or most of the upfront costs associated with decarbonization or electrification, including repairs and weatherization. These customers would not likely implement these projects on their own without this financial and project management assistance. As such, these customers would experience the benefits of decarbonization and electrification (including repairs, electrical upgrades, and weatherization) without having to be burdened with the costs required to achieve them.

   As seen in Attachment A to PSE's Response to AWEC's Informal Data Request No. 001, PSE assumed three different levels of electrification for low-income customers which vary in cost depending on the level:

- **Full Electrification:** full electrification (including repairs, electrical upgrades, and weatherization) of a low-income residential single-family customer on average would cost about $56,500;
- **Electrification of Ambient and Water Heating:** direct installation of a heat pump for ambient heating and water heating (including repairs, electrical upgrades, and weatherization) for a low-income residential single-family customer on average would cost about $47,000;
- **Electrification of Water Heating Only:** direct installation of a heat pump for water heating only (including repairs, electrical upgrades, and weatherization) for a low-income residential single-family customer on average would cost about $23,000.

In total, for the total estimated 300 low-income customers over 2024-2026, the estimated mitigated cost burdens in direct install projects to low-income customers are estimated at $12.65 million.

b. By providing decarbonization projects for low-income and named community customers, the amount of PSE's overall greenhouse gas emissions would decrease.

As seen in Attachment A to PSE's Response to AWEC's Informal Data Request No. 001, the three levels of electrification discussed above, PSE assumed that:

- **Full Electrification:** full electrification of a low-income residential single-family customer could yield therm savings of 797 therms per year per customer on average (this would translate to about 63 metric tonnes of carbon dioxide equivalent over the equipment lifetime);
- **Electrification of Ambient and Water Heating:** direct installation of heating and water heating heat pump for a low-income residential single-family customer could yield therm savings of 781 therms per year per customer on average (this would translate to about 62 metric tonnes of carbon dioxide equivalent over the equipment lifetime);
- **Electrification of Water Heating Only:** direct installation of water heating only heat pump for a low-income residential single-family customer could yield therm savings of 161 therms per year per customer on average (this would translate to about 11 metric tonnes of carbon dioxide equivalent over the equipment lifetime).[1]

In total, by providing the assumed direct install electrification benefits for the total estimated 300 low-income customers over 2024-2026, the estimated decrease in gas system emissions is about 15.9 thousand metric tonnes of carbon dioxide equivalent over the equipment lifetime.[2]

[1] The conversions from therms to carbon dioxide equivalent assumed a 0.00531148/therm emission conversion factor. Source: this filing's work paper "230968-Advice-2023-56-PSE-WP-GAS-CCA-Rev-Req-2024-11-22-23 (R).xlsx" tab "Detail (R)" cell C13.
[2] Assumed at 13 years for water heater only projects and 15 years when including space heating.

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2023 Climate Commitment Act

AWEC INFORMAL DATA REQUEST NO. 003:

Please identify all cost savings anticipated to inure to customers on the following tariffs as a result of PSE's proposed decarbonization: Schedule 85, Schedule 85T, Schedule 87, Schedule 87T and Special Contract. Please provide all workpapers supporting PSE's response.

Response:

The Climate Commitment Act ("CCA") law requires that, if spending auction proceeds from the sale of no-cost allowances on decarbonization projects (which must be in addition to existing requirements), those benefits must be made available only for low-income, residential, and small business customers.[1] There is no requirement that such proceeds directly or indirectly benefit Schedules 85, 85T, 87 or 87T.

Under Puget Sound Energy's ("PSE") proposal, there are no direct cost savings to Schedules 85, 85T, 87 or 87T. However, by providing decarbonization projects for low-income and named community customers, the amount of PSE's overall gas system greenhouse gas emissions will decrease, potentially reducing bill charges[2] for all customers. PSE does not have any work papers that specifically estimate these potential future cost reductions and the impact on customer rates. If the use of funds for decarbonization projects requested in this filing is approved, final determination regarding the projects to undertake with the $23 million investment will be made through discussions with PSE's Low-Income Advisory Group and interested parties.

[1] RCW 70A.65.130(2)(b): "Revenues from allowances consigned by natural gas utilities and sold at auction must be returned by providing non-volumetric credits on ratepayer utility bills, prioritizing low-income customers, or used to minimize cost impacts on low-income, residential, and small business customers through actions that include, but are not limited to, weatherization, decarbonization, conservation and efficiency services, and bill assistance. The customer benefits provided from allowances consigned to auction under this section must be in addition to existing requirements in statute, rule, or other legal requirements."
[2] State Carbon Reduction Charge under Schedule 111.

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AWEC INFORMAL DATA REQUEST NO. 004:

Please explain whether targeted decarbonization projects would be limited to cost-effective projects. If no, why not? If yes, please include an explanation of how PSE defines cost-effective.

Response:

No, the targeted decarbonization projects are not expected to be cost-effective by any traditional energy efficiency cost-effectiveness test standards. The Climate Commitment Act expressly requires that no-cost allowance consignment revenue be invested in projects that are in addition to existing requirements in statute, rule, or other legal requirements, which would eliminate cost-effective projects from utilizing this funding source.[1]

[1] RCW 70A.65.130(2)(b): "Revenues from allowances consigned by natural gas utilities and sold at auction must be returned by providing non-volumetric credits on ratepayer utility bills, prioritizing low-income customers, or used to minimize cost impacts on low-income, residential, and small business customers through actions that include, but are not limited to, weatherization, decarbonization, conservation and efficiency services, and bill assistance. The customer benefits provided from allowances consigned to auction under this section must be in addition to existing requirements in statute, rule, or other legal requirements."

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AWEC INFORMAL DATA REQUEST NO. 005:

Please explain how PSE has implemented or plans to implement the cap on the State Carbon Reduction Credit, approved by the Commission in Docket UG-230899, and provide any supporting workpapers.

Response:

Beginning on May 1, 2024, Puget Sound Energy ("PSE") plans to implement a practice where the monthly State Carbon Reduction Credit shall not exceed the total amount of the customer's monthly State Carbon Reduction Charge during the billing period. As part of this approach, any residual credit amount will be deferred in aggregate for future credit application under Schedule 111, Greenhouse Gas Emissions Cap and Invest Adjustment, applied on a total system basis.