

Agenda Date: July 11, 2024
Item Numbers: A1, A2, A3, and A4

Dockets: UE-210795, UE-220066, UE-240433, and UG-240434
Company: Puget Sound Energy

Staff: Joel Nightingale, Regulatory Analyst

Recommendation

1. Enter an order approving PSE’s petition to extend the filing and reporting requirements for its Gas Integrated Resource Plan, Electric Integrated Resource Plan, Clean Energy Implementation Plan (CEIP), and CEIP Public Participation Plan and requiring the Company to file an Integrated System Plan on a timeline determined in Docket U-240281, subject to the following condition:
 - PSE will accomplish the commitments it made in its June 27, 2024 “Supplemental Letter” including the engagement and timeline for the development and filing of its "Public Engagement Plan."
2. If the Commission approves PSE’s petition in Dockets UE-240433 and UE-240434, Staff recommends that it also:
 - Enter an order approving PSE’s petition to amend Orders 08 and 12 in Docket UE-210795.
 - Enter an order approving PSE’s petition to amend Section 68 of the Revenue Requirement Settlement of Order 24 in Docket UE-220066.

Background

Puget Sound Energy (PSE or Company) filed with the Washington and Utilities Commission (Commission) a petition on June 5, 2024, requesting an extension of several planning requirements in the wake of the passage of the Washington Decarbonization Act for Large Combination Utilities.

PSE serves approximately 900,000 natural gas customers and 1.2 million electric customers largely in western Washington. As defined in Engrossed Substitute House Bill 1589, PSE meets the definition of a “Large Combination Utility.”

The Petition requests extension for the following planning requirements:

- Gas Integrated Resource Plan
- Electric Integrated Resource Plan
- Clean Energy Implementation Plan
- CEIP Public Participation Plan

PSE asserts that this extension, if approved, would allow the Company and its stakeholders to focus on the development of its first Integrated System Plan (ISP) due to be filed in 2027. The Company also points to the benefits of streamlining planning requirements enabled by the new

law. As an attachment to this Petition, PSE includes a “Planning Transition Work Plan” which reiterates the points made in the Petition and describes actions the Company plans to take in the next few years, before its 2027 ISP is filed.

After discussions with Staff, PSE filed a supplemental letter on June 27, 2024, clarifying clean energy- and equity-related reporting requirements and the public engagement approach PSE plans to implement in the development of its 2027 ISP.¹

Discussion

With no precedent or other guidance to rely on in this first-of-its-kind petition, Commission staff (Staff) relies upon the plain language of this new law to analyze whether PSE has made a sufficient showing to justify the extension of planning requirements that it requests. The language of the law requires the Commission to find that the work plan PSE filed “demonstrates reasonable progress” in two areas if it is to approve the petition:

1. Meeting the Clean Energy Transformation Act (CETA) standards
2. Achieving equity goals²

Reasonable Progress toward Meeting CETA standards

CETA standards require electric utilities to achieve greenhouse gas neutrality by 2030, and supply one hundred percent of all retail sales using renewable and non-emitting resources by 2045.³

Since PSE’s 2021 Integrated Resource Plan (IRP) – the first since the passage of CETA – PSE has issued at least six requests for proposals (RFPs) for long-term resources to meet energy needs, capacity needs, or a combination of both.⁴ In PSE’s Planning Transition Work Plan, PSE discusses its plan to continue this procurement effort by issuing another distributed solar and

¹ Supplemental Letter, Docket UE-240433, June 27, 2024.

² Ch. 351, Session Laws of 2024, § 3(3): “Upon request by a large combination utility, the commission may issue an order extending the filing and reporting requirements of a large combination utility ... if the commission finds that the large combination utility has made public a work plan that demonstrates reasonable progress toward meeting the standards under RCW 19.405.040(1) and 19.405.050(1) and achieving equity goals. The commission's approval of an extension of filing and reporting requirements does not relieve the large combination utility from the obligation to demonstrate progress towards meeting the standards under RCW 19.405.040(1) and 19.405.050(1) and the interim targets approved in its most recent clean energy implementation plan...”

³ RCW 19.405.040 and .050

⁴ See 2021 All-source RFP (UE-210220); 2022 Distributed Energy Resources RFP (UE-210878); 2023 Distributed Solar and Storage RFP (UE-220971); 2023 Lower Snake River Wind RFP (UE-230337); 2024 Distributed Solar and Storage RFP (UE-240377); 2024 All-source RFP (UE-240532).

storage RFP in 2025, a potential all-source RFP prior to 2027, and a targeted request for information for demand response resources in 2024 which may lead to a subsequent RFP.

While Staff has been somewhat frustrated by the slow pace of some of these RFPs, by and large, Staff sees these procurements as a tangible showing of the Company's efforts to meet its obligations under the CETA standards for 2030 and 2045. Based on conversations with the Company, Staff understands that PSE has worked with its independent evaluator to adjust its RFP process between the 2021 all-source RFP and its recently filed 2024 all-source RFP in ways that should help expedite the timeline for bid review and contract execution.

Staff believes that the continued progress on existing procurement processes and the additional RFPs included in PSE's Planning Transition Work Plan represent reasonable progress toward meeting the CETA standards. At the same time, Staff recommends that PSE continue to monitor how emerging trends in energy use may impact PSE's resource need, especially as 2030 quickly approaches.

While Staff understands that energy efficiency and demand response alone will not be enough to meet PSE's CETA obligations, we do encourage the Company to continue to pursue these resources as required by law, as they often represent the least cost resources for clean energy and capacity.

In its supplemental filing, PSE clarifies that it will continue to report on its progress toward clean energy obligations under CETA via its annual clean energy reports as required by WAC 480-100-650(3).

Reasonable Progress toward Achieving Equity Goals

The second finding the Commission must make to approve PSE's petition is that the Company's work plan demonstrates reasonable progress toward achieving equity goals. On this point, PSE contends that it has made such progress and outlines its work in terms of the four tenets of energy justice as described in the Commission's Order 09 in Docket UG-210755: Recognition Justice, Procedural Justice, Distributional Justice, and Restorative Justice.

In its supplemental filing, PSE clarifies that it will continue to report on its progress toward these equity goals in its clean energy compliance report filing as required by WAC 480-100-650(1).

Targets in Planning Transition Work Plan

PSE includes new targets in its Planning Transition Work Plan, as shown in Table 1, below.

Table 1- 2026-2027 Targets proposed in Planning Transition Work Plan⁵

	2026	2027
Interim Targets	63%	63%
Renewable Energy	62.5%	62.5%
DER Solar	110 MW	140 MW
DER Storage	50 MW	75 MW
Demand Response	149 MW	164 MW

If the Commission approves this Petition, there would be a gap in these interim and specific targets between the end of the current CEIP compliance period (2022-2025) and the targets likely to stem from the 2027 Integrated System Plan (ISP). For this reason, Staff appreciates PSE providing its anticipated achievements in a way that helps to bridge that gap. However, the Washington Decarbonization Act for Large Combination Utilities does not require the Commission to approve targets in order to approve the Petition. As described above, it only requires that the Commission find “that the large combination utility has made public a work plan that demonstrates reasonable progress toward meeting the standards under RCW 19.405.040(1) and 19.405.050(1) and achieving equity goals.” Staff recommends the Commission refrain from approving these targets and PSE’s associated costs as their approval falls outside of the scope of this filing.

In response to PSE’s description of the short-term renewable energy purchases that it may rely on to meet its current and future interim targets, Staff suggests that PSE review the Commission’s order approving PSE’s 2023 Biennial CEIP Update.⁶ The Commission included in its condition on interim targets that PSE should consider the potential for unreasonably costly energy, and suggested that the Commission would take these costs into consideration when evaluating compliance at the end of the compliance period.⁷ While this order language does not apply to 2026 and 2027, Staff believes this approach may be instructive during the interim period between the end of the current CEIP compliance period and 2027, when PSE will file its first ISP. Regardless of whether interim targets are approved or not, PSE is still obligated to make reasonable progress toward CETA standards, which includes achieving the transition at lowest reasonable cost. PSE is, as always, also held accountable for its decision-making by the prudence standard.

CEIP and GRC Dockets

Related to PSE’s petition to extend its planning requirements, the Company has also petitioned to amend three orders in two dockets which refer to the planning documents which PSE is

⁵ Based on Tables 3, 5, 6, and 7, Attachment A, UE-240433, June 5, 2024.

⁶ Order 12, Docket UE-210795, March 25, 2024.

⁷ Paragraph 16, Order 12, Docket UE-210795, March 25, 2024.

proposing extending. The petitions for amended orders appear in dockets UE-210795 (Orders 08 and 12) and UE-220066 (Order 24). Staff understands that if the Commission were to approve this Petition without also approving these requested amendments, PSE's CEIP- and GRC-related conditions would reference planning documents that PSE would no longer be required to file.

Rulemaking Considerations

Considering the ongoing rulemaking in Docket U-240281 and the novelty of the present filing, Staff find it important to note the practical effect of approving this petition. If this petition is approved, either (1) the CEIP would need to be consolidated into the integrated system plan (ISP), or (2) there would be significant timing and/or work-flow problems. For example, if this petition is approved and the rulemaking does not result in the CEIP being consolidated into the ISP, PSE would be obligated to file a CEIP in October 2025 based on a 2025 IRP that PSE will not have done.

Deciding which plans are going to be consolidated into the ISP is outside of the scope of this docket. However, the decisions made in this proceeding will clearly impact the practicality of certain options in the rulemaking, and the Commission should be aware of that when making decisions in this proceeding.

Interested Parties

Staff spoke with several interested parties about this filing including Renewable Northwest, Climate Solutions, and the Public Counsel Unit of the Attorney General's Office. Staff heard two concerns. One was some uncertainty about reporting requirements that would show the "reasonable progress" PSE intends to make. Staff also heard a desire to see an outline of how PSE plans to engage with its various advisory groups and the public in the development of its 2027 ISP – similar to those provided in advance of the Company's Integrated Resource Plan development process. Staff conveyed these concerns to the Company and believes that the supplemental filing PSE made on June 27 sufficiently addresses these concerns.

The Alliance for Western Energy Consumers filed a petition to intervene in this docket on July 1, 2024. This petition pointed to concerns about the high costs of PSE meeting its proposed 2026 and 2027 targets using short-term renewable energy purchases. Staff shares this concern, which is why we stress that the Commission does not need to – nor does Staff recommend – approving the workplan, the proposed targets, or related expenditures in this filing.

One commenter in the docket expressed concerns about PSE's public participation process, and extending PSE's 2025 IRP filing requirements, pointing to the 63 percent target remaining unchanged during the 2026 and 2027 timeframe.

Conclusion

Staff's full recommendation appears at the beginning of this memo. In short, Staff recommends the Commission approve PSE's petitions in UE-210795, UE-220066, UE-240433, and UG-240434, subject to condition.