

Puget Sound Energy
Plan for Equitable Outcomes in Corporate Capital Planning
Compliance Filing
Dockets UE-220066, UG-220067, and UG-210918
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1. Introduction to Regulatory Requirement

Pursuant to Section III.B.24 of the Revenue Requirement Settlement approved by the Commission in Final Order 24/10, Puget Sound Energy (PSE) is required to detail its process and procedures for equitable outcomes in its Corporate Capital Planning process. The Settlement term specified the following:

B.24. By the end of the MYRP, the Settling Parties agree PSE shall make a compliance filing in these dockets demonstrating:

- a. *Plan for Equitable Outcomes. A process or procedure for how PSE's Board of Directors and senior management plan for equitable outcomes when making decisions on enterprise-wide capital portfolios within the three-tier planning process. This will include a transparent and inclusive methodology for how the Enterprise Project Portfolio Management ("EPPM") tool will be used to apply an equity lens¹ to the Corporate Capital Allocation framework that integrates feedback from persons affected by PSE's decisions.*
- b. *Corporate Spending Authorizations ("CSAs"). PSE's use of CSAs that require sponsors to consider the equitable distribution of benefits and reduction of burdens of the project or program.*

PSE welcomes the opportunity to elaborate on our energy equity work to-date and to share our maturity journey. We have moved from nascent awareness of energy equity to an initial suite of resources that help PSE employees, leadership teams, and our Board of Directors consider energy equity in a consistent manner. In addition, we provide our currently identified next steps to continue developing our maturity across the enterprise.

2. Introduction to PSE's Energy Equity Work to Date

Energy equity has been an important focus at both the federal and state level and at PSE to ensure equitable outcomes to communities and individuals who are overburdened, disadvantaged, and vulnerable as we transition to clean energy. At the federal level, the 2021-2022 Infrastructure Investment and Jobs Act (IIJA) and the 2022 Inflation Reduction Act (IRA) provide opportunities to invest in clean energy infrastructure where those investments benefit disadvantaged communities. Washington state's 2019 Clean Energy Transformation Act (CETA), 2021 Climate Commitment Act (CCA), and 2021 Healthy Environment for All Act (HEAL), among other recent state laws, demonstrate Washington state and PSE's commitment to clean energy, our environment, and investments that benefit priority populations.²

¹ Washington state law (please see RCW 43.06D.010(4) and RCW 49.60.030) defines "equity lens" as providing consideration for those characteristics for which groups of people have historically, and are currently, marginalized to evaluate the equitable impact of an agency's policy.

² PSE uses the term "priority populations" to capture the various terminology, such as Named Communities, Disadvantaged Communities, and Overburdened Communities, used across statutes that reference communities that have typically experience disparities or inequities relative to

Furthermore, the Commission issued in PSE’s 2022 Final Order 24/10³, Clean Energy Implementation Plan (CEIP)⁴, and CEIP Biennial Update⁵, specific equity-related requirements. The requirements included integrating equity in its corporate capital planning process, delivery system planning process, ensuring the affordability of energy through the implementation of Bill Discount Rate and an Arrearage Management Plan. PSE’s 2022 GRC Final Order 24/10 also required PSE to conduct pilots including a Distributional Equity Analysis (DEA) Pilot and a Distributional Energy Resources (DER) Public Engagement Pilot. In addition, PSE needs to designate a minimum of 30% energy benefits to Named Communities⁶ and designate energy benefits to deepest need customers that is at least equal to that subset’s proportion of PSE’s electric customers⁷.

PSE is committed to integrating energy equity throughout its organization to ensure we not only meet regulatory requirements but also integrate equity into PSE employees’ work at all levels, including senior leadership and the Board of Directors. Our vision is to ensure there is equitable distribution of benefits from our energy delivery system and a reduction of burdens to priority populations. PSE’s equitable business planning framework includes a definition of equity intended to drive consistency, build trust, and support customer engagement, research to understand how historical factors contributed to energy inequities, and diverse tools to capture energy equity details in capital projects and programs.

To help us reach our goals, we pursued a multi-faceted approach that includes a dedicated department and a suite of resources to assist PSE employees and leaders of all levels in understanding and applying energy equity concepts to their project evaluations. PSE created a centralized Energy Equity department dedicated to ensuring the equitable distribution of clean energy benefits and the reduction of burdens to Named Communities. The Energy Equity department focuses on connecting energy equity to PSE’s enterprise strategies and key business imperatives, including meeting clean energy goals. PSE aims to apply an equity lens – both internally and externally – to the customers and communities we serve. The Energy Equity department consists of three focus areas: Equity-centered Data Analytics, Community Engagement and Partnership, and Research and Education. The department is the central point of contact for resources, data, and education that empowers business teams to incorporate and align equity consistently into their work processes.

2.1 PSE framework includes core energy justice tenets

Led by the energy equity team, PSE adopted the four energy justice tenets (see Figure 1) as its approach to operationalize equity consistently across the organization. These nationally recognized core tenets

other customers. This is the terminology used in Lawrence Berkeley National Laboratory’s Distributional Equity Analysis for Energy Efficiency and Other

Distributed Energy Resources: A Practical Guide (2024).

³ *WUTC v. PSE*, Dockets UE-220066 *et. al.*, Order 24/10 (December 22, 2022).

⁴ *WUTC v. PSE, In the Matter of Puget Sound Energy Clean Energy Implementation Plan Pursuant to WAC 480-100-640*, Docket UE-210795, Order 08 (June 6, 2023).

⁵ PSE CEIP Docket UE-210795 Order 12 (March 25, 2024).

⁶ Docket UE-210795 Appendix A to Final Order 08 Condition 20 (June 6, 2023).

⁷ PSE CEIP Docket UE-210795 Order 12, Condition 8 (March 25, 2024).

come from the [Energy Equity Project](#) (EEP)⁸, produced by the University of Michigan School for Environmental and Sustainability: Recognition, Procedural, Distributional, and Restorative justice.

In practice, the four tenets are interdependent with each other. Collectively, they demonstrate the role of energy systems in creating or hardening systemic injustices rooted within social and environmental justice issues, and the complexity in exploring solutions.

The following sub-sections detail some of the progress PSE has made in each of the four tenets.

Figure 1. Four Energy Justice Tenets



2.1.1 Recognition Justice

As shown in Figure 1, Recognition Justice requires an understanding of historic and ongoing inequalities and prescribes efforts that seek to reconcile these inequalities.

The following are some key examples of PSE’s accomplishments in Recognition Justice:

- **Puget Sound Recognition Justice StoryMap:** PSE researched historical inequities in the Puget Sound region, published in a [Recognition Justice StoryMap](#) in December 2023 which provides historic reflections and references regarding the policies and growth that shaped the Puget Sound region, including colonization and its impact on Tribes. See **Attachment A - PSE Recognition Justice StoryMap**.
- **Inaugural Equity Advisory Group and PSE’s Named Communities Map:** The Inaugural Equity Advisory Group (“EAG”), in partnership with PSE, created CEIP implementation guiding

⁸ Energy Equity Project, 2022. “Energy Equity Framework: Combining data and qualitative approaches to ensure equity in the energy transition.” University of Michigan – School for Environment and Sustainability (SEAS).

principles during the fall of 2021.⁹ PSE worked with its EAG in 2021 over several meetings to seek and incorporate feedback into the characterization of Vulnerable Populations¹⁰. This resulted in PSE's [Named Communities map](#), which is publicly available, that shows Vulnerable Populations and Highly Impacted Communities for gas and electric customers.¹¹ The Named Communities map is also available to PSE employees with additional information that includes vulnerability characteristics by census block group to assist PSE employees and leadership in their equity work and decision-making.

- **Named Communities Map Updates:** PSE updates the data on Named Communities and deepest need customers on an annual basis, which results in a refreshed Named Communities map each year based on changes in customer demographics, such as customers experiencing energy burden, customers in arrearage, and areas with high heat hazard/risk. The map allows identification and tracking disparities in clean energy benefits and the energy delivery system as part of distributional justice, as well as target engagement and community partnerships in our procedural justice work.
- **Deepest Need Customers:** PSE developed a targeting approach to identify the customers and communities with deepest need within the broader category of Named Communities in consultation with interested persons and advisory groups.
 - PSE worked with several advisory groups: EAG, Low-Income Advisory Group (LIAC), and the Conservation Resource Advisory Group (CRAG), and sought input from NW Energy Coalition (NVEC) in 2023 to help PSE define the concept of deepest need customers¹². This resulted in formalizing the methodology of identifying the deepest need customers:

⁹ [PSE EAG Charter v10.10.22.pdf](#)

¹⁰ PSE involved the EAG on May 17, May 24, September 21, September 27, and October 4, 2021, to discuss Vulnerable Population factors. A list of the EAG meetings (2021-2023) and meeting summaries can be found in PSE's CEIP Biennial Update Appendix C Public Participation, located here: https://www.pse.com/-/media/PDFs/CEIP/2023/13_BU23_C_Final.pdf. In addition, more information about all past and upcoming EAG meetings is available on PSE's EAG webpage: <https://www.cleanenergyplan.pse.com/eag>

¹¹ Per RCW 19.405.020, Named Communities are defined as either a Highly Impacted Community or Vulnerable Population. PSE's 2021 Clean Energy Implementation Plan (CEIP) (Chapter 3, available at: <https://www.cleanenergyplan.pse.com/library>) provides the following definitions: Highly Impacted Communities (HIC): A community designated by the Department of Health based on the cumulative impact analysis required by RCW 19.405.140 or a community located in census tracts that are fully or partially on "Indian country," as defined in 18 U.S.C. Sec. 1151. Vulnerable Populations (VP): Communities that experience a disproportionate cumulative risk from environmental burdens due to: Adverse socioeconomic factors, including unemployment, high housing and transportation costs relative to income, access to food and health care, linguistic isolation, and sensitivity factors, such as low birth weight and higher rates of hospitalization.

¹² PSE involved the EAG on August 7, 21 & 23, 2023, Sept 18, 27, 2023 (joint with LIAC & CRAG) to discuss the methodology in identifying deepest need customers. PSE met with LIAC on Oct 10, 2023, the Integrated Resource Plan group on Oct 16, 2023, and the CRAG on Oct 18, 2023 to provide final definition of deepest need. A list of the EAG meetings (2021-2023) and meeting summaries can be found in PSE's CEIP Biennial Update Appendix C Public Participation, located here: https://www.pse.com/-/media/PDFs/CEIP/2023/13_BU23_C_Final.pdf. In addition, meeting materials are located here: <https://www.cleanenergyplan.pse.com/eag>

- customers with a severe¹³ energy burden¹⁴ of 10 percent or more of income allocated to household energy expenses.¹⁵
- This led to the creation of an additional layer in PSE’s Geospatial Information System (GIS) map that identifies deepest need customers at the customer level. PSE plans to continue to work with its EAG in 2025 to identify ways in which PSE can continue to engage with and reach priority populations, including Named Communities and deepest need customers, to meet its targets.
- **Deepest Need Customer Analysis:** PSE conducts an analysis each year to understand this group’s demographics, monitor changes in the population size of deepest need customers year after year, and the level of energy assistance penetration.

2.1.2 Procedural Justice

As shown in Figure 1, Procedural Justice focuses on decision-making processes to ensure that proceedings are fair, equitable, and inclusive for participants, recognizing that decision-making processes have excluded marginalized and vulnerable populations. Historically, PSE has been meeting customers where they are; we work with customers on customer-sited projects and infrastructure projects, we restore power to them and conduct maintenance in their communities to increase safety and reliability. PSE believes procedural justice is a critical step in engaging with our customers, particularly in priority populations, to establish trust, understand their needs, and determine ways to reduce their barriers for participation, so that they can participate in clean energy and energy assistance programs. Below are some highlights of the work PSE has accomplished in Procedural Justice:

- **Increasing employee understanding of equity populations:** PSE leveraged work from the Recognition Justice tenet to increase employee understanding of who and where priority populations are, which enables employees to understand where they can prioritize their efforts and with whom they should engage. As an example, PSE’s customer outreach team uses the Named Communities map and Deepest Need analysis to guide their annual county outreach plans, which drive their customer engagement and outreach work for the year. Much of this scope of work is focused on outreach to Named Communities; an overview of their work can be found in the June 18, 2024, EAG meeting presentation¹⁶.

¹³ Severe Energy Burden is not referenced in CETA as a required threshold, but used by the American Council for an Energy Efficient Economy. See American Council for an Energy-Efficient Economy, *How High Are Household Energy Burdens? An Assessment of National and Metropolitan Energy Burden across the United States* (Sept. 2020), available at: < <https://www.aceee.org/sites/default/files/pdfs/u2006.pdf>>

¹⁴ Energy burdened customer is a customer for whom the proportion of their annual income spent on energy costs (electricity, natural gas, and other heating fuels such as propane, heating oil, wood, and other) is over six percent. Source: RCW 19.405.020(17); see also Washington Department of Commerce, *Guidelines for RCW 19.405.120*, Version 03.09.202, available at <https://www.commerce.wa.gov/wp-content/uploads/2020/03/Guidelines-for-19.405.120.pdf>.

¹⁵ Docket UE-210795, Clean Energy Implementation Plan Biennial CEIP Update (Nov. 1, 2023) Chapter 3 Equity, page 3.13 found at <https://www.cleanenergyplan.pse.com/ceip-library#BiennialCEIPUpdate>

¹⁶ The June 18, 2024 EAG meeting materials can be found here: <https://www.cleanenergyplan.pse.com/eag-meeting-june-18-2024>

- **Increasing employee understanding of public engagement:** PSE uses the International Association of Public Participation (IAP2) public participation spectrum tool to guide employees to understand the level or levels of engagement needed throughout an engagement process with the community. To further employee knowledge and understanding of the IAP2 spectrum, certain PSE employees completed IAP2 training in 2024 to apply it to their work. We plan to hold an education and training session for selected people leaders in early 2025, led by an IAP2 trainer, to continue and expand employee understanding in applying the IAP2 spectrum to their work.
- **Increasing employee understanding of community engagement:** PSE developed a community engagement guide (Guide) to provide direction to employees on tactics to establish effective community engagement with priority populations. The Guide is nearly complete and PSE plans to publish and share the Guide internally with all employees in Q1 2025.

2.1.3 Distributional Justice

As shown in Figure 1, Distributional Justice focuses on the distribution of benefits and burdens across populations. It aims to ensure marginalized and vulnerable populations do not experience an inordinate share of the burdens or denied access to benefits. Distributional justice enables PSE to measure our progress and determine if our actions are providing equitable access to clean energy benefits to priority populations and deepest need customers. This helps us regularly assess our progress and determine if we need to adjust our strategy and business plans. Distributional justice also enables us to determine how well we are reducing customer burdens, particularly energy burden, to ensure customer energy bills continue to stay affordable, minimizing the number of energy-burdened and deepest need customers.

To realize our vision of an equitable distribution of benefits and a reduction of burdens to priority populations, PSE aims to direct at least 30% clean energy benefits to priority populations, maximize our investments to energy-burdened and deepest need customers, and reduce their burdens.

Below are some highlights some of the work PSE has accomplished in Distributional Justice to date:

- **DEA Pilot:** PSE partnered with Lawrence Berkeley National Laboratory (LBNL) to conduct a Distributional Equity Analysis (DEA) pilot on two community solar programs. PSE submitted its DEA pilot compliance filing on March 22, 2024, and a supplemental filing of the DEA pilot results on July 19, 2024.¹⁷ This work led to LBNL’s publication of the “[Distributional Equity Analysis for Energy Efficiency and Other Distributed Energy Resources: A Practical Guide](#)”¹⁸. PSE sought emerging practices in developing a distributional equity analysis methodology from a consortium of “organizations representing energy equity and climate justice advocates;

¹⁷ See PSE’s 2022 GRC (Dockets UE-220066 *et. al.*).

¹⁸ The *Distributional Equity Analysis for Energy Efficiency and Other Distributed Energy Resources: A Practical Guide* is available here: <https://emp.lbl.gov/publications/distributional-equity-analysis>

consumer advocates, public utility commissions, state energy offices, distributed energy resource and environmental advocates, and evaluation, measurement and verification experts; and academia, national laboratories, and federal agencies”.¹⁹ PSE partnered with LBNL to conduct a retrospective DEA analysis on PSE’s 2022 energy efficiency portfolio, which is one of the first real-world DEA examples in the nation and featured in Section A.7 of the Practical Guide. In addition, PSE has made considerable progress on this pilot while engaging with four different communities across our service area. Recently this information was discussed with our Equity Advisory Group (EAG) and was well received.

- **Working with EAG on CEIP CBIs:** PSE worked with its EAG over several meetings²⁰ to define Customer Benefit Indicator (CBI) metrics, which illustrate how PSE customers benefit from the clean energy transition over time. PSE utilizes many of these CBIs to identify impacts to priority populations for projects during business planning. These impacts are further described in the Corporate Capital Planning, Resource Acquisitions, and Delivery System Planning processes below.
- **Equity data and metric reporting:** PSE reported on equity-related metrics in various filings including its Multi-Year Rate Plans, CBI metrics, and Energy Assistance report to the Department of Commerce. In addition, in future years, PSE will report on some additional equity-related metrics in the Performance-Based Ratemaking (PBR) docket²¹ that also includes metrics on reliability, energy burden, arrearages, and utility assistance program effectiveness.

2.1.4 Restorative Justice

Finally, as shown in Figure 1, Restorative Justice utilizes regulatory government organizations or other interventions to disrupt and address distributional, recognition, or procedural injustices and to correct them through laws, rules, policies, order, and practices. The established policies and regulations lay the foundation for utilities to restore historical inequities while also ensuring we do not create harm or burden to priority populations. We are committed to our vision and are accountable for the commitments we set out to achieve.

Below are examples that highlight some of the work PSE has accomplished in Restorative Justice:

- PSE provides updates on energy equity to its Board of Directors and Business Planning Committee (BPC), which includes Board members and senior PSE leadership.
- PSE also published an external [energy equity webpage](#) in 2024 to communicate our vision, commitment, and approach to operationalizing energy equity at the company.

¹⁹ As noted on LBNL’s webpage here: <https://emp.lbl.gov/publications/distributional-equity-analysis>

²⁰ PSE involved the EAG on May 24, 2021, June 21, 2021, June 26, 2021, September 13, 2021, and July 18, 2022 to discuss CBI metrics. A list of the EAG meetings (2021-2023) and meeting summaries can be found in PSE’s CEIP Biennial Update Appendix C Public Participation, located here: https://www.pse.com/-/media/PDFs/CEIP/2023/13_BU23_C_Final.pdf. In addition, meeting materials are located here: <https://www.cleanenergyplan.pse.com/eag>

²¹ See Docket U-210590.

The above examples represent key highlights of the work that PSE has performed in each of these four tenets and are not intended to be exhaustive. As part of our maturity journey, we continue to assess, adjust, and iterate on this approach to be able to realize and measure energy benefits flowing to priority populations.

PSE applies the four energy justice tenets to integrate energy equity into its Corporate Capital Planning process, which provides a consistent energy equity framework and a solid foundation on which to expand its operations and business planning. The remainder of this report will focus on the Corporate Capital Planning process.

3. Overview of PSE’s Corporate Capital Allocation Framework

Every year PSE undertakes a five-year financial planning and budgeting process that is overseen by the Business Planning Committee (BPC) and the Board of Directors related to annual budgets, key financial performance indicators, and other quantitative and qualitative indices. PSE’s corporate capital allocation framework includes the following three tiers and applies governance and financial controls at each level:

- Tier 1 begins at the departmental level where projects and expenditures originate, which is typically at the manager and director cost center level.
- Tier 2 involves interdepartmental prioritization within a functional business unit, at the vice president level.
- Tier 3 is a company-wide prioritization that occurs across the enterprise via the BPC that includes senior management and the Board of Directors who are ultimately responsible for the evaluation and prioritization of all investments so that the allocation of capital resources represents the highest priority set of investments to deliver customer value.

4. Plan for Equitable Outcomes

This section describes the actions taken to help PSE plan for equitable outcomes when making decisions on enterprise-wide capital portfolios and how the Company engages and integrates feedback on capital projects. The review of the capital portfolio includes transparent information from the energy equity evaluation within the Enterprise Project Portfolio Management (“EPPM”) tool. The information is available to senior management and the Board to allow the Company to understand the distribution of energy equity across the project portfolio.

4.1 Resources Used to Plan for Equitable Outcomes

PSE leverages a suite of resources as part of the corporate capital allocation framework that includes central internal websites, research findings, reporting and data, training, and tools.

4.1.1 Internal Website Resources

PSE's Energy Equity department created an internal website available to employees and leaders of all levels providing an overview of:

- The energy equity team and how it supports PSE employees.
- How PSE is integrating energy equity using the four-energy justice tenets.
- PSE's engagement approach using the IAP2 spectrum.
- Data and tools to guide employees on how to identify Priority Populations using its Named Communities Map.
- A link to the Climate and Economic Justice Screening Tool (CEJST) to identify Disadvantaged Populations.
- EAG schedules and materials.

PSE's Capital Planning and Planning Systems teams created an internal website available to employees, including leaders of all levels that provides:

- Job aids for PSE's portfolio planning tool.
- Quick tips and processes for commonly used capabilities.
- Frequently Asked Questions ("FAQs") informational pages.

These sites are dynamic, and PSE updates or adds resources regularly, including introducing the latest information or practices.

4.1.2 Research Resources

PSE undertakes research to understand the historical context of Named Communities in our service territory and provides story materials for employees and leaders of all levels to consume on demand. In addition to the **Puget Sound Recognition Justice StoryMap** mentioned above, PSE's Energy Equity Department created a second StoryMap modeled on the Washington State Department of Ecology Overburdened Communities StoryMap. Its purpose is to focus PSE on geographies within its service territory where independent analyses by federal and state government, as well as PSE, identified higher levels of vulnerability indicators and feature social networks PSE can engage to further procedural equity:

- [PSE's Equity Investment Zones](#) - this StoryMap highlights social networks where PSE is strengthening community partnerships and investing in procedural justice. It is a living document featuring past accomplishments, continuing areas for development, and serves as a place to report future project collaborations.

4.1.3 Reporting and Data Resources

PSE performs data analysis to gather deepest need information by circuit, address, grid number, or meter and publishes the information via Business Intelligence ("BI") reporting dashboards for use by employees and leaders of all levels:

- [Non-Sensitive Named Community Dashboard](#) - this dashboard contains the current vulnerable populations and highly impacted communities' designation for our electric and gas service area, as well as a view of the archived Named Communities data. It shows Named Communities and deepest need information at a city, county, block group, substation, and circuit level.
- [Sensitive Named Community Dashboard](#) - this dashboard shows Named Communities and deepest need information at a city, county, block group, substation, circuit, and individual meter level.

4.1.4 Training Resources

PSE offers training to employees and leaders of all levels to increase their working knowledge of energy equity:

- PSE Financial Planning, Energy Equity, and Operational Training teams partnered to develop an online energy equity course to enhance the ability for employees and leaders to evaluate their projects with an equity lens while building and reinforcing their energy equity knowledge. See **Attachment B - Training: Energy Equity Course** for the detailed scenarios in the training that are illustrative of some of the types of capital projects we implement.

4.1.5 Tool Resources

PSE uses tools to support the corporate capital allocation framework that are available to employees and leaders of all levels and are intended to drive transparency and consistency as teams assess the energy equity impacts of their projects.

- **Enterprise Project Portfolio Management (EPPM) tool** – this centralized tool enables employees and leaders of all levels to submit capital investment requests. “...Capital investment requests include Corporate Spending Authorization (CSA) approvals governed by configured controls within the...system in alignment with PSE’s business/corporate capital allocation three-tiered framework. PSE evaluates and prioritizes capital projects using capital investment request data from the EPPM tool.²² The EPPM tool collects capital project information including required energy equity questions related to the four energy justice tenets.

Throughout the EPPM tool’s implementation, the project team partnered with PSE’s Energy Equity team to develop and/or update energy equity content. The EPPM tool helps provide an equity lens to the corporate allocation framework by presenting mandatory questions related to energy equity and Customer Benefit Indicators (CBIs). The EPPM tool was built as a central repository to house CSAs with reporting capabilities that enable the Company to view the distribution of energy equity considerations across the portfolio by both cost percentage and project count.

²² Refer to PSE’s 2024 GRC Prefiled Direct Testimony of Joshua Kensok, Exh. JAK-1CTr (filed on February 15, 2024, revised on March 4, 2024) p. 4 in Docket No. UE-240004/UG-240005.

- **PSE Named Communities definition** – this definition is designed to educate PSE employees and leaders of all levels in a consistent understanding of this group. The EPPM tool includes a link to this definition for easy access to the information. See **Attachment C - Training: Named Communities Definition** for the full definition.
- **PSE Named Communities Map** - this map was mentioned above under PSE’s recognition justice tenet accomplishments. The EPPM tool includes a link to this map to keep the information at the fingertips of users to help ensure they have what they need to make educated assessments of energy equity for their projects.
- **Justice40 Climate and Economic Justice Screening Tool** - the climate and economic justice screening tool was created under Executive Order 14096 and identifies disadvantaged communities that are marginalized by underinvestment and overburdened by pollution. Because it operates at a national scale, it is an additional energy equity tool for PSE to evaluate equity for project sites located outside of its service area.

4.2 Budget Planning Committee Charter Revision

In Q4 2024, PSE leadership agreed to recommend a 2025 enhancement to the BPC Charter to formalize the consideration of equitable outcomes as part of the formal Committee responsibilities. As previously mentioned, the BPC oversees PSE's annual five-year financial planning and budgeting process and recommends annual budgets (O&M and Capital). The recommendation to enhance the BPC Charter will formalize our commitment to consider equitable outcomes as part of the annual budget recommendation.

4.3 Energy Equity in Resource Acquisition Projects

PSE also engages and integrates feedback on capital projects, including Resource Acquisition projects that are part of the capital portfolio. This section details the equity approach, and the review process PSE took in the decision-making process within the 2021 All-Source Request for Proposal (“RFP”) for resource acquisition projects.²³ “The 2021 All-Source RFP required bidders to provide an equity and customer benefit plan. To meet the CETA requirement to ensure that all customers are benefiting from the transition to clean energy: Through the equitable distribution of energy and non-energy benefits and reduction of burdens to vulnerable populations and highly impacted communities... bidders were asked to demonstrate in the equity and customer benefit plan their proposal’s alignment with goals set forth in CETA. Bidders were required to respond to a series of questions in the RFP proposal forms, which were designed to capture information about the project relevant to supporting goals set forth in RCW 19.405.040(8) related to customer benefits; diversity, equity, and inclusion; and labor. Bidders were also strongly encouraged to provide a supplemental customer benefit plan further describing how the proposal would contribute to meeting CETA’s equity goals, including specific commitments to support

²³ Refer to the Prefiled Direct Testimony of Colin Crowley, Exh. CPC-1HCT p24-25 in Docket No. UE-240004/UG-240005.

those goals and any additional detail that would help PSE assess the credibility and viability of the bidder's plan."²⁴

PSE's Energy Management Committee (EMC) and Board of Directors, part of the third tier of the corporate capital allocation framework, are informed and involved in the decision-making process for resource acquisition projects²⁵. **Attachment D - 2021 RFP Evaluation Process Document** provides additional information about PSE's approach to evaluating equity and customer benefits in each phase of the 2021 All-Source RFP, and the results of the Phase 2 equity and customer benefit sensitivity analysis.

Equity evaluation was first based on CBIs, focused on the distributional justice tenet. In 2024, evaluations broadened to consider equity across all four energy justice tenets, as seen in PSE's 2024 Voluntary All-Source RFP²⁶.

An equity summary of Equity and Customer Benefits for each project is provided to the Energy Management Committee (EMC) for review prior to the Board of Directors' review and approval. **Attachment E - Appaloosa Solar Project Energy Equity Summary** provides an example of an equity analysis completed on a solar resource project and a slide summarizing the analysis. This project was reviewed and approved by the Energy Management Committee and by the Board of Directors in 2024. PSE intends to continue to conduct an equity analysis using this same approach used in the 2024 Voluntary All-Source RFP on projects in future RFPs when identifying new energy resources.

4.4 Engagement Efforts

In addition to capturing engagement levels in the EPPM tool as part of mandatory energy equity questions related to recognition, procedural, and distributional justice tenets, PSE convenes an EAG on a monthly cadence to seek perspectives from and broaden engagement with communities we serve. The EAG includes members of frontline communities of priority populations, including low-income households and Black, Indigenous, and People of Color (BIPOC). The members of the EAG share perspectives from their lived or working experiences related to environmental justice, tribal interests, highly impacted communities, vulnerable populations, social services, and affordable housing.

4.4.1 Delivery System Planning Approach and EAG Engagement

Considering equity alongside benefits and costs in the CSA process is consistent with the approach PSE utilizes in the Delivery System Planning (DSP) process. DSP evaluates the adequacy of PSE's energy delivery system and determines how the system must operate to meet current and future customer needs. This can consist of electric and gas distribution and transmission planning, asset management, grid, and pipeline modernization strategies.²⁷ The projects and programs in the Delivery System

²⁴ Refer to the Prefiled Direct Testimony of Colin Crowley, Exh. CPC-1HCT p24-25 in Docket No. UE-240004/UG-240005

²⁵ Refer to Exh CPC-1HCT.

²⁶ Equity Rubric and Equity Form is available here: <https://www.pse.com/en/pages/energy-supply/acquiring-energy/2024-Voluntary-All-Source-RFP>.

²⁷ See the Prefiled Direct Testimony of David J. Landers in PSE's 2024 GRC (Dockets UE-240004 *et. al.*), Exh. DJL-1T.

Planning Portfolio are part of the corporate business planning process, where these projects have associated CSAs to document funding requests. PSE is also required to consider equity in the DSP and Investment Decision Optimization Tool (iDOT).²⁸

In the DSP process, equity is considered separately from Benefit Cost Analysis, like the corporate capital process. This was affirmed with engagement and feedback from PSE's EAG to consider equity and cost analysis benefits separately in iDOT. This decision-making process enables PSE to ensure a targeted benefit threshold for Named Communities is met or exceeded in projects and programs in the Delivery System Planning Portfolio.

PSE engaged with the EAG in November 2022, March 2023, and November 2023, to provide an overview of the DSP process, gather EAG feedback on how PSE consider equity in DSP and iDOT, and provided an update to the EAG on how PSE incorporated the EAG's feedback. Additionally, PSE engaged with the public on November 6, 2023,²⁹ to provide an overview of Equity in DSP and engaged with the Resource Portfolio Advisory Group (RPAG) on February 13, 2024,³⁰ to engage on Equity in the DSP and iDOT.

5. CSAs and Sponsorship

As mentioned above, the EPPM tool was built in alignment with PSE's business/corporate capital allocation three-tiered framework. A CSA is created directly in the system and must pass several validations on required fields before it can be submitted for approval; this ensures that all fields are filled out and the CSA is submitted with the best information known at the time. While a CSA is submitted by a single user, the development of a CSA includes extensive collaboration between various resource roles, including project sponsors, who may leverage the available energy equity resources discussed above to make an informed assessment of the equitable distribution of benefits and reduction of burdens of their project or program.

Once submitted, project sponsors receive the CSA in their queue for review and approval. At this step, project sponsors are trained to review all the data in the CSA for accuracy, including the answers to the required energy equity questions. Once they are satisfied with the CSA content, project sponsors approve the CSA and the EPPM tool uses system-controlled workflow to ensure traceable governance from aligned manager, director, and officer sponsors. The corporate capital portfolio is built from the approved CSAs and energy equity is imbedded in that portfolio which can be viewed by both cost percentage and project count to understand the distribution of energy equity considerations. The following section describes the changes within the EPPM tool that incorporate energy equity as part of the CSA submission process and highlights PSE's continuous improvement mindset in the Company's maturity journey related to energy equity.

²⁸ See PSE's 2022 GRC (Dockets UE-220066 *et. al.*), Final Order 24/10, Appendix A ("Revenue Requirement Settlement"), pg. 25-26.

²⁹ Meeting materials can be found here: <https://www.cleanenergyplan.pse.com/rpag-meeting-archive>

³⁰ Meeting materials can be found here: <https://www.cleanenergyplan.pse.com/rpag-meeting-feb>

5.1 Inaugural Iteration (2023-2028 capital portfolio)

In February 2023, to support the development of the 2024-2028 capital portfolio, PSE incorporated energy equity as a mandatory question for project sponsors to answer in the EPPM tool as part of the CSA process to determine the impact on Named Communities and CBIs which supported qualitative metrics in the form of 'Yes/No' response. This iteration primarily focused on the distributional justice tenet. Implementation of the EPPM tool included office hours and training resources for project teams and sponsors. Office hours were held over the course of 10 weeks (about two and a half months) to answer questions related to the CSA process, including energy equity, and user training included defining Named Communities to help users consistently identify Highly Impacted Communities and Vulnerable Populations.

Projects with 'Yes' and 'No' responses are tallied and their estimated costs compared against the total portfolio. This comparative view provides insights into the percentage of PSE's capital portfolio associated with investments expected to positively impact priority populations, the environment, affordability, access to clean energy, system resilience, and/or other benefits. Refer to **Attachment F - Energy Equity Questions in EPPM Tool** for the inaugural equity questions in the EPPM tool.

5.2 Current Iteration (2025-2029 capital portfolio)

In February 2024, to support the development of the 2025-2029 capital portfolio, PSE broadened equity considerations for project sponsors through additional mandatory questions in the EPPM tool that not only include the Distributional Justice tenet but also consider the Recognition and Procedural Justice tenets. Refer to **Attachment F - Energy Equity Questions in EPPM Tool** for the current equity questions in the EPPM tool and **Attachment G - Energy Equity Supporting Documentation** for Supporting Documentation also linked in the EPPM tool.

These additional questions provide enhanced qualitative and quantitative data, including:

- **Recognition justice:** PSE incorporated 'deepest need' along with 'known low-income' customer segments as part of identifying what types of priority populations are impacted.
- **Procedural justice:** PSE reinforced the importance in capturing public participation / community engagement if it is needed for a project. The options align with the IAP2 spectrum levels.
- **Distributional justice:** PSE enhanced choices for CBIs to align with updates to its CBI metrics since its filing of the CEIP in 2021.

Support for the changes in the EPPM tool included office hours and user training for project teams and sponsors. Office hours were held over eight weeks (about two months) to answer questions from project teams and sponsors related to the CSA process, including updates to the energy equity information collected. User training included a course that summarizes the basics of energy equity at PSE, describes the four tenets of energy equity, and engages users with detailed, illustrative scenarios for them to apply an energy equity understanding to improve their ability to answer the equity questions in the EPPM tool.

6. Conclusion and Next Steps

PSE's commitment to our maturity journey related to energy equity is evident with the many advancements we made over the 2023-2024 rate years. PSE created a centralized Energy Equity department for resources, data, and education to help employees and leadership understand and apply the energy equity justice tenets, prioritize and identify opportunities to provide equitable access, and ensure we include priority populations and energy-burdened populations in the creation of our clean energy future.

PSE also delivered iterative improvements to the resources and tools used in its corporate capital allocation framework to ensure we continue to mature our understanding and enhance our performance related to this important aspect of our business. As part of this continuous effort, PSE reviews the responses of the energy equity questions in the EPPM tool to better understand if there is a need for additional training and education and to determine if changes are necessary. PSE also plans to implement an approach to measure the energy equity impacts of relevant projects (e.g., DSP projects) to determine the actual benefits directed to priority populations.

In 2025, PSE plans to continue to integrate energy equity in its operations in the following ways. These are just a few highlights and are not meant to be exhaustive:

- Recommend a 2025 BPC Charter enhancement to Committee responsibilities that formalizes our commitment to consider equitable outcomes as part of the annual budget recommendation.
- Partner with LBNL and PNNL to conduct a system-wide energy equity assessment³¹ to evaluate and understand current equity impacts at PSE. This will help PSE: (a) identify existing equity issues on the utility system, (b) develop recommended actions for how to address those issues, (c) monitor changes in equity over time, and (d) recommend new actions for addressing equity issues as they become better understood over time. The U.S. Department of Energy (DOE) recently selected PSE to participate³² which will provide funding to this system-wide equity assessment effort.
- Continued energy equity considerations during its current and future RFP process in acquiring resources, as mentioned in Section 4.2.
- Continued engagement with internal employees in PSE's operations teams to provide guidance on integrating energy equity into their work.
- Meet with other investor-owned utilities in the state to share energy equity efforts and best practices regularly.
- Continued community outreach and engagement to priority populations, meeting them where they are, understanding their needs, and enrolling them in energy assistance programs.

³¹ Lawrence Berkeley National Laboratory's Practical Guide defines a system-wide assessment as the following: "System-wide energy equity assessments are jurisdiction or utility system assessments that comprehensively address all dimensions of energy equity and all aspects of utility planning, operation, and services"

³² [DOE Selects Utilities for Groundbreaking Technical Assistance Program to Advance Grid Deployment and Integration | Department of Energy](#) (January 13, 2024).

- Continue to participate in the Commission’s Equity docket (A-230217) to partner with staff, interested parties, and other utilities on a consistent state-wide approach to integrating equity in its operations.
- Continue to participate in the Commission performance-based regulation docket (U-210590) to collaborate with Staff and other interested parties on equity-related metrics and reporting.
- Continue expanding the reach of PSE’s energy assistance programs for priority populations and work with all interested parties to identify other ways to lower rate impacts on low-income, energy burdened, and deepest need customers.

PSE is committed to our vision of equitable distribution of benefits and a reduction of burdens to priority populations. The integration of equity into the corporate capital allocation framework and budget approval processes helps us move forward together with consistency to achieve that vision.

7. List of Attachments

This filing includes the following attachments to support the information provided.

Attachment A – PSE Recognition Justice StoryMap

Attachment B – Training - Energy Equity Course

Attachment C – Training: Named Communities Definition

Attachment D – 2021 RFP Evaluation Process Document

Attachment E – Appaloosa Solar Project Energy Equity Summary

Attachment F – Energy Equity Questions in EPPM Tool

Attachment G – Energy Equity Supporting Documentation