

January 31, 2025

UE-220066

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Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

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**Re: Puget Sound Energy Decarbonization Study Summary Report
Dockets UE-220066, UG-220067, and UG-210918 (consolidated)**

Dear Executive Director Killip,

Puget Sound Energy (PSE) respectfully submits its Decarbonization Study Summary Report, along with its updated Decarbonization Study which was updated in September 2024 (provided as Attachment A to this filing) – pursuant to the Washington Utilities and Transportation Commission’s (UTC) Final Order 24/10,¹ which approved PSE’s 2022 general rate case (GRC) Settlement Agreement terms in Stipulation O at ¶¶65-66.²

On December 21, 2023, PSE submitted the Decarbonization Study in a compliance filing in this docket pursuant to UTC Final Order 24/10³ and the Settlement Agreement Stipulation O.⁴ Stipulation O of the Settlement Agreement also required PSE to submit a compliance filing with the results of the study in this docket by January 2025. The enclosed Decarbonization Study Summary Report is provided to satisfy this condition. This Decarbonization Study Summary Report provides a high-level overview of PSE’s Decarbonization Study, including a consolidation of the analysis and findings for each component of the study.

Additionally, in September 2024, two minor, inconsequential corrections were made to the previously filed Decarbonization Study, and PSE is filing an updated Decarbonization Study as Attachment A to this filing.

¹ *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-220066, UG-220067, & UG-210918 (consolidated) (Dockets UE-220066 et al.), Final Order 24/10, 18, ¶65(18) (Dec. 22, 2022) (Final Order 24/10).

² *Dockets UE-220066 et al.*, Appendix A to the PSE 2022 GRC Final Order 24/10 - Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and Green Direct (Aug. 26, 2022), Stipulation O, 35-37, ¶¶65-66 (the Settlement Agreement).

³ *Dockets UE-220066 et al.*, Final Order 24/10, 18, ¶65(18).

⁴ *Dockets UE-220066 et al.*, the Settlement Agreement, Stipulation O, 35-37, ¶66.

The two minor corrections that PSE incorporated into its Decarbonization Study are:

- 1) First, slide 5 of PSE's Decarbonization Study (Attachment A to the original compliance filing from December 2023) incorrectly reflected total appliance and installation costs, instead of incremental costs. Attachment A slide 5 to this filing reflects this correction correct data from correct workpapers.

PSE Witness Phillip Popoff explains in his 2024 GRC rebuttal:⁵

The corrected slide (pasted below as Figure 1) shows incremental costs instead of total costs, and correctly pulls from workpapers filed in Docket UE-220066, et al., which contained updated data. Importantly, this correction has a minor impact on incremental costs and does not impact the Decarbonization Study's conclusion that electrification pathways studied are not close to appearing cost effective. Even ignoring appliance and installation costs altogether, abandoning billions of dollars of infrastructure that provides a significant portion of the energy needed for buildings, and replacing it with significant investments in new electric infrastructure will be expensive.

- 2) Second, slide 7 of PSE's Decarbonization Study (Attachment A to the original compliance filing in December 2023) showed a graph that pulled incorrect data and was also updated to pull data from correct workpapers. This correction is reflected in slide 7 of Attachment A to this filing.⁶

Finally, as explained by PSE Witness Phillip Popoff, neither of these corrections change the conclusions in the Decarbonization Study or otherwise show that the Decarbonization Study is fundamentally flawed:⁷

The intent of both slides was to show how incremental costs compare with incremental benefits in each scenario. Slide 7 just had the additional information relating to social cost of greenhouse gas ("SCGHG") benefits. Even with the corrections, the Decarbonization Study shows the benefits of electrification under the four scenarios examined are significantly smaller than the incremental costs.

Enclosed for filing are PSE's Decarbonization Study Summary Report and the following attachments:

- Updated since PSE's original Decarbonization Study compliance filing in December 2023:
 - Attachment A contains PSE's Decarbonization Study (updated September 2024);

⁵ Dockets UE-240004 et al., Exh. PJP-1T, Phillip Popoff Rebuttal, 7.

⁶ Dockets UE-240004 et al., Exh. PJP-1T, Phillip Popoff Rebuttal, 8.

⁷ Dockets UE-240004 et al., Exh. PJP-1T, Phillip Popoff Rebuttal, 8-9.

- Attachment G contains the electric portfolio output summary for emissions and cost for each of the four scenarios modeled in the Decarbonization Study (updated September 2024);⁸
- Unchanged since PSE’s original Decarbonization Study compliance filing in December 2023:
 - Attachment B contains the Cadmus Group’s final report, supporting materials related to heat pump performance trends and equipment costs, and review of the impacts of the Inflation Reduction Act;
 - Attachment C contains the Energy + Environmental Economics’ literature review;
 - Attachment D contains the Energy + Environmental Economics’ analysis of the impacts of heating decarbonization pathways on regional infrastructure;
 - Attachment E contains the gas portfolio output summary for each of the four scenarios modeled in the Decarbonization Study;
 - Attachment F contains the outputs for gas system results showing the cost for each of the four scenarios modeled in the Decarbonization Study, as well as the constrained areas analysis;
 - Attachment H contains the electric system outputs for each of the four scenarios modeled in the Decarbonization Study; and
 - Attachment I- P contain the financial outputs detailing bill and rate impacts for customers for each of the four scenarios modeled in the Decarbonization Study as well as the different rate schedules.
- New since PSE’s original Decarbonization Study compliance filing in December 2023:
 - Attachment Q summarizes the meetings with Settlement Parties on Decarbonization Study.

The findings of this Decarbonization Study Summary Report informed the development of the Targeted Electrification Strategy, pursuant to Stipulation O of the Settlement Agreement which requires PSE to use the Decarbonization Study and a Targeted Electrification Pilot to inform the development of a Targeted Electrification Strategy.⁹ Commission Order 33/19 amended the Settlement Agreement requiring the TES to be filed by January 31, 2025.¹⁰ As such, concurrently with this Decarbonization Study Summary Report filing, PSE is also filing its Targeted Electrification Pilot Report and its Targeted Electrification Strategy as separate compliance filings.

With this filing, PSE respectfully requests the Commission make a determination finding PSE’s Decarbonization Study Summary Report and updated Decarbonization Study to be compliant and consistent with Final Order 24/10 and Appendix A (the Settlement Agreement) ¶¶65-66.

⁸ Attachment G was updated as it contains the analysis behind slides 5 and 7 in Attachment A.

⁹ *Dockets UE-220066 et al.*, the Settlement Agreement, 35, ¶65.

¹⁰ *Dockets UE-220066 et al.*, Order 33/19, 4, ¶17 (Jul. 11, 2024).

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Please contact Kelima Yakupova, State and Regional Policy Consultant in PSE Regulatory Policy, at (425) 462-3588 or Kelima.Yakupova@pse.com, and Jennifer Coulson, Manager of Resource Planning and Analysis, at Jennifer.Coulson@pse.com for additional information about this filing. If you have any other questions, please contact me at (425) 462-3051.

Sincerely,

/s/ Wendy Gerlitz

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cc: Service List

Attachments:

PSE's Decarbonization Study Summary Report
Attachments A – Q (zip) (listed above)
Certificate of Service