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June 5, 2023

SENT VIA WEB PORTAL

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
P. O. Box 47250
Olympia, WA 98504-7250

**Re: *Puget Sound Energy's 2023 Electric Integrated Resource Plan Progress Report,*
Docket UE-200304**

Dear Director Maxwell:

The Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments in response to the Washington Utilities and Transportation Commission's (UTC or Commission) Notice for Comment and Recessed Open Meeting (Notice) dated April 21, 2023. Public Counsel appreciates the opportunity to engage on Puget Sound Energy's (PSE or Company) 2023 Integrated Resource Plan (IRP) Progress Report.

PSE filed its Electric IRP Progress Report in accordance with WAC 480-100-625(4) on March 31, 2023. The WAC specifies that the progress report must include updates to the utility's load forecast, demand-side resource assessment (including a new conservation potential assessment), resource costs, portfolio analysis and preferred portfolio, updates necessary because of "changing state or federal requirements, or significant changes to economic or market forces," and any updates to "elements found in the utility's clean energy implementation plan."¹

Public Counsel, along with numerous other interested parties, participated in PSE's process to develop and review the 2023 Electric IRP Progress Report. In addition to attending Technical Advisory Committee meetings, Public Counsel submitted informal comments and questions to the Company in response to the draft IRP Progress Report provided to interested parties. Public Counsel appreciates PSE's efforts to explain its plan and answer questions.

¹ WAC 480-100-625(4).

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Public Counsel's Recommendation

The Commission should acknowledge PSE's 2023 Electric Progress Report and encourage the Company to make improvements in its next IRP to clarify and standardize key terminology, incorporate the impacts of current policies, and engage with interested parties to establish robust weights for its CBIs.

Public Counsel would like to recognize the Company's efforts in developing the Electric IRP Progress Report. We appreciated a number of improvements the Company made to the final Electric IRP Progress Report based on feedback from Public Counsel and other interested parties on the Company's draft. In particular, Public Counsel appreciates the Company's inclusion of climate change data in the energy and peak demand forecast and a no new thermal plants sensitivity. We also appreciated graphical improvements made to improve reader accessibility such as the addition of call-out boxes throughout the document to highlight key concepts.

In the paragraphs below, Public Counsel outlines a number of areas for future improvements or topics of concern. We organize these topics by the chapters in which they appear in the Progress Report.

Clean Energy Action Plan

Chapter two addresses updates to how PSE plans to meet the requirements of the Clean Energy Transformation Act (CETA) to achieve carbon neutrality by 2030 and a carbon-free electric energy supply by 2045. PSE lists clean energy resource additions in the Electric Progress Report, but it makes inconsistent references to these resources and fails to explain the differences between similar resources. For instance, PSE provides no explanation of the difference between "CEIP Solar" and "New DER Solar." PSE also does not explain the differences between "Hybrid Wind", "Hybrid Solar", and "Hybrid Storage." Furthermore, different terminology is used at times to refer to the same resource. Appendix I: Output Portfolio Benefit Analysis refers to net metering as "DSM PV" and the Electric Progress report refers to net metering as "Net Metered Solar." In Appendix I, "PSE DER Solar" refers to non-wire alternatives, but "DER Solar" and "CEIP Solar" refer to different types of resources with no explanation provided. Public Counsel recommends that the Company clearly explain the differences in the labels of related resources in the glossary and in the text of the report. PSE should use consistent terminology between its resource plans, clean energy implementation plans, and appendices so that interested parties can clearly understand how the Company plans to achieve its CETA requirements.

PSE based its projection of net metered solar growth on historical net metering adoption rates, which explains why the net metered solar projections continue to grow over time.² This fact was not explicitly explained in the report itself, nor did PSE address current restrictions on net

² PSE Electric Progress Report at 2.2, Table 2.2 (filed Mar. 31, 2023).

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metering offerings. RCW 80.60.020 restricts an electric utility to offer net metering on a first-come, first-serve basis until June 30, 2029, or the first date upon which the cumulative generating capacity of net metering systems equals four percent of the utility's peak demand during 1996.³ PSE is approaching its net metering cap; thus, we encourage PSE to include a net metering forecast that reflects the current statutory limitations.

Legislative and Policy Change

Chapter four addresses legislative and policy changes that are impacting the Company's IRP Progress Report. PSE notes that the Washington State Building Codes Council issued new codes that would mandate installation of "electric heat pumps in new commercial buildings and multi-family homes instead of natural gas heating and cooling technologies."⁴ However, this code update was issued after the 2023 Electric Report Conservation Potential Assessment was conducted, so the impacts of the code changes were not included in this Progress Report.⁵ Though the code implementation date of July 1, 2023, has been delayed,⁶ Public Counsel expects that PSE will include the impact of the building code in its 2025 Electric IRP because of the building codes' impact on electrification.

PSE also includes the impact of certain incentives from the federal Inflation Reduction Act (IRA).⁷ The Company included the effect of the Production Tax Credit (PTC) and Investment Tax Credit (ITC), which apply to large scale renewable projects.⁸ However, as PSE notes "many other provisions in the IRA may impact electricity demand," such as household incentives for electric vehicles or electric heat pumps.⁹ The Company did not include these impacts, but Public Counsel urges the Company to include them in the 2025 Electric IRP because of the potential impact to electric demand.

The Electric IRP Progress Report also does not discuss the impact of the Infrastructure Investment and Jobs Act (IIJA), other than a mention of PSE's role as part of the U.S. Department of Energy's Hydrogen Hub Funding Opportunity.¹⁰ The IIJA's focus on infrastructure and transportation should be considered in the 2025 Electric IRP, especially impacts to electric vehicle market growth.

³ RCW 80.60.020(1)(a).

⁴ PSE Electric Progress Report at 4.8.

⁵ *Id.* at 4.8.

⁶ David Iaconangelo, *Washington state hits the brakes on landmark gas ban*, Politico E&E News (May 25, 2023, 6:56 AM), <https://subscriber.politicopro.com/article/eenews/2023/05/25/washington-state-hits-the-brakes-on-landmark-gas-ban-00098576>.

⁷ PSE Electric Progress Report at 4.8–4.9.

⁸ *Id.* at 4.9.

⁹ *Id.* at 4.9.

¹⁰ *Id.* at 2.7.

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Key Analytical Assumptions

Public Counsel notes the Company's discussion of purchasing versus owning electric resources at the end of Chapter five.¹¹ PSE's interest in more ownership of electric resources is noted, but Public Counsel encourages the Company to continue to focus not on the ownership of an electric resource, but whether it best serves customers, complies with applicable statutes, and is the lowest reasonable cost.

In electric price forecasting, PSE includes the CCA cost to electric price forecast for Washington State emitting resources.¹² Other Washington State utilities have expressed that they make a different assumption that the CCA cost is not included in the electric price forecast. Absent Commission guidance, Public Counsel recommends that PSE include a sensitivity analysis where the CCA emission price is not reflected in the cost of dispatch for Washington State resources.

Demand Forecasts

In Table 6.1 of the Electric Progress Report, PSE notes the drivers that are included and not included in the base demand forecast. Noticeably, PSE does not include the impacts of the Clean Cars 2030 Goal which was passed as part of the 2022 Move Ahead Transportation Package.¹³ Washington State's zero-emission vehicle (ZEV) standards also matches California's ZEV standards which establishes rules requiring all new light-duty cars and trucks sold in Washington to be meet ZEV standards by 2035. In stark contrast, PSE assumes about 17 percent of new vehicle sales will be EVs by 2035.¹⁴ The incentives offered by the IRA may bolster electric vehicle (EV) adoption. We believe that EV adoption will have substantial impacts on electric energy demand forecasts, and we recommend that PSE include these crucial EV adoption drivers into the next IRP. Additionally, to the extent that the legislature appropriates CCA funds to building or vehicle electrification, we believe PSE should include those impacts in future electric energy demand forecasts.

Electric Analysis

The portfolio benefit analysis methodology represents an improvement from the methodology presented in the 2021 Clean Energy Implementation Plan (CEIP). We appreciate PSE recognizing that some customer benefit indicators (CBIs) should be excluded from resource selection because they are more relevant to program implementation or other purposes. We also appreciate the cost-effectiveness assessment that compares CBI indices with portfolio cost.¹⁵

However, some aspects of the Portfolio Benefit Analysis warrant further consideration and discussion with interested parties. For example, PSE identifies three CBIs related to distributed

¹¹ *Id.* at 5.37.

¹² PSE Electric Progress Report at 5.7.

¹³ Press Release, Dep't of Ecology State of Wa., *Washington Sets Path to Phase out Gas Vehicles by 2035* (Sept. 7, 2022), <https://ecology.wa.gov/About-us/Who-we-are/News/2022/Sept-7-Clean-Vehicles-Public-Comment>.

¹⁴ See PSE Electric Progress Report at 6.34, Figure 6.17.

¹⁵ App. I Output Portfolio Benefit Analysis

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energy resources (DER) participation: DER solar participation, demand response (DR) participation, and DER storage participation. In contrast, PSE consolidates three criteria air pollutants under one CBI category. There is no discussion or rationale provided for why DER participation receive three times the weight or significance as criteria air pollutants. As a result, DER participation will have an outsized influence in the portfolio benefit analysis calculator. This is contrary to a typical cost-benefit analysis, which will often give outsized influence or weight¹⁶ to programs that reduce criteria air pollutants. The value of a statistical life (VSL)¹⁷ is often used to weigh the benefits of reduced mortality risk. In PSE's portfolio benefit analysis, the reductions in criteria air pollutants contributing to increased human mortalities may be substantially undervalued, and the value of DER participation may be substantially overvalued. We encourage PSE to engage in robust discussions with its Equity Advisory Group and interested parties to establish fair weights to CBIs. We would also like to see PSE provide robust rationales for its CBI weighting and categorization mechanisms in future IRPs and CEIPs.

Public Counsel appreciates the opportunity to submit these comments, and we will have representatives present at the recessed open meeting. If you have any questions about this filing, please contact Aaron Tam, (206) 464-6215 or Aaron.Tam@ATG.WA.GOV, or Stephanie Chase, (206) 521-3212 or Stephanie.Chase@ATG.WA.GOV.

Sincerely,

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¹⁶ The U.S. EPA uses a formal meta-analysis for its VSL at \$11.2 million. Spencer Banzhaf, *The Value of Statistical Life: A Meta-Analysis of Meta-Analyses*, 13 J. of Benefit-Cost Analysis 182–197 (2022). <https://www.cambridge.org/core/journals/journal-of-benefit-cost-analysis/article/value-of-statistical-life-a-metaanalysis-of-metaanalyses/BC4015650AC911691EB91AAFD3AEBBFA>.

¹⁷ “The value of statistical life (VSL) is the additional cost that individuals would be willing to pay for small reductions in risks that, in the aggregate, reduce the expected number of fatalities by one.” See Treasury Bd. of Can. Secretariat, *Policy on Cost-Benefit Analysis* (2018), <https://www.canada.ca/en/government/system/laws/developing-improving-federal-regulations/requirements-developing-managing-reviewing-regulations/guidelines-tools/policy-cost-benefit-analysis.html>.