

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

IN THE MATTER OF
PUGET SOUND ENERGY CLEAN ENERGY IMPLEMENTATION PLAN
PURSUANT TO WAC 480-100-640

DOCKET UE-210795
**RESPONSE TESTIMONY OF COREY J. DAHL AND AARON TAM
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT CDAT-1T

October 10, 2022

RESPONSE TESTIMONY OF COREY J. DAHL AND AARON TAM

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I. INTRODUCTION

1 **Q. Please state your names, employer, and business address.**

2 A. Corey Dahl and Aaron Tam. We serve as Regulatory Analysts for the Public Counsel
3 Unit of the Washington State Office of the Attorney General (Public Counsel). Our
4 business address is 800 5th Ave., Suite 2000, Seattle, Washington 98104.

5 **Q. On whose behalf are you testifying?**

6 A. We are testifying on behalf of the Public Counsel Unit of the Washington State Office of
7 the Attorney General.

8 **Q. Have you previously testified in this proceeding?**

9 A. No, we have not yet testified in this proceeding, but we have previously submitted
10 comments on Puget Sound Energy's (PSE or Company) Clean Energy Implementation
11 Plan (CEIP).

12 **Q. Witness Dahl, how would you like to be referred to during this proceeding?**

13 A. Corey or Witness Dahl. My pronouns are he/him/his.

14 **Q. Witness Dahl, please describe your professional qualifications.**

15 A. I earned a B.A. in Economics and a B.A. in English from the University of St. Thomas in
16 St. Paul, Minnesota in 2011. In 2016, I earned a Master of Public Administration degree
17 from the Daniel J. Evans School of Public Policy and Governance at the University of
18 Washington in Seattle. While completing my graduate studies, I worked on low-income
19 and housing policy for a non-profit advocacy organization and worked as a legislative
20 assistant for the Seattle City Council. Additionally, I completed Michigan State

1 University and the National Association of Regulatory Utility Commissioners' Utility
2 Rate School in May 2017.

3 My current employment with Public Counsel began in October 2016. Since
4 joining the Attorney General's Office, I have worked on a variety of energy, water,
5 transportation, and telecommunications matters. My experience includes commenting at
6 Open Meetings before the Washington Utilities and Transportation Commission (UTC or
7 Commission), testifying at settlement and adjudicated hearings, serving as an internal
8 expert on litigated and non-litigated matters, and working on rulemakings and policy
9 dockets before the Commission. Please see Exhibit CDAT-2 for a list of matters I have
10 participated in before the Commission.

11 **Q. Witness Tam, how would you like to be referred to in this proceeding?**

12 A. Mr. Tam or Witness Tam. My pronouns are he/him/his.

13 **Q. Mr. Tam, please describe your professional qualifications.**

14 A. I am a Regulatory Analyst and environmental policy specialist. I received a B.S. in
15 Environmental Science and Resource Management and a B.A. in Political Science from
16 the University of Washington in Seattle in 2016. In 2020, I received my Master of Public
17 Administration degree with a Program Evaluation specialization from the Daniel J. Evans
18 School of Public Policy and Governance at the University of Washington in Seattle.
19 While completing my graduate studies, I worked as a climate analyst for the City of
20 Seattle and created their first-ever greenhouse gas inventory dashboard. My most recent
21 position prior to joining the Public Counsel Unit was as a consultant at Cascadia
22 Consulting Company where I had broad responsibilities. I served as the leading technical

1 analyst in the development of Sound Transit’s Sustainability Inventory Database. I also
2 spearheaded the transition of Puget Sound region governments’ greenhouse gas
3 inventories onto a standardized online dashboard. During these greenhouse gas analysis
4 projects, I collected and standardized utility-reported greenhouse gas and energy
5 consumption data for greenhouse gas reporting. I have also conducted cost-effectiveness
6 analyses, planned and facilitated stakeholder workshops, wrote climate action plans,
7 climate mitigation plans, climate adaptation plans, and community engagement plans for
8 local governments on the West Coast.

9 My current employment with Public Counsel began November 2021. Since
10 joining the Attorney General’s Office, I have worked on a variety of water, energy, and
11 policy dockets, including Gold Beach Water Company General Rate Case (Docket
12 UW-220206), Suncadia Water Company General Rate Case (Docket UW-220052),
13 Distributed Energy Resource Cost-Effectiveness Rulemaking (Docket UE-210804), and
14 the Policy Statement Addressing Alternatives to Traditional Cost of Service Ratemaking
15 (Docket U-210590 or Alternative Ratemaking Docket). I testified on behalf of Public
16 Counsel in the 2022 Avista General Rate Case (Consolidated Dockets UE-220053,
17 UG-220054, and UE-210854) on wildfire resiliency issues. I also participate in
18 conservation advisory groups, Integrated Resource Plan (IRP) technical working groups,
19 and low-income advisory groups for Puget Sound Energy and Northwest Natural Gas.
20 Additionally, I completed the National Association of Regulatory Utility Commissioners’
21 Utility Rate School in May 2022.

1 **Q. Witness Dahl and Tam, are you sponsoring any exhibits to your Panel Testimony?**

2 A. Yes, we sponsor the following exhibits:

3 Exhibit CDAT-2 List of Prior Proceedings and Testimony for Witness Dahl

4 Exhibit CDAT-3 Public Counsel's Updated List of Conditions

5 Exhibit CDAT-4 Public Counsel's CEIP Comments filed March 2, 2022, with
6 Appendix B

7 Exhibit CDAT-5 PSE's Response to Public Counsel's Data Request No. 8

8 **Q. What is the purpose of Public Counsel's testimony in this proceeding?**

9 A. (Dahl) Our testimony addresses PSE's Final Corrected CEIP (PSE Final CEIP or 2021
10 CEIP), filed February 1, 2022. More specifically, we address the statutory requirements
11 for PSE's CEIP to meet Commission approval and our recommendations to improve the
12 plan. If the Commission does not approve our proposed recommendations, it is our view
13 that the PSE Final CEIP is not compliant with the requirements of the Clean Energy
14 Transformation Act (CETA).

15 **Q. Who are the other parties to this proceeding?**

16 A. (Dahl) Utilities and Transportation Commission Staff (Commission Staff or Staff), NW
17 Energy Coalition (NWECC), Front and Centered,¹ The Energy Project, Alliance of
18 Western Energy Consumers (AWEC), and Renewable NW. A number of other

¹ NWECC and Front and Centered are represented jointly by EarthJustice.

1 organizations, local governments, and individual PSE customers have filed comments in
2 this Docket, but have not filed petitions to intervene in the adjudicated proceeding.

3 **Q. Please summarize Public Counsel's recommendations.**

4 A. (Dahl) Public Counsel provides the following recommendations for the PSE Final CEIP:

- 5 • Improvements to PSE's interim and specific targets;
- 6 • Improvements to specific actions for compliance, including distributed energy
7 resource (DER) selection and deployment, distribution system planning, demand
8 response (DR) programs, non-wire alternatives, considerations for equity, and
9 clarity to the time-varying rates (TVR) pilot;
- 10 • Improvements to PSE's customer benefit indicators (CBI), including selection,
11 development, and application; and
- 12 • Conditions for PSE's incremental cost calculation.

13 A list of Public Counsel's specific recommendations in each of these categories is
14 provided in Exhibit CDAT-3. The PSE Final CEIP, in its current form, does not meet
15 statutory requirements. Public Counsel's recommendation is for the Commission to
16 approve PSE's CEIP with the conditions detailed in this testimony.

17 **Q. Please outline your Panel Testimony.**

18 A. (Dahl) Our testimony is organized as follows:

- 19 • Interim and Specific Targets (Dahl)
- 20 • Specific Actions:
 - 21 ○ Distributed Energy Resources and Distribution Planning (Tam)
 - 22 ○ Demand Response programs (Dahl)

- 1 ○ Non-Wire Alternatives (Dahl)
- 2 ○ Time-Varying Rates pilot (Dahl)
- 3 ○ Distributional Equity Analysis (Dahl)
- 4 ○ Public participation (Dahl)
- 5 • Customer Benefits Indicators (Tam)
- 6 • Incremental Cost(Tam)
- 7 • Cost Recovery (Dahl)

II. SUMMARY OF THE PSE FINAL CEIP ISSUES AND RECOMMENDATIONS (DAHL)

8 **Q. Is it Public Counsel’s view that the PSE Final CEIP is in compliance with CETA**
9 **statute and relevant rules?**

10 A. No, we do not believe the PSE Final CEIP is compliant with the CETA statutes and
11 associated rules. Specifically, we believe changes must be made to the Company’s
12 interim and specific targets, specific actions, CBIs, and incremental cost calculation.
13 These four components are required to be in utility CEIPs.² The following testimony will
14 address these improvements with more specificity and includes the conditions necessary
15 to meet compliance requirements.

16 **Q. Has Public Counsel previously commented on PSE’s 2021 CEIP?**

17 A. Yes, we timely filed comments on PSE’s 2021 CEIP on March 2, 2022 (March
18 Comments). Our March Comments addressed concerns and questions with the plan and a

² RCW 19.405.060 and WAC 480-100-610(4)(c).

1 set of recommendations for improvement. We maintain many of the concerns and
2 recommendations included in these comments. The March Comments are enclosed as
3 Exhibit CDAT-4. However, after reviewing discovery and engaging with the Company
4 and other stakeholders, we have refined, modified, and supplemented our
5 recommendations. Public Counsel's updated conditions list is included as Exhibit
6 CDAT-3.

7 **Q. Has the Company responded to Public Counsel's March Comments and comments**
8 **from other stakeholders filed on March 2, 2022?**

9 A. Yes, but the Company did not fully address Public Counsel's and other stakeholders'
10 concerns. At the request of NWECA and Front and Centered, PSE's 2021 CEIP became the
11 subject of an adjudicated proceeding. On July 11, 2022, PSE filed Direct Testimony
12 addressing many, but not all, of the issues of stakeholders. In Public Counsel's view,
13 PSE's testimony did not resolve the concerns raised in the March Comments and, thus,
14 the Commission must apply conditions to the 2021 CEIP in order to meet the standards
15 for approval.

16 **Q. Does Public Counsel have any requests in addition to the recommendations**
17 **enumerated in Exhibit CDAT-3?**

18 A. Yes. PSE's 2021 CEIP is a case of first impression, since it is both PSE's first plan and
19 the first CEIP adjudicated before the Commission. As a result, there are a number of
20 issues that are ripe for additional Commission guidance. Specifically, Public Counsel
21 requests the Commission to offer guidance on the following:

- 1 • *Incremental Cost Inputs:* It is currently unclear what types of investments should
2 be considered incremental costs related to CETA compliance. For example, PSE
3 has attributed \$46.5 million in DER grid enablement and \$117.3 million in grid
4 modernization costs to CETA.³ Stakeholders dispute whether that is an
5 investment that PSE would have made without CETA as statute.
- 6 • *Incremental Cost Application:* Statute states that IOUs,
7 must be considered to be in compliance with the standards under
8 RCW 19.405.040(1) and 19.405.050(1) if, over the four-year
9 compliance period, the average annual incremental cost of meeting
10 the standards or the interim targets established under subsection (1)
11 of this section equals a two percent increase of the investor-owned
12 utility's weather-adjusted sales revenue to customers for electric
13 operations above the previous year⁴
- 14 Stakeholders have varying views on the meaning of this. Some believe that two
15 percent is a cap on spending, which means that a utility is in compliance when it
16 hits that cost threshold and does not need to take additional action. Others
17 understand this to mean that two percent is a guideline for utilities (i.e. utilities
18 should be spending about two percent of sales revenue on CETA compliance).
19 Other stakeholders still view two percent as a threshold to achieve compliance,
20 but utilities can make prudent investments beyond the threshold to comply with
21 CETA.

³ Puget Sound Energy's Corrected Final Clean Energy Implementation Plan, App. F (Worksheet F5 Detailed Costs by Program Area) (filed Feb 1, 2022) (hereinafter "PSE Final CEIP").

⁴ RCW 19.405.060(3)(a).

III. INTERIM AND SPECIFIC TARGETS (DAHL)

1 **Q. What are the CEIP requirements regarding interim targets?**

2 A. Electric utilities are required to “propose interim targets for meeting the standard under
3 RCW 19.405.040” in its respective CEIPs for the four-year planning period.⁵ PSE seeks
4 approval of its 63 percent renewable energy interim target.⁶ In other words, PSE seeks to
5 acquire new renewable resources such that its energy mix is 63 percent clean energy by
6 the end of the four-year period.

7 **Q. What are the CEIP requirements regarding specific targets?**

8 A. In addition to proposing interim targets, utilities must propose specific targets for “energy
9 efficiency, demand response, and renewable energy” during the four-year planning
10 period.⁷ “Renewable energy” includes resources such as DERs and utility-scale
11 renewable energy sources. PSE proposes the following specific targets for the period
12 through 2025:

- 13 • 1,073,434 MWh for energy efficiency;⁸
- 14 • 800 MW of new utility-scale renewable energy and new 80 MW of distributed
15 solar resources;⁹

⁵ RCW 19.405.060(1)(a)(ii).

⁶ Direct Testimony of Kara K. Durbin, Exh. KKD-1T, at 4:1–2.

⁷ RCW 19.405.

⁸ Durbin, Exh. KKD-1T, at 4:3–7.

⁹ *Id.*

- 1 • 25 MW of new distributed storage;¹⁰ and
2 • 23.7 MW of DR.¹¹

3 **Q. What are the considerations the Commission must make in order to approve PSE's**
4 **interim and specific targets?**

5 A. Utilities must undertake specific actions to meet its interim target and specific targets.
6 Our testimony will address PSE's planned specific actions below. The Commission
7 considers four factors when determining whether to approve a utility's interim target:

- 8 • Maintaining a safe, reliable, and balanced electric system;
9 • Acquiring resources at lowest reasonable cost, while considering risk;
10 • Ensuring that all customers benefit from the transition to clean energy through the
11 equitable distribution of benefits and reducing customer burdens; and
12 • Ensuring no particular customer class bears excessive costs related to the energy
13 transition.¹²

14 Utilities must demonstrate that they can achieve its interim and specific targets while
15 accounting for the four factors enumerated above.

16 **Q. Does Public Counsel support PSE's proposed interim target?**

17 A. Yes, Public Counsel generally supports PSE's 63 percent interim target. PSE's 2021 IRP
18 forecasted CETA-eligible clean energy acquisitions up to 56 percent of the Company's

¹⁰ PSE Final CEIP, at 41.

¹¹ *Id.*

¹² RCW 19.405.060(1)(c).

1 resource mix through 2025, but the Company accelerated the target to 63 percent for the
2 2021 CEIP.¹³ Initial review of the PSE Final CEIP did not readily reveal benefit-cost
3 analysis or further justification for accelerating the interim target from 56 to 63 percent.
4 In discovery, PSE provided cost and benefit comparisons between the 2021 CEIP and
5 IRP preferred portfolios.¹⁴ The CEIP Preferred Portfolio has a \$18.79 million 24-year
6 levelized cost compared to a \$21 million 24-year levelized cost for the IRP preferred
7 portfolio.¹⁵ Similar cost differentials exist in the 20-year levelized costs: \$16.54 million
8 for the CEIP portfolio and \$18.21 million for the IRP portfolio.¹⁶ PSE also projects lower
9 revenue requirements in the CEIP preferred portfolio compared to the IRP preferred
10 portfolio.¹⁷ In Public Counsel's opinion, review of this analysis suggests accelerating the
11 target to 63 percent is reasonable. In terms of future rate recovery for the planned clean
12 energy acquisitions in the 2021 CEIP, PSE still bears the burden of proof to demonstrate
13 that any acquisitions are prudent and lowest reasonable cost.

14 **Q. What conditions does Public Counsel suggest for PSE's interim and specific targets?**

15 A. Public Counsel's primary concerns about the interim and specific targets are the cost to
16 ratepayers and whether the targets reflected acquisition of resources at lowest-reasonable
17 cost. Public Counsel recommends the following conditions:

- 18 • In its 2023 Biennial CEIP Update and in future CEIPs, PSE will include
19 descriptions of quantitative (i.e., cost based) and qualitative (e.g., equity

¹³ PSE Final CEIP, at 24.

¹⁴ Corey J. Dahl & Aaron Tam, Exh. CDAT-5 (PSE Response to Public Counsel's Data Request No. 8).

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

1 considerations) analyses that support interim targets to comply with the Clean
2 Energy Transformation Act's (CETA) 2030 and 2045 clean energy standards.

- 3 • In its 2023 Biennial CEIP Update and in future CEIPs, PSE will include
4 quantitative and qualitative risk analysis, if risk is used to justify deviating from
5 the lowest reasonable cost solution that complies with CETA.
- 6 • PSE will maintain the proposed renewable energy target of 63 percent by 2025.

IV. SPECIFIC ACTIONS

7 **Q. What does statute require of utilities in regards to specific actions in their CEIPs?**

8 A. WAC 480-100-640(6)(b) requires utilities to demonstrate in its narrative description how
9 the specific actions are consistent with the clean energy transformation standards in WAC
10 480-100-610(4). In particular, the rules require the narrative description to include an
11 assessment of current benefits and burdens on customers, by location and population, and
12 the projected impacts of specific actions on the distribution of customer benefits and
13 burdens during the implementation period.¹⁸

14 Additionally, WAC 480-100-640(5) requires that each CEIP present the specific
15 actions in a tabular format that provides following information for each specific action:

16 (a) The general location, if applicable, proposed timing, and estimated cost
17 of each specific action or remaining resource need, including whether the
18 resource will be located in highly impacted communities, will be governed
19 by, serve, or otherwise benefit highly impacted communities or vulnerable
20 populations in part or in whole;

21 (b) Metrics related to resource adequacy including contributions to capacity
22 or energy needs; and

23 (c) Customer benefit indicator values, or a designation as nonapplicable, for
24 every customer benefit indicator.

¹⁸ WAC 480-100-640(6)(b)(i).

1 **Q. What does PSE provide in its 2021 CEIP that addresses the statutory requirements**
2 **surrounding specific actions?**

3 A. PSE included general information on expected customer benefits for each specific action
4 in chapter four and broad information about highly impacted and vulnerable communities
5 at the census block and tract level in chapter three. The Company provided the nameplate
6 capacity, peak capacity, energy contribution, estimated cost, and relevant CBIs in
7 Appendix L. The Company, however, did not include more granular information about
8 the projected impacts of each specific action on the distribution of customer benefits and
9 burdens and impact on named communities¹⁹ as required in WAC 480-100-640(5)(a) and
10 WAC 480-100-640(6)(b). The Company also did not provide CBI values or metric values
11 as required in WAC 480-100-640(5)(c). This detailed information is particularly critical
12 given the highly localized nature of some DER programs and importance of proper siting
13 of DER programs to ensure customers receive the promised benefits.

14 **Q. What changes or conditions does Public Counsel recommend in regard to specific**
15 **actions for PSE’s 2021 CEIP?**

16 A. We recommend changes to be made in the 2021 CEIP, 2023 Biennial CEIP Update, and
17 the 2025 PSE CEIP in order for PSE to meet the statutory requirements regarding specific

¹⁹ “Named communities” is a term frequently used by Washington stakeholders to collectively refer to highly impacted communities as defined in RCW 19.405.020(23) and vulnerable populations as defined in RCW 19.405.020(40).

1 actions in WAC 480-100-640(5) and WAC 480-100-640(6)(b). Public Counsel

2 recommends the following condition:

- 3 • PSE must update the narrative description and table of specific actions (Appendix
4 L) in the 2023 Biennial CEIP Update. PSE must describe how each of the specific
5 actions demonstrate progress towards clean energy transformation standards at the
6 lowest reasonable cost (see WAC 480-100-640(6)(f) and WAC 480-100-610(4)).
7 As part of the narrative description and table of specific actions (Appendix L),
8 PSE will list the CBIs and metrics associated with each specific action, the values
9 for the associated metrics, and the distributional impacts, particularly on named
10 communities (see WAC 480-100-640(5)). As part of the narrative description,
11 PSE must describe how each specific action will move PSE towards meeting their
12 CBI goals and metric targets.
13

A. Distributed Energy Resources and Distribution Planning (Tam)

14 **Q. What DER and Distribution Planning issues did Public Counsel identify in PSE's**
15 **2021 CEIP?**

16 A. The 2021 CEIP goes into extensive detail in regard to its preferred DER portfolio
17 selection methodology. In the March Comments, Public Counsel identified multiple
18 issues with the DER preferred portfolio selection methodology. One of these issues is
19 how PSE used CBIs in the preferred portfolio selection process; Public Counsel's
20 concerns are described in detail in our March Comments²⁰ as well as in the improvements
21 to the CBIs section, below. The other issue Public Counsel identified is the inadequate
22 assessment of current benefits and burdens, as well as projected impacts on customers,
23 particularly for named communities.

²⁰ See Dahl & Tam, Exh. CDAT-4 (Public Counsel's Comments filed in March, with Appendix B).

1 **Q. What improvements to PSE’s DER and Distribution Planning sections does Public**
2 **Counsel recommend to address these concerns?**

3 A. Due to the significant problems with PSE’s DER portfolio selection methodology
4 identified by Public Counsel and other stakeholders,²¹ PSE should remove the DER
5 preferred portfolio selection process and results from its 2021 CEIP. According to Public
6 Counsel’s cost analysis²², the DER preferred portfolio selection process included in the
7 2021 CEIP results in the selection of more expensive DER programs. However, PSE
8 states that the DERs it plans to install may vary depending on what the Company learns
9 from the DER RFP.²³ PSE also stated, “Although this exercise was done to go beyond the
10 generic assumptions from the 2021 IRP and get more granular and specific about the
11 DER programs PSE could pursue, the Targeted DER RFP will serve as the vehicle by
12 which programs and concepts are selected and ultimately acquired.”²⁴ PSE should
13 therefore remove the existing DER portfolio selection process from the 2021 CEIP.
14 Additionally, PSE should clarify that the DER portfolio of specific programs and specific
15 actions will be determined by a new DER portfolio selection process in the 2023 Biennial
16 Update after finalizing its assessment of the DER RFP proposals and consulting with
17 stakeholders. By selecting and implementing DERs with new information from its most

²¹ See public comments on “Scoring and weighting” and “Distributed energy resources” in PSE Final CEIP, App. C2 (Resp. to comments on the draft CEIP).

²² See Dahl & Tam, Exh. CDAT-4, App. B (Public Counsel’s Comments filed in March, with Appendix B).

²³ PSE Final CEIP at 41.

²⁴ PSE Final CEIP at 92. (“Although this exercise was done to go beyond the generic assumptions from the 2021 IRP and get more granular and specific about the DER programs PSE could pursue, the Targeted DER RFP will serve as the vehicle by which programs and concepts are selected and ultimately acquired.”)

1 recent DER RFP, with consultation from stakeholders, and coordination with its
2 Distribution System Planning, we believe PSE can make smarter DER decisions that will
3 improve the distribution of customer benefits and reduce customer burdens. Thus, Public
4 Counsel recommends the following conditions:

- 5 • Within three months of a Commission Order, PSE must remove the DER
6 preferred portfolio selection process and results from its 2021 CEIP. PSE may
7 illustrate various program dimensions that will be considered through the various
8 DER suites, but PSE must clarify that the DER portfolio of programs and specific
9 actions will be determined after finalizing its assessment of the DER RFP
10 proposals and consulting with stakeholders by the 2023 Biennial Update. This
11 DER RFP assessment summary and new DER portfolio selection process will be
12 described in the 2023 Biennial CEIP Update.
- 13 • PSE must present its assessment of the DER RFP proposals and consult with
14 relevant advisory groups (including but not limited to the Equity Advisory Group
15 (EAG), Low Income Advisory Committee (LIAC), and Conservation Resource
16 Advisory Group (CRAG)) on the full suite of DER programs, the selection of
17 DER proposals, and the implementation process no later than three months after a
18 Commission Order. PSE must provide a detailed explanation in instances where
19 PSE's selections diverge from stakeholder suggestions.
- 20 • PSE must develop and propose DER solar, DER storage, DR, and EE offerings
21 for named communities and consult with the EAG and interested stakeholders.
22 PSE must incorporate feedback from the EAG and stakeholders and provide a
23 detailed explanation in instances where PSE's named community DER solar,
24 DER storage, DR, and EE proposals diverge from stakeholder suggestions. PSE
25 must also consult with the EAG and interested stakeholders on DER program
26 planning and implementation. PSE must start this work no later than three months
27 after a Commission Order, and PSE must complete this work by the 2023
28 Biennial CEIP Update.
- 29 • PSE must include more details about program design in the description of the
30 Residential Rooftop Solar Leasing program in its 2021 CEIP.
- 31 • PSE must conduct a Distribution System Planning process in coordination with its
32 CEIP process, as part of an integrated system planning approach for distribution
33 system investments. A goal of the Distribution System Plan is identifying ways
34 that connected customer-side resources can provide system value for all
35 customers and achieve an equitable distribution of benefits and burdens to

1 vulnerable populations and highly impacted communities. PSE must solicit
2 stakeholder input to help identify options and priorities for community-based
3 resources and provide equitable treatment of measures that can enhance
4 distribution carrying capacity, including those not owned or controlled by PSE.

B. Demand Response (Dahl)

5 **Q. Does Public Counsel have any concerns regarding PSE’s DR programs as included**
6 **in the PSE Final CEIP?**

7 A. Yes. As indicated in Public Counsel’s March Comments, we have concerns with the
8 apparent lack of (1) differentiation between DR and DER related to the inclusion of DR
9 in the targeted DER RFP, (2) explanation for the selection of five DR programs to
10 achieve the Company’s proposed 25 MW sub-target, and (3) large commercial and
11 industrial DR programs, such as interruptible programs.²⁵ Additionally, as a general note
12 for specific actions included in the PSE Final CEIP, Public Counsel was concerned that
13 PSE’s plan lacked narrative description or evidence related to compliance with the
14 requirements in RCW 19.405.060, including the provision of equitable benefits and
15 reducing burdens.²⁶

16 Since filing the March Comments, Public Counsel has identified that the Revenue
17 Requirement Settlement in the ongoing General Rate Case (GRC) (Consolidated Dockets
18 UE- 220066, UG-220067, and UG-210918) establishes a baseline DR target of 40 MW.²⁷
19 PSE agrees to this target, though the Commission is still deliberating the outcome of the

²⁵ Dahl & Tam, Exh. CDAT-4 (Public Counsel’s Comments filed in March, with Appendix B).

²⁶ *Id.* at 20.

²⁷ Settlement Stip. and Agree. on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE’s Green Direct Program at 29, *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-220066, UG-220067, and UG-210918 (*consol.*) (filed Aug. 26, 2022) (hereinafter “PSE GRC Revenue Requirement Settlement”).

1 GRC. Public Counsel believes that the DR target should be consistent between the CEIP
2 and GRC.

3 **Q. Does Public Counsel recommend any conditions to the PSE Final CEIP related to**
4 **DR?**

5 A. Yes, Public Counsel recommends several conditions for PSE's approach to DRs. First,
6 PSE must provide consistency between targets emerging from the ongoing GRC
7 (Consolidated Dockets UE- 220066, UG-220067, and UG-210918).²⁸ The recommended
8 condition is:

9 • If the PSE GRC Revenue Requirement Settlement is approved, PSE must refile
10 the 2021 CEIP to harmonize the DR targets with the settlement agreement.

11 Secondly, to remove confusion about the Company's distinction between DER and DR
12 and the inclusion of DR in the targeted DER RFP, Public Counsel recommends the
13 following condition:

14 • PSE must explain in the 2023 Biennial CEIP update how the Company defines
15 each term and distinguishes between DRs and DERs and why DR was included in
16 the Targeted DER RFP.

17 Public Counsel also recommends clarifying that the Company should explore the
18 feasibility of commercial and industrial programs, since they are absent from the PSE
19 Final CEIP. Public Counsel recommends the following condition:

20 • PSE must include a description of the cost-effectiveness of any commercial and
21 industrial DR programs in the 2023 Biennial CEIP update.

²⁸ *Id.*

1 Finally, the Company must clearly explain the distribution of benefits and reduction of
2 burdens to customers resulting from DR. Public Counsel recommends the following
3 condition:

- 4 • PSE must include a narrative in the 2023 Biennial CEIP update and 2025 CEIP
5 describing anticipated impacts on customer benefits and burdens from DR
6 programs.

C. Non-Wire Alternatives (Dahl)

7 **Q. Did Public Counsel express concerns with PSE’s treatment of non-wire alternatives**
8 **in the March Comments? If so, please explain.**

9 A. Yes. Public Counsel described three concerns related to non-wire alternatives. First, the
10 PSE Final CEIP was unclear about the distinction between DERs and non-wire
11 alternatives and the distinction between the preferred DER portfolio and non-wire
12 alternative programs. Public Counsel agrees that non-wire alternatives are a type of DER,
13 but PSE does not explain how or why the two are treated differently in its portfolio
14 selection processes.²⁹ Furthermore, Public Counsel understands that PSE might treat the
15 two resources distinctly to meet particular policy goals, but it is unclear why a similar
16 resource or program selection process is not used for both.³⁰

17 Second, Public Counsel noted that PSE expects to acquire 22 MW from non-wire
18 alternative projects during the planning period. PSE also explained that the programs

²⁹ Dahl & Tam, Exh. CDAT-4 at 25 (Public Counsel’s Comments filed in March, with Appendix B).

³⁰ *Id.*

1 described in the 2021 CEIP were planned prior to CETA’s enactment and would include
2 costs when the projects were further along, so Public Counsel recommended removing
3 those projects from the 2021 CEIP or the Company should explain why projects planned
4 prior to CETA should be included in the CEIP.³¹

5 PSE also includes the development of a new Non-Wire Alternatives Evaluation
6 Tool in the 2021 CEIP, but does not explain why this is necessary and the difference the
7 tool would provide from the current selection process.³² PSE also included significant
8 costs associated with the Evaluation Tool in the 2021 CEIP to be attributed to CETA
9 compliance.

10 **Q. Has PSE responded to Public Counsel’s concerns about non-wire alternatives?**

11 A. Partially. In testimony, PSE Witness Kara Durbin explained that aspects of its plan,
12 including non-wire alternatives, are not being “implemented directly because of CETA,”
13 but that those “programs will help PSE meet CETA compliance as a part of overall DER
14 efforts.”³³ PSE did not explain the difference between DER and non-wire alternatives,
15 and the necessity of the Non-Wire Alternatives Evaluation Tool in testimony.

16 **Q. What does Public Counsel recommend to address the concerns about non-wire
17 alternatives in the PSE Final CEIP?**

18 A. Public Counsel proposed three conditions what will address the concerns described
19 above. These conditions will make the selection process more clear and transparent in the

³¹ *Id.*

³² *Id.*

³³ Durbin, Exh. KKD-1T, at 32:10–13.

1 2023 Biennial Update and in future iterations of PSE’s CEIP. The first proposed
2 condition relates to distributional equity analysis, an issue my testimony will address in
3 detail below.

- 4 • By the 2023 Biennial CEIP Update, PSE must incorporate the distributional
5 equity analysis into its selection of non-wire alternatives that will be applied to
6 the 2025 CEIP and future proposed non-wire alternative projects. PSE will engage
7 the CRAG and EAG in the development of the non-wire alternatives selection
8 process. PSE anticipates this analysis will become more detailed and clear as the
9 CEIP equity work matures.
- 10 • In the 2023 Biennial CEIP Update, PSE must explain the selection process for
11 non-wire alternative projects developed prior to the CEIP and clarify how the
12 company views DERs compared to non-wire alternatives. PSE will also describe
13 the differences between the DER selection process and the non-wire alternative
14 selection process and why they follow different evaluations and selection
15 processes. PSE must also explain how it distinguishes between non-wire
16 alternative projects that are necessary to meet CETA requirements from non-wire
17 alternative projects that should be considered part of the company’s core business
18 operations (i.e., reliability).
- 19 • In the 2023 Biennial CEIP Update, PSE must explain why the Non-Wire
20 Alternatives Evaluation Tool is necessary for CETA compliance and included in
21 the CEIP as a specific action.

D. Time-Varying Rates (Dahl)

22 **Q. Did Public Counsel have concerns with the TVR Pilot as described in the PSE Final**
23 **CEIP?**

24 A. Yes. Public Counsel’s March Comments noted that the PSE Final CEIP did not make it
25 clear if the pilot included and specifically assessed the impacts of TVR on low-income

1 customers.³⁴ This clarification is important, particularly given customers' inability to
2 shift usage and CETA's equity mandates.

3 **Q. Have Public Counsel's TVR Pilot concerns been addressed?**

4 A. Yes, in part. In PSE's pending GRC, TVR Pilot terms were included in the Revenue
5 Requirement Settlement Agreement,³⁵ and PSE's testimony clarified that low-income
6 customers would be eligible for the TVR pilot program.³⁶ Though Public Counsel was
7 not a party to the GRC settlement, Public Counsel believes the TVR Pilot terms include
8 sufficient considerations for low-income customers and are in the public interest.³⁷ PSE's
9 GRC is still pending and the Commission has yet to issue a Final Order, so it is not
10 certain that this Settlement Agreement term will be adopted. Still, Public Counsel's initial
11 concerns are addressed.

12 In the context of the 2021 CEIP, however, it will be necessary for PSE to evaluate
13 the effects of TVR on highly impacted communities and vulnerable populations. Since
14 TVR, if fully implemented, would be considered a Specific Action for CETA
15 compliance, it is necessary for PSE to describe the benefits and burdens of the program
16 with relation to named communities.

³⁴ Dahl & Tam, Exh. CDAT-4, at 23 (Public Counsel's Comments filed in March, with Appendix B).

³⁵ PSE GRC Revenue Requirement Settlement, at 24–25.

³⁶ Direct Testimony of Ahmad Faruqi, Exh. AF-1T at 3:11–13, *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-220066, UG-220067, and UG-210918 (*consol.*) (Jan. 31, 2022).

³⁷ Response Testimony of Shay Bauman at 20:2, *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-220066, UG-220067, and UG-210918 (*consol.*) (Sept. 9, 2022).

1 **Q. Does Public Counsel have a recommendation to address remaining concerns about**
2 **PSE’s TVR Pilot?**

3 A. Knowing that TVR at a pilot or fully implemented level will be incorporated into future
4 CEIPs, it is necessary to understand how named communities will be impacted by opting
5 into a TVR program. Public Counsel recommends the following condition:

- 6 • PSE must include in its 2023 Biennial Update an explanation of the TVR pilot
7 program and how the program will be structured to gather data about the
8 program’s impacts on benefits and burdens for named communities.

E. Distributional Equity Analysis (Dahl)

9 **Q. Did Public Counsel’s March Comments express concern about the Company’s**
10 **analysis of the distribution of customer burdens and benefits?**

11 A. Yes. Public Counsel’s March Comments points out that CEIPs are supposed to
12 describe the distribution of benefits and burdens to named communities resulting from
13 the Specific Actions to meet targets.³⁸ Despite this requirement, the PSE Final CEIP does
14 not “include more granular information about the projected impacts of each action on the
15 distribution of customer benefits and burdens as required.”³⁹ Other stakeholders also
16 noted the lack of analysis of the distribution of benefits and burdens. Front and Centered
17 indicates that the PSE Final CEIP does not provide a “helpful level of analysis to ensure
18 that PSE’s proposed actions are truly achieving an equitable distribution of benefits and
19 reduction of burdens for named communities.”⁴⁰ In order to comply with statutory

³⁸ Dahl & Tam, Exh. CDAT-4, at 20 (Public Counsel’s Comments filed in March, with Appendix B).

³⁹ *Id.* at 21.

⁴⁰ Front and Centered Comments, at 4 (Filed Mar. 2, 2022).

1 requirements, PSE must complete more in-depth analysis of the benefits and burdens
2 resulting from its Specific Actions.

3 **Q. Has PSE addressed the lack of distributional equity analysis in the 2021 CEIP?**

4 A. Yes, at least in part. The Revenue Requirement Settlement Agreement in the pending
5 PSE GRC includes a provision to convene stakeholders to develop a distributional equity
6 analysis pilot program.⁴¹ As previously indicated, Public Counsel is not a party to the
7 Settlement Agreement. However, Public Counsel believes the development of a
8 distributional equity analysis pilot program is in the public interest.⁴²

9 **Q. Does Public Counsel recommend conditions to strengthen the Distributional Equity
10 Analysis pilot for the 2021 CEIP?**

11 A. PSE's GRC is still pending, so it is important to address Distributional Equity Analysis in
12 this proceeding. This is particularly important due to the statutory requirement for
13 utilities to describe the distribution of benefits and burdens in its CEIP. Public Counsel
14 recommends the following conditions for approval:

- 15 • PSE must conduct a distributional equity analysis of its service territory that will
16 describe the current benefits and burdens on customers by location and
17 population, and the projected impact of specific actions on the distribution of
18 customer benefits and burdens during the implementation period.
- 19 • PSE must consult regularly with the EAG on the development of the distributional
20 equity analysis. Upon completion of PSE's Pilot Distributional Equity Analysis,
21 PSE will present the findings in its 2023 Biennial CEIP Update when it is filed or
22 as a supplemental attachment if more time is needed to complete the analysis.

⁴¹ Bauman, Exh. SB-9T at 20:15–16, *Wash. Utils. & Transp. Comm'n. v. Puget Sound Energy*, Dockets UE-220066, UG-220067, and UG-210918 (*consol.*).

⁴² *Id.* at 21:10.

- 1 • PSE must incorporate the results of its distributional equity analysis into the 2025
2 CEIP. In instances where PSE diverges from or conflicts with findings in the
3 analysis, the Company will provide a detailed justification for doing so.
- 4 • In the 2025 CEIP, PSE must describe how specific program selection and
5 implementation actions will mitigate risks and reduce burdens to named
6 communities. PSE must incorporate qualitative data on the lived experience of
7 named communities in this distributional equity analysis.

F. Public Participation Process (Dahl)

8 **Q. Has Public Counsel commented on PSE’s public participation process for the 2021**
9 **CEIP?**

10 A. Yes. Public Counsel indicated general support for the public participation that has
11 occurred through the development of the 2021 CEIP in the March Comments.⁴³ This plan
12 and creating productive forums for public participations requires great effort. Public
13 Counsel reiterates support for the continued engagement with stakeholders, particularly
14 through the EAG.

15 Public Counsel’s March Comments expressed some concern with the number of
16 stakeholder comments and recommendations that were not incorporated into the PSE
17 Final CEIP.⁴⁴ This is particularly true in relation to the development of CBIs. Moving
18 forward, it will be critical for stakeholder feedback to be given proper consideration and
19 better communication in instances when stakeholder recommendations are rejected.

⁴³ Dahl & Tam, Exh. CDAT-4, at 35 (Public Counsel’s Comments filed in March, with Appendix B).

⁴⁴ *Id.* at 35–36.

1 **Q. Does Public Counsel recommend conditions to enhance public participation in**
2 **forthcoming CEIP development?**

3 A. Yes. Public Counsel recommends a condition that will provide greater opportunities for
4 meaningful participation and greater transparency into the reason for investments the PSE
5 makes as a result of CETA. Public Counsel recommends the following condition:

- 6 • PSE must develop a community outreach plan to ensure more meaningful public
7 participation, in consultation with the EAG and other stakeholders. PSE will
8 include this plan in the 2023 Biennial CEIP update. The outreach plan will
9 incorporate: (1) facilitating ongoing opportunities for direct interaction between
10 the company and communities; (2) allocating funding for staff positions trained
11 and dedicated to community outreach and facilitating collaborations; (3) choosing
12 arrangements for community interactions to maximize effective participation,
13 accounting for factors such as meeting times, locations, and translation needs; (4)
14 ensuring that affected individuals and communities have access to sufficient
15 information to enable meaningful participation in activities; (5) ensuring
16 sufficient time for meaningful interaction before decisions are made or unalterable
17 commitments are agreed to; and (6) ensuring transparency in decision-making.

V. CUSTOMER BENEFIT INDICATORS (TAM)

18 **Q. What statutory requirements are there around customer benefit indicators in utility**
19 **CEIPs?**

20 A. In accordance with WAC 480-100-610(4)(c), each CEIP must propose CBIs. A CBI is
21 defined as “an attribute, either quantitative or qualitative, of resources or related
22 distribution investments associated with customer benefits” under WAC 480-100-605.
23 WAC 480-100-610(4)(c) requires utilities to ensure that all customers benefit from the
24 transition to clean energy through the following:

- 25 (i) The equitable distribution of energy and non-energy benefits and
26 reductions of burdens to vulnerable populations and highly impacted
27 communities;

1 (ii) Long-term and short-term public health and environmental benefits and
2 reduction of costs and risks; and

3 (iii) Energy security and resiliency.

4 **Q. What issues are there with PSE’s 2021 CEIP in regard to CBIs?**

5 A. We believe that PSE is missing critical CBIs and metrics in its 2021 CEIP, and we also
6 believe that PSE is not properly applying its CBIs and metrics. These are issues that we
7 discussed in great detail in our March Comments.⁴⁵ CBI and metric reporting
8 improvements should be made to clarify CBIs and metrics for stakeholders to improve
9 transparency and accountability.

10 **Q. What critical CBIs and metrics are missing from PSE’s 2021 CEIP?**

11 A. CBIs must be developed consistent with the advisory group process and public
12 participation plan described in WAC 480-100-655, which requires regular engagement
13 with the EAG. Prior to PSE’s draft 2021 CEIP filing, Public Counsel partnered with
14 NWEC, The Energy Project, and Front & Centered (collectively, “Joint Advocates”) to
15 propose and file in each utility CEIP and Public Participation Plan Docket a
16 comprehensive list of proposed CBIs. This document was filed in this Docket on
17 November 5, 2021. In our initial Joint Comments filed July 20, 2021, on PSE’s draft
18 2021 CEIP and in our March Comments on PSE’s Final CEIP, Joint Advocates critiqued
19 some of the CBIs and associated metrics chosen by PSE. Public Counsel remains
20 concerned about the absence of CBIs measuring reduction of burdens to customers and

⁴⁵ Dahl & Tam, Exh. CDAT-4, at 2–20 (Public Counsel’s Comments filed in March, with Appendix B).

1 energy security. Additional metrics should be added under the CBI of “Improved
2 Participation in clean energy programs from highly impacted communities and vulnerable
3 populations”⁴⁶.

4 In PSE’s GRC Revenue Requirement Settlement, PSE agreed to track a number
5 of metrics associated with different categories of utility performance.⁴⁷ We believe that a
6 number of the metrics surrounding reduction of burdens, energy security, and clean
7 energy participation from named communities should be incorporated into the PSE Final
8 CEIP along with additional CBIs. Specifically, we believe the following CBIs should be
9 added to PSE’s 2021 CEIP:

- 10 • Under the CETA category of Reduction of Burden, PSE should track and report a
11 CBI for decrease in number of households with a high energy burden. The
12 associated metrics would include number and percent of households and average
13 excess energy burden per household. The metrics would separately track and
14 report for all PSE electric customers, known low-income (KLI) customers, and
15 named communities. KLI customers are those who have received energy
16 assistance during the prior two years.
- 17 • Under the CETA category of Energy Security, PSE should track and report a CBI
18 on the decrease of residential arrearages and disconnections for nonpayment. The
19 metrics include number and percentage of residential electric disconnections for
20 nonpayment by months and residential arrearages, measured by location and
21 demographic information. These metrics would be broken down by KLI, highly
22 impacted communities, vulnerable populations, and all customers in total.
- 23 • Under the CBI of “Improved participation in clean energy programs from highly
24 impacted communities and vulnerable populations,” PSE should track and report
25 a metric on the number of residential appliance and equipment rebates provided to
26 customers. This metric would track data separately for customers residing in
27 named communities and those residing in rental units.

⁴⁶ PSE Final CEIP, at 227 Tbl.7-5.

⁴⁷ PSE GRC Revenue Requirement Settlement, at 32–34.

1 Please see Exhibit CDAT-3 for additional details on the recommended metrics. The
2 addition of these CBIs and metrics should not be onerous since PSE has already agreed to
3 track the metrics as part of the PSE GRC Revenue Requirement Settlement, and we
4 believe that tying these CBIs and metrics to CEIP specific actions would provide useful
5 information on the Company's progress towards meeting CETA requirements at the
6 lowest reasonable cost as required in WAC 480-100-640(6)(f). The inclusion of these
7 CBIs and metrics would also assist the Company in assessing the current distribution of
8 benefits and burdens on customers as requires in WAC 480-100-640(6)(b).

9 **Q. What changes does Public Counsel recommend in regards to the application of CBIs**
10 **and metrics in PSE's 2021 CEIP?**

11 **A.** In PSE's 2021 CEIP, the Company uses all CBIs and metrics in the DER preferred
12 portfolio selection process. In Phase 1 of the preferred portfolio selection approach, PSE
13 filters out DER resources from consideration if they reach a threshold of greater than or
14 equal to average.⁴⁸ This creates two major problems. The first problem is that, by using
15 all of the CBIs and metrics, it creates an unfair bias towards expensive, customer-facing
16 programs. This issue is discussed in detail in Public Counsel's March Comments.⁴⁹ The
17 second problem is that not all of the CBIs and metrics are appropriate for resource
18 selection.

⁴⁸ PSE Final CEIP, App. D-1 at 7 (DER Suite Selection and Evaluation-12-17-21).

⁴⁹ See Dahl & Tam, Exh. CDAT-4, at 11-20 (Public Counsel's Comments filed in March, with Appendix B).

1 Public Counsel believes that there are multiple purposes that CBIs and their
2 corresponding metrics serve. This includes metrics used as outcome metrics used to
3 measure overall (sometimes indirect) progress toward the equitable distribution of
4 benefits, output metrics to measure the direct progress of program implementation, and
5 metrics used as criteria in selecting and siting energy resources. Outcome metrics refer to
6 the overall impact that a program is designed to deliver (e.g., regulated pollutant
7 emissions; occurrence of health factors like hospital admittance, work loss days; number
8 of outages, total hours of outages and total backup load served during outages using
9 SAIDI and SAIFI). Output metrics measure the progress of specific actions. These are the
10 tangible and intangible products that result from program activities (e.g., outreach
11 material available in non-English languages; peak demand through demand response
12 programs). Certain metrics can also be used as criteria in selecting and siting energy
13 resources (e.g., range of wages paid to workers, additional benefits offered in bid,
14 demographics of workers, number of local workers, number of part-time and full-time
15 jobs, number of jobs created for named communities). These criteria may be based on
16 specific input indicators (or inputs), activities, and output indicators (or outputs). Inputs
17 refer to criteria (e.g., personnel, finances, equipment) that are used in a project for
18 implementation. Activities refer to the actions associated with delivering project goals
19 (e.g., installing, collecting, and conducting community meetings).

20 Public Counsel believes that not all CBIs and metrics will be relevant or applicable to
21 resource selection. PSE should work with stakeholders to develop a transparent
22 methodology for applying CBIs. Public Counsel recommends the following conditions:

1 • PSE must acknowledge that not all CBIs and metrics will be relevant or
2 applicable to resource selection. PSE must develop, in conjunction with relevant
3 advisory groups (including but not limited to the CRAG, EAG, and LIAC) and
4 stakeholders, a transparent methodology for applying CBIs and metrics that are
5 appropriate for future resource planning and acquisition decisions in the 2023
6 CEIP Biennial Update and the 2023 IRP. This must include changes to its
7 weighting and scoring processes for future resource acquisition processes.

8 • PSE must address major concerns brought forward by stakeholders particularly
9 around the selection, prioritization, and application of CBIs and metrics. PSE
10 must formally present and discuss any Joint Advocate or other stakeholder
11 proposed CBIs and associated metrics that were not included in the Company’s
12 filed CEIP and the final Commission approved CEIP with conditions, to its
13 advisory groups, customers, and other interested stakeholders at a CEIP Public
14 Participation Meeting(s) and at a separate joint advisory group meeting(s), to
15 include but not limited to the CRAG, EAG, and LIAC within three months of a
16 Commission Order. PSE must invite representatives from the Joint Advocates to
17 present the Joint Advocate CBIs and describe the differences between the Joint
18 Advocate’s CBIs and the Company’s. Following these discussions and careful
19 consideration of the feedback received, PSE must propose an updated set of CBIs
20 and associated metrics in its 2023 Biennial Update. These would then be adopted
21 and applied to specific actions in the 2025 CEIP. If PSE deviates from stakeholder
22 and advisory group input on CBIs, the Company must provide a detailed
23 justification for doing so.

24 • Within 10 days of a Commission Order, PSE must file in the CEIP docket a
25 comprehensive report card of all CBIs and metrics that the Company currently
26 reports, CBIs and metrics that it has been directed to report by the Commission,
27 and CBIs and metrics that it must evaluate through a stakeholder process before
28 the 2023 Biennial Update.

29 **Q. What CBI and metrics reporting improvements does Public Counsel recommend?**

30 A. Public Counsel believes that to the greatest extent possible, the Commission and utilities
31 should seek to maintain consistency when it comes to data tracking and reporting. Public
32 Counsel finds that the CBIs described in the PSE Final CEIP align most closely with
33 “outcomes” in the Alternative Ratemaking Docket which describe the outcomes that
34 utilities hope to achieve in the clean energy transition. PSE’s 2021 CEIP CBIs already

1 closely match the format of these outcomes because they list an overall outcome with a
2 high-level directionality or goal in mind. The only CBI in PSE’s 2021 CEIP that does not
3 seem to properly describe high-level outcomes is the “Increase in culturally-and
4 linguistically-accessible program communications for named communities.”⁵⁰ This CBI
5 seems to describe the output of translation services and not necessarily a high-level
6 outcome. A more appropriate high-level outcome would be something like, “Improved
7 participation of Limited English Proficiency and named communities in clean energy
8 program design and implementation.”

9 The metrics in the 2021 CEIP closely match the metrics in the Alternative
10 Ratemaking Docket. In the Alternative Ratemaking Docket, the metrics do not have a
11 directionality attached to each one. Public Counsel believes that metrics used in the 2021
12 CEIP should similarly not indicate any directionality or desired target.⁵¹ This would
13 ensure that there is a consistent understanding of and use of metrics across PSE’s
14 activities and programs. Public Counsel recommends the following condition to create
15 consistency:

- 16 • In the 2021 PSE CEIP, PSE must remove directionality language from its metrics
17 and distinctly separate the desired target or directionality for each metric (i.e.,
18 create a separate column in Table 7-5 of the 2021 PSE CEIP that indicates the
19 desired target or directionality for each metric). PSE must include in this table a
20 separate column of specific actions that are relevant to meeting each CBI goal and
21 metric target.

⁵⁰ PSE Final CEIP, at 227, Tbl.7-5.

⁵¹ PSE Final CEIP, at 227, Tbl.7-5.

VI. INCREMENTAL COST (TAM)

1 **Q. What statutes are relevant to incremental cost in the 2021 CEIP?**

2 A. RCW 19.405.060(3)(a) states,

3 An investor-owned utility must be considered to be in compliance with the
4 standards under RCW 19.405.040(1) and 19.405.050(1) if, over the four-
5 year compliance period, the average annual incremental cost of meeting the
6 standards or the interim targets established under subsection (1) of this
7 section equals a two percent increase of the investor-owned utility's
8 weather-adjusted sales revenue to customers for electric operations above
9 the previous year, as reported by the investor-owned utility in its most recent
10 commission basis report. All costs included in the determination of cost
11 impact must be directly attributable to actions necessary to comply with the
12 requirements of RCW 19.405.040 and 19.405.050.

13 WAC 480-100-660(4)(b)(4) states the following on projected incremental cost:

14 **Projected incremental cost.** The utility must file projected incremental
15 cost estimates in each CEIP using the methodology described in subsection
16 (1) of this section and using projected weather-adjusted sales revenue in the
17 calculation in subsection (2) of this section to estimate the average annual
18 threshold amount for the implementation period. The utility must support
19 the projections with workpapers, models, and associated calculations, and
20 must: ...

21
22 (b) Demonstrate that the investments and expenses identified in (a) of this
23 subsection are directly attributable to actions necessary to comply with, or
24 make progress towards, the requirements of RCW 19.405.040 and
25 19.405.050.

26 **Q. What does PSE include in its incremental cost calculation?**

27 A. PSE estimates that it will need to increase expenditures to the two-percent incremental
28 cost cap outlined in RCW 19.405.060(3)(a) to implement the targets established in the
29 PSE Final CEIP. PSE's incremental cost calculation includes estimates of costs for
30 Renewable Energy, DRs, and DERs that the Company intends to update once it chooses
31 specific resources and programs from the 2021 All-Source RFP and the 2022 Targeted

1 DER RFP. While it is possible for the RFP results may not significantly alter the cost
2 estimates, the current estimate is too uncertain to rely upon at this time. The Company
3 also includes \$46 million in DER enablement costs⁵², \$117 million in grid modernization
4 costs⁵³, and approximately \$31 million⁵⁴ in communication and education costs under its
5 incremental cost calculation without sufficiently demonstrating how these actions comply
6 with, or make progress toward, the requirements of CETA, as required by WAC 480-100-
7 660(4)(b). These issues are described in detail in Public Counsel’s March Comments on
8 the PSE Final CEIP.⁵⁵

9 **Q. What changes does Public Counsel recommend in regard to PSE’s incremental cost**
10 **calculation?**

11 A. As a general matter, Public Counsel believes additional guidance is needed regarding
12 incremental cost calculations for each of the utilities. It is critical that the incremental
13 cost accurately capture costs that otherwise would not have been incurred, if not for
14 CETA. Our concern is that specific actions that a utility would have taken regardless of
15 CETA implementation are attributed to CETA. This issue may become more critical as
16 utilities move closer to full compliance with the CETA mandates, and it becomes more
17 difficult to discern which actions may or may not have been taken in the absence of
18 CETA. While the resolution of this issue may not be critical for PSE’s first CEIP filing,
19 we recommend the Commission commence additional stakeholder discussions regarding

⁵² PSE Final CEIP, App. F (Worksheet F5 Detailed Costs by Program Area).

⁵³ *Id.*

⁵⁴ See PSE Final CEIP, App. E-2 (Worksheet 5 Comm and Education Costs).

⁵⁵ See Dahl & Tam, Exh. CDAT-4, at 29–30 (Public Counsel’s Comments filed in March, with Appendix B).

1 the incremental costs calculations and provide further guidance while we have the time to
2 do so. We recommend the following conditions:

- 3 • Public Counsel recommends that the Commission not make a determination at
4 this time regarding actual incremental cost of compliance or PSE's ability to rely
5 on the incremental cost of compliance in approving the CEIP.
- 6 • PSE must participate in any further discussions and/or workshops regarding
7 incremental cost calculations and incorporate any changes necessary to their
8 methodology.

9 In the interim until the Commission issues further guidance on incremental costs,
10 we recommend that PSE remove certain DER enablement and grid modernization costs
11 from its incremental cost calculations and remove corporate marketing and promotional
12 costs from its Communication and Education costs that are categorized under the PSE
13 Final CEIP incremental cost calculations.

14 **Q. What concerns does Public Counsel have about DER Enablement and Grid**
15 **Modernization Costs?**

16 A. PSE does not sufficiently demonstrate that the investments and expenses identified for
17 DER Enablement and Grid Modernization are directly attributable to CETA actions.

18 Thus, we recommend the following condition:

- 19 • PSE must recalculate the projected incremental cost of compliance with CETA as
20 a condition of approval of this CEIP, as detailed below:
 - 21 ○ PSE must not attribute DER enablement and grid modernization costs to
22 CETA in the revised calculation, but instead must also include them in the
23 alternative lowest reasonable cost and reasonably available portfolio (non-
24 CETA portfolio).
 - 25 ○ Specifically, PSE must remove at minimum the following costs from the
26 CETA portfolio: Hosting Capacity Analysis (\$6.19), Virtual Power Plant
27 (\$9.62m), Data Lake and Analytics Substation SCADA – Accelerated); and
28 Circuit Enablement-DER and Microgrid (\$57.5m attributed to CETA). The
29 removal of these costs from the projected incremental cost of compliance with

1 CETA in this docket should have no bearing on the prudence determination or
2 cost recovery for these investments.

3 **Q. What concerns does Public Counsel have about Communication and Education**
4 **costs?**

5 A. In our March Comments, we highlighted particular Communication and Education work
6 activities that concerned us that were listed in Appendix F such as “In-language
7 advertising,” “Advertising in English as primary language,” and “Promotional
8 partnerships (e.g., In-language partnership content with Seattle Sounders or Kraken, or
9 Univision).”⁵⁶ As a general matter, marketing and PR campaigns primarily intended for
10 corporate image should never be paid for by ratepayers, and the PSE Final CEIP does not
11 adequately explain how these activities are tied to specific actions that result in PSE
12 attaining its renewable energy targets, reducing energy burdens for customers, or
13 ensuring the equitable distribution of energy benefits for all customers. Therefore, these
14 costs should be entirely removed from the incremental cost calculation. Public Counsel
15 recommends the following condition:

- 16 • PSE must remove corporate marketing and promotional costs from its
17 Communications and Education costs that are categorized under the PSE CEIP
18 incremental cost calculation. At minimum, PSE must remove all actions and costs
19 associated with “In-language marketing partnerships” from this CEIP. PSE must
20 explain in the 2023 Biennial CEIP Update how it derived its Communications and
21 Education costs, what the Communications and Education actions specifically
22 entail, and demonstrate how these costs are directly attributable to specific actions
23 that are necessary to comply with or make progress towards CETA requirements.

⁵⁶ *Id.* (Worksheet F6 Detailed Costs by Program Area).

VII. COST RECOVERY (DAHL)

1 **Q. Does Public Counsel have concerns about Cost Recovery issues in the PSE Final**
2 **CEIP?**

3 A. Yes. In the 2021 CEIP PSE “seeks WUTC approval that our investment in DERs and
4 DER enabling costs is reasonable and prudent at the level proposed in this plan.”⁵⁷ The
5 Company reasoned that the high incremental cost of achieving the DER sub-target
6 requires a predetermination of the reasonableness of the expenditures. Public Counsel
7 believes that it is inappropriate for the Commission to issue a predetermination on the
8 prudence of such expenditures in the CEIP process and before investments have even
9 been made.

10 **Q. Has the Commission weighed in on expenditure approvals and prudence**
11 **determinations in the CEIP process?**

12 A. Yes. The Commission determined that “it would be hard to maintain that a decision on
13 the CEIP is necessary to PSE’s recovery of its costs” and that the “Final CEIP is one of
14 many pieces of evidence” used for prudence determinations.⁵⁸ The Commission has
15 already indicated that CEIPs are not the venue for pre-approval of cost recovery or
16 prudence determinations. Rather, that is the purpose of a GRC.

⁵⁷ PSE Final CEIP, at 28.

⁵⁸ *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-220066, UG-220067 and UG-210918 (consol.), Order 10/01, ¶ 24 (Apr. 18, 2022).

1 **Q. Has PSE responded to PCU’s concerns about cost recovery in the 2021 CEIP?**

2 A. Yes. In Direct Testimony, PSE Witness Durbin agreed that approval of the 2021 CEIP
3 does not provide guaranteed cost recovery.⁵⁹ Commission approval of the 2021 CEIP
4 would “establish the first prong of prudence” for investments included in the plan,
5 according to PSE.⁶⁰

6 **Q. What does Public Counsel recommend in regard to cost recovery for DER and DER**
7 **enablement investments?**

8 A. Public Counsel recommends that the Commission condition approval of the PSE Final
9 CEIP on removal of the language requesting pre-approval of investments. This is
10 consistent with Commission determination and PSE’s current position.

11 **Q. What conditions does Public Counsel recommend to address cost recovery issues in**
12 **the PSE Final CEIP?**

13 A. Public Counsel maintains concerns about pre-approval of cost recovery and prudence in
14 CEIPs. It is clear that CEIPs do not provide the sole basis for prudence determinations.
15 Thus, we recommend the following conditions to be applied to PSE’s 2021 CEIP:

- 16 • While inclusion in the CEIP could factor into a prudence determination, PSE
17 agrees not to rely solely on the 2021 CEIP to justify prudence of energy resource
18 acquisitions made on or after January 1, 2023. While the CEIP may include
19 specific actions PSE may take to comply with CETA’s clean energy targets,
20 prudence determinations of energy resource acquisitions will be made through the
21 general rate case process.
- 22 • PSE must remove their request for approval and prudence determination for DER
23 and DER-related investments at this time on page 28 of their 2021 CEIP.

⁵⁹ Durbin, Exh. KKD-1T, at 38:15–20.

⁶⁰ *Id.* at 39:1–2.

- 1 • PSE must provide clear, transparent costs for all of their preferred generation
2 resources.

VIII. CONCLUSION AND RECOMMENDATIONS (DAHL AND TAM)

3 **Q. What are Public Counsel’s recommendations for PSE’s 2021 CEIP?**

4 A. Public Counsel’s response panel testimony details a variety of specific conditions to the
5 PSE Final CEIP addressing interim and specific targets, improvements to specific
6 actions, improvements to CBIs, changes to the incremental cost calculation, and cost
7 recover. Exhibit CDAT-3 lists the comprehensive set of updated conditions Public
8 Counsel believes will bring PSE’s 2021 CEIP into compliance with CETA’s statutes and
9 rules. This exhibit replaces the previous list of conditions in Appendix A that were
10 attached to Public Counsel’s March comments. Public Counsel also requests the
11 Commission offer guidance on issues related to incremental cost inputs, incremental cost
12 application, distributional equity analysis, the effect of ongoing rulemakings and policy
13 dockets, and a CBI framework.

14 **Q. What is Public Counsel’s overall recommendation to the Commission regarding
15 PSE’s 2021 CEIP?**

16 A. The PSE Final CEIP, as filed, is not compliant with the CETA statute and associated
17 rules. In order to receive approval, the Commission should apply the conditions detailed
18 in Exhibit CDAT-3. If the recommended conditions are not applied, the Commission
19 should reject the PSE Final CEIP.

20 **Q. Does this conclude your panel testimony?**

21 A. Yes, it does.