

**BEFORE THE WASHINGTON  
UTILITIES & TRANSPORTATION COMMISSION**

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

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DOCKET UE-210795

**RESPONSE TESTIMONY OF COREY DAHL AND AARON TAM  
ON BEHALF OF THE WASHINGTON STATE OFFICE OF THE  
ATTORNEY GENERAL PUBLIC COUNSEL UNIT**

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**EXHIBIT CDAT-4**

Public Counsel's CEIP Comments filed March 2, 2022, with Appendix B (excluding  
Appendix A)

October 10, 2022



March 2, 2022

**SENT VIA WUTC WEB PORTAL**

Amanda Maxwell  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

Re: *Puget Sound Energy's 2021 Clean Energy Implementation Plan (CEIP) pursuant to WAC 480-100-640, Docket UE-210795, Comments of Public Counsel*

Dear Director Maxwell:

The Public Counsel Unit of the Washington State Attorney General's Office ("Public Counsel") submits these comments in response to Puget Sound Energy's ("PSE's" or "Company") Final Clean Energy Implementation Plan (CEIP) filed on December 17, 2021. The Company filed a corrected CEIP on February 1, 2022. The CEIP provides an overview of PSE's plan for progressing towards the 2030 and 2045 clean energy requirements of WAC 480-100-610 (2) and (3), and the Clean Energy Transformation Act (CETA).

According to WAC 480-100-655(1)(a), the utility must involve all advisory groups, including the equity advisory group (EAG), in developing its CEIP and its biennial CEIP update. Public Counsel representatives serve on PSE's Integrated Resource Planning (IRP), Energy Efficiency, and Energy Assistance advisory groups. Additionally, we attend PSE's EAG. As such, Public Counsel has participated in the external advisory process leading to this filing. We provided informal and formal feedback to the Company and the Washington Utilities and Transportation Commission ("UTC" or "Commission") regarding PSE's Draft CEIP, and respectfully submit this feedback regarding the Final version.

Public Counsel's comments detail extensive concerns with PSE's handling of customer benefits, specific actions, incremental costs, cost recovery, and public participation. This process has required a tremendous amount of work and collaboration for the Company and stakeholders, and Public Counsel recognizes that many open questions remain about what is necessary for a CEIP to receive Commission approval, especially because this is the first time utilities are filing this

type of plan. Nevertheless, these are critical issues that must be addressed prior to Commission approval.

Public Counsel recommends that the Commission place conditions upon PSE's CEIP, as detailed in our comments and in Appendix A. Without including these critical conditions, PSE's CEIP fails to meet multiple statutory requirements required by CETA. PSE's CEIP fails to justify how its specific actions and preferred Distributed Energy Resource ("DER") choices provides customers benefits for all customers and reduces burdens for highly impacted and vulnerable populations at the lowest reasonable cost. PSE also fails to sufficiently demonstrate that all of the projected incremental costs for Enablement of DER and Grid Modernization and Customer Education and Communication are directly attributable to CETA. Without these conditions, we recommend that the Commission reject PSE's CEIP. This would require that the Company revisit their plan and take into account the comments of Public Counsel and the numerous other stakeholders participating in this Docket.

Public Counsel's recommended conditions for approval are enumerated in Appendix A and explained in the narrative of our comments. We recognize that additional discussions with the Company, Staff, and other stakeholders may be necessary to refine the conditions for approval, and Public Counsel encourages these productive discussions.

## **I. CUSTOMER BENEFITS**

In accordance with WAC 480-100-610(4)(c), each CEIP must propose customer benefit indicators (CBIs). A CBI is defined as "an attribute, either quantitative or qualitative, of resources or related distribution investments associated with customer benefits" under WAC 480-100-605. Utilities must ensure that all customers are benefiting from the transition to clean energy through the following:

- The equitable distribution of energy and non-energy benefits and reductions of burdens to vulnerable populations and highly impacted communities;
- Long-term and short-term public health and environmental benefits and reduction of costs and risks; and
- Energy security and resiliency.

PSE also developed a list of measurable metrics for each CBI to measure progress towards achieving these benefits. CBIs must be developed consistent with the advisory group process and public participation plan described in WAC 480-100-655, which requires regular engagement with the EAG. Prior to PSE's draft CEIP filing, Public Counsel partnered with NW Energy Coalition, The Energy Project, and Front & Centered (collectively, "Joint Advocates") to propose and file in each utility CEIP and Public Participation Plan docket a comprehensive list of proposed CBIs. This document was filed in this Docket on November 5, 2021. In our initial comments on PSE's draft CEIP, Joint Advocates critiqued some of the CBIs and associated metrics chosen by PSE. While the Final CEIP addressed some of our concerns, major concerns remain.

Developing, applying, and evaluating CBIs are a critical aspect of Washington’s electric utilities to meet CETA’s requirements. Failing to correctly develop and apply CBIs will cause utilities to fail to ensure that “the benefits of [the clean energy] transition are shared broadly throughout the state”<sup>1</sup> and provide for “the equitable distribution of benefits”<sup>2</sup> in the public interest. Incorrectly applying CBIs will not allow PSE, the Commission, or stakeholders to measure and understand whether the utility is making progress toward equitably distributed benefits. Thus, utilities will not be in compliance with the spirit or letter of the statute. Additionally, incorrect application of the CBIs to a resource selection process could significantly skew the resulting portfolio toward inappropriate and costly resources that may not provide sufficient concrete benefits to customers.

We are particularly concerned with PSE’s failure to include critical CBIs addressing energy burden, bill assistance, and arrearages; the scoring of CBIs and application of CBIs; and the alignment of CBIs and metrics toward the DER portfolio selection process. Although CBIs are still in development, they play a critical role in informing which resources are selected, how these resources are deployed, and where they are deployed to comply with CETA.

#### **A. General Comments on the Use and Application of CBIs**

Under CETA, utilities must “[e]nsure that all customers are benefitting from the transition to clean energy” and must equitably distribute benefits and reduce burdens for vulnerable populations and highly impacted communities.<sup>3</sup> CBIs and associated metrics are an important way to measure whether or not a utility’s specific actions under CETA are providing benefits to all customers in an equitable manner. The CBIs should be used to analyze how specific programs benefit customers and track a utility’s progress towards providing the promised benefits and reductions in burdens when projects are in place. This would involve setting a baseline using CBIs and backward-looking analysis on the outcome of programs.

CBIs should also be applied to the design and implementation of the Company’s programs. CBIs should be applied to program implementation to evaluate and then mitigate or eliminate the inequities that have been historically perpetuated through the implementation process. It does not make intuitive sense to use an indicator such as “Increase in culturally and linguistically accessible program communications for named communities” where the number of translated materials is used as a factor in selecting a program that the Company has not yet implemented. Rather, it makes much more sense to apply this type of CBI—and others—to the actions the Company takes to measure its progress towards its obligation to provide benefits equitably as it implements a given project.

Furthermore, a single set of CBIs may not be appropriate for all potential applications of CBIs. CBIs necessary to track utility progress towards CETA objectives may not be applicable to

<sup>1</sup> RCW 19.405.010(1).

<sup>2</sup> RCW 19.405.010(6); RCW 19.405.040(8).

<sup>3</sup> RCW 19.405.040(8); WAC 480-100-610(4)(c).

program implementation. Similarly, CBIs that are more appropriate to inform program implementation may create unintended consequences for a resource selection process.

The Commission should provide additional clarity and guidance to PSE and the other utilities about how CBIs should be applied. CBI application limited only to resource selection can create outcomes that are confusing at best or skewed and gamed at worst, and can ultimately cause harm to customers by increasing energy burdens, or limiting customer benefits.

## B. Absence of Critical CBIs

Table 1 reflects the final 13 CBIs selected by PSE with feedback from its EAG, the associated statutory elements from WAC 480-100-610(4)(c), and the metrics chosen to evaluate progress towards each CBI, as outlined by PSE.<sup>4</sup>

**Table 1: PSE’s Updated CEIP CBIs**

Statutory Element	CBI	Metrics
<ul style="list-style-type: none"> <li>• Energy benefits</li> <li>• Non-energy benefits</li> <li>• Burden reduction</li> </ul>	1. Improved participation in clean energy programs from highly impacted communities and vulnerable populations	<ul style="list-style-type: none"> <li>• Increase number and percentage of participation in energy efficiency, demand response and distributed resource programs by PSE customers within highly impacted communities and vulnerable populations</li> <li>• Increase in number of distributed and community renewable projects</li> <li>• Increase percentage of electricity generated by distributed renewable energy projects</li> </ul>
Non-energy benefits	2. Increase in quality and quantity of clean energy jobs	<u>Increase quantity of jobs based on:</u> <ul style="list-style-type: none"> <li>• Number of jobs created by PSE programs for residents of highly impacted and vulnerable populations</li> <li>• Number of local workers in jobs for programs</li> <li>• Number of part-time and full-time jobs by project</li> </ul> <u>Increase quality of jobs based on:</u> <ul style="list-style-type: none"> <li>• Range of wages paid to workers</li> </ul>

<sup>4</sup> Puget Sound Energy’s Corrected Final Clean Energy Implementation Plan at 66 (Table 3–6) (filed Feb 1, 2022) [hereinafter “Final PSE CEIP”].

		<ul style="list-style-type: none"> <li>• Additional benefits offered</li> <li>• Demographics of workers</li> </ul>
Non-energy benefits	3. Improved home comfort	<u>Increase in the dollar per kilowatt-hour in benefits for highly impacted communities and vulnerable populations participating in energy efficiency programs.</u> Calculated using indoor air temp, indoor air quality, noise, lighting quality, and health and safety.
Burden reduction	<u>4. Increase in culturally- and linguistically-accessible program communications for named communities<sup>5</sup></u>	<u>Increase outreach material available in non-English languages</u>
Cost reduction Burden reduction	5. Improved affordability of clean energy	<ul style="list-style-type: none"> <li>• Reduce median electric bill as percentage of income for residential customers</li> <li>• Reduce median electric bill as a percentage of income for residential customers who are also energy-burdened</li> </ul>
Environment	6. Reduced greenhouse gas emissions	<ul style="list-style-type: none"> <li>• Reduce PSE-owned electric operations metric tons of annual CO2 emissions</li> <li>• Reduce PSE contracted electric supply metric tons of annual CO2 emissions</li> </ul>

<sup>5</sup> Final PSE CEIP at 185. In PSE's CEIP, named community refers to highly impacted communities and vulnerable populations collectively which are individually defined in WAC 480-100-605.

Environment Risk Reduction	7. Reduction of climate change impacts	<u>Increase avoided emissions times social cost of carbon</u>
Public Health	8. Improved outdoor air quality	Reduce regulated pollutant emissions (Sox, NOx, PM2.5)
Public Health	9. Improved community health	Reduce occurrence of health factors like hospital admittance, work loss days
Resilience	10. Decrease frequency and duration of outages	Decrease number of outages, total hours of outages and total backup load served during outages using SAIDI and SAIFI  <u>Reduction in peak demand through demand response programs</u>
Risk reduction Energy security	11. <u>Improved access to reliable clean energy</u>	Increase number of customers who have access to emergency power

The underlined text in the table above signifies CBIs and metrics that were added due to comments from advisory groups and the general public. These changes are generally positive, and Public Counsel appreciates the Company’s incorporation of some feedback in its Final CEIP. We especially appreciate the incorporation of indicators and metrics surrounding job quantity and quality, as well as decreased frequency and duration of outages. However, there were key customer benefits that PSE failed to address in their Final CEIP surrounding energy burden, bill assistance, and arrearages. Table 2 shows PSE’s CBIs included in the Final CEIP compared to the CBIs proposed by Public Counsel and the Joint Advocates.

**Table 2: Joint Advocates and PSE CBI comparison**

<b>Statutory Element</b>	<b>Joint Advocates’ CBIs*</b>	<b>PSE CBIs**</b>
Energy Benefits	<ul style="list-style-type: none"> <li>Improved efficiency of housing stock in utility service territory, including low-income housing</li> <li>Access to increasing number of renewable or non-emitting distributed generation resources for low-income and vulnerable communities</li> </ul>	<ul style="list-style-type: none"> <li>Improved participation in clean energy programs from highly impacted communities and vulnerable populations</li> </ul>

Non-Energy Benefits	<ul style="list-style-type: none"> <li>• Community Employment Opportunities</li> <li>• Health and Community Well-being (school and work absences, home comfort, increase in number of customers with access to electricity as transportation fuel)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved participation in clean energy programs from highly impacted communities and vulnerable populations</li> <li>• Increase in quality and quantity of clean energy jobs</li> <li>• Improved home comfort</li> </ul>
Reduction of Burdens	<ul style="list-style-type: none"> <li>• Reduction in number of customers suffering from high energy burden (broken down by customers in highly impacted communities, customers in vulnerable populations, participants in bill assistance programs, known low-income customers, and other residential customers with high energy burden)</li> <li>• Reduced barriers for program participation (increased participation, translation services, EV charging cost equity)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved participation in clean energy programs from highly impacted communities and vulnerable populations</li> <li>• Improved affordability of clean energy</li> <li>• Increase in culturally- and linguistically-accessible program communications for named communities</li> </ul>
Public Health	<ul style="list-style-type: none"> <li>• Improved Health Outcomes (hospital admissions, decreased wood burning, indoor and outdoor air quality, reduced health care costs)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved outdoor air quality</li> <li>• Improved community health</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Reduction of Greenhouse Gas Emissions (increased electrification)</li> <li>• Reduced Pollution Burden and Pollution Exposure (metrics detailed)</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of climate change impacts</li> </ul>
Reduction in Cost	<ul style="list-style-type: none"> <li>• Expand Bill Assistance Programs (participation rates, penetration rates, program budgets)</li> <li>• Reductions in Number and Amount of Arrearages (90+ days, zip code analysis)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved affordability of clean energy</li> </ul>



Reduction in Risk	<ul style="list-style-type: none"> <li>• Fewer customers with low utility credit code scores &amp; fewer customers sent to collections</li> <li>• Increased Neighborhood Safety (frequency and duration of outages, increased local disaster response capacity)</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of climate change impacts</li> <li>• Improved access to reliable clean energy</li> </ul>
Energy Security	<ul style="list-style-type: none"> <li>• Reduced Residential Disconnections (demographic analysis by zip code, arrearage management plan and percentage of income payment plan participation)</li> <li>• Improved Access to Reliable Clean Energy (local storage/back up, increased local DG, improved distribution system planning)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved access to reliable clean energy</li> </ul>
Resilience	<ul style="list-style-type: none"> <li>• Reduction in Outage Frequency (SAIFI) and Duration (SAIDI) in Target Communities</li> <li>• Reduction in Energy and Capacity Need (demand response participation, increased EE savings, water savings)</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease frequency and duration of outages</li> </ul>

\* This Table provides a summary. The Joint Advocates’ comments filed November 5, 2021, provide further detail regarding specific components of proposed CBIs.

\*\* The associated statutory elements pertaining to each PSE CBI was outlined by PSE in the Final CEIP, Table 3–6.

Public Counsel is particularly concerned about the lack of CBIs covering reasonable costs to customers and reduction of burdens to vulnerable populations and highly impacted communities. The Company can ameliorate these concerns with CBIs addressing bill assistance, customer arrearages, and energy burden. These CBIs are critical to ensure everyone benefits from the transition to a clean energy economy. The intent of CETA is to provide clean electricity while providing “safeguards to ensure that the achievement of this policy does not impair the reliability of the electricity system or impose unreasonable costs on utility customers.”<sup>6</sup> Utilities are required to ensure that all customers benefit from the transition to clean energy through “the equitable distribution of energy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks; and energy security and resiliency.”<sup>7</sup> While PSE includes CBIs such as “improved affordability of clean energy” that follow these goals, the Company ignored the more specific indicators involving energy burden, bill

<sup>6</sup> RCW 19.405.010(2).

<sup>7</sup> RCW 19.405.040(8).

assistance, and arrearages proposed by the Joint Advocates that would directly indicate whether PSE's actions reduce costs and burdens for vulnerable populations and highly impacted communities.

### **1. Bill Assistance**

The EAG, Joint Advocates, Washington Utilities and Transportation Commission Staff ("Staff"), and other comments discussed the need to track the impact of bill assistance toward reducing energy burden. PSE responded that bill assistance and arrearage metrics "are important metrics that are measured outside of the CEIP in other [WUTC] proceedings."<sup>8</sup> It is important to track bill assistance metrics in the CEIP because costs are likely to rise in compliance with CETA in the near-term. Under CETA, electric utilities must reduce costs and energy burdens for vulnerable populations and highly impacted communities.<sup>9</sup> It is difficult to assess whether PSE's actions reduce the costs and burdens of the clean energy transition without accounting for the availability and impact of bill assistance programs over time. This information is necessary for the Commission and stakeholders to determine if the utility is meeting its statutory obligations.

### **2. Arrearages**

PSE's proposed CBIs similarly do not address customer arrearages. The Joint Advocates proposed including reductions in the number and amount of customer arrearages over 90 days, with breakout tracking for customers by census tract, rentals, highly impacted communities, vulnerable populations, known low-income status, and BIPOC communities. This information is important to measure affordability for the same reasons as discussed in the bill assistance comments, above. Arrearages should be monitored to see if rate increases from CETA increase the number of arrearages and, if so, to what extent.

### **3. Energy Burden Metrics**

The Joint Advocates and The Energy Project provided detailed metrics surrounding energy burden. This is important to assess in the implementation of specific actions to comply with CETA especially given that certain actions may increase energy burden for vulnerable and highly impacted communities. As The Energy Project states: "Programs that require additional costs and fees to be paid by customers in vulnerable populations and highly impacted communities... would increase energy burden. This is explicitly contradictory to the goals of CETA and highly problematic for inclusion in a CEIP."<sup>10</sup> We appreciate that the Company responded to concerns by including median energy burden as a metric, but there are more metrics such as the number of customers in highly impacted communities, number of customers in vulnerable populations, participants in bill assistance programs, known-low-income customers, and other residential customers with high energy burden that would be helpful to track over time. These metrics will be important to track because the expansion of DERs, particularly as it relates

<sup>8</sup> Final PSE CEIP, App'x C-2 at 55 (Appendix C-2 is not consecutively paginated, so to avoid confusion we referenced the document page number instead of the labeled page number).

<sup>9</sup> RCW 19.405.040(8).

<sup>10</sup> Final PSE CEIP, App'x C-2 at 57.

to the specific programs PSE pursues, could increase or decrease the energy burden of customers, and the utilities are required to reduce the costs and burdens of the transition to clean energy on vulnerable and highly impacted communities.

These metrics are also critical to the selection, siting, and implementation of DER programs to ensure that locationally specific DER programs are able to reduce the energy burden of the community in which they are sited. For instance, community solar programs have the potential to directly reduce the energy burden for a large number of program participants. However, residential solar leasing programs may reduce individual customer bills, but increase the energy burden on other vulnerable customers required to pay program fees and expenses while potentially producing minimal community-wide benefit. Another example is the battery leasing program, which may reduce the occurrence or duration of outages for individual participants. Despite potential individual-level benefits, battery leasing has potential to increase the energy burden on program participants and customers as a whole for unclear or costly community-level and system-level benefits. The Company should consider how the design and targeting of DER programs will affect not only the median energy burden but also the number of energy burdened customers. Furthermore, the Company should measure energy burden impacts based on the location of highly impacted and vulnerable communities in relation to targeted DER projects. CBIs are used to score and weight resource selection proposed by PSE, and, without scoring criteria that prioritizes actual reductions to costs and bills, the resulting resource portfolio could potentially increase costs for all customers and disproportionately impact vulnerable populations and highly impacted communities. This effect would put PSE in violation of CETA.

The Company should remain accountable to the stakeholders that participated in drafting the CBIs, including its EAG. While Public Counsel does not recommend removing any of PSE's proposed CBIs developed in concert with the EAG, we highlight areas where PSE's list of CBIs falls short in addressing energy burden reduction. CBIs are important to track the impacts of PSE's clean energy transition on customer energy costs and burdens on a granular level. They are not merely intended to be used as broader criteria in a resource selection process. Public Counsel also provides the following conditions for approval, below, to ensure PSE's success in capturing customer benefits in the future.

#### **4. Conditions for Approval Regarding CBIs Used in the CEIP**

PSE must modify their CEIP to include the following:

- Bill Assistance CBI and metrics addressing the availability, enrollment in, and impact of bill assistance programs, particularly on highly impacted and vulnerable communities;
- Arrearage CBI and metrics addressing the number of customer arrearages of 90 or more days, particularly among highly impacted and vulnerable communities; and
- Energy Burden metrics addressing specific energy burden impacts of specific actions and programs, particularly among highly impacted and vulnerable communities as well as more detailed energy burden metrics such as number of customers in highly impacted communities, number of customers in vulnerable populations, participants in bill assistance

programs, known-low-income customers, and other residential customers with high energy burden

### **C. Scoring and Application of CBIs**

A large portion of the CEIP goes into great detail regarding the preferred portfolio selection process for DERs. While we commend PSE for taking a holistic and thoughtful approach toward customer benefit considerations in its selection process, we believe that the scoring and application of CBIs in the CEIP is neither robust nor transparent. According to our analysis, the programs selected in the preferred DER portfolio have the highest capacity costs and below average societal cost ratios while maximizing CBI scores. We find issues with the scoring and application of CBIs in the preferred DER portfolio selection process. We are also not convinced that PSE's DER selection process provides customer benefits at the lowest reasonable cost as required by CETA.<sup>11</sup>

To evaluate a wide variety of DER options, PSE followed guidance from the National Standard Practice Manual (NSPM) for Benefit-cost Analysis of DERs.<sup>12</sup> The NSPM recommends a primary cost test and a secondary cost test where applicable. PSE chose to use a Societal Cost Test ("SCT"), which includes electric utility systems, host customers, and societal impacts.<sup>13</sup> PSE states that it uses the Participant Cost Test ("PCT") in some cases,<sup>14</sup> but it is unclear how the PCT is applied in DER selection. To develop their preferred DER portfolio, PSE used the following methodology to select a mix of programs that meet the MW targets for distributed solar and battery storage:

- I. Rank all 25 concepts from lowest to highest, based on capacity cost (\$/Watt) as calculated by AURORA.
- II. Filter by total CBI score using a threshold greater than or equal to the average, rounded down, CBI score. In the case of the CEIP, the average score is 15. Any of the concepts with a CBI score at or below 15 are removed from consideration.
- III. Rank remaining concepts by SCT, from highest to lowest.
- IV. Select concepts ranked by high CBI score, high SCT score, and lowest cost.
- V. Ensure offerings are available for all customer classes, include a mix of utility-and-customer-sited/owned DER concepts.<sup>15</sup>

<sup>11</sup> WAC 480-100-610(5).

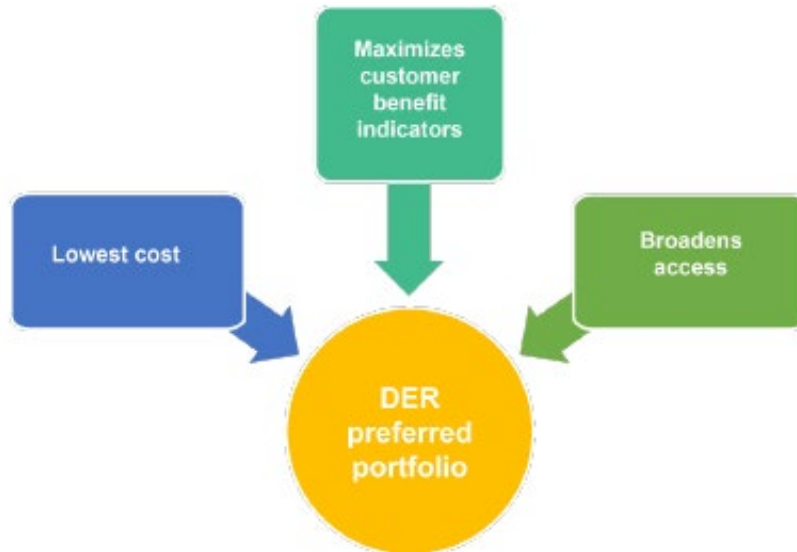
<sup>12</sup> Final PSE CEIP at 36.

<sup>13</sup> Final PSE CEIP at 36.

<sup>14</sup> Final PSE CEIP at 36.

<sup>15</sup> Final PSE CEIP at 39.

**Figure 1: CEIP DER Preferred Portfolio Selection Process**



### **1. Lowest Reasonable Cost**

Although this goal is not explicitly stated, PSE’s methodology appears to prioritize program concepts that result in the highest CBI scores produced by their methodology. This approach biases the process against the selection of lowest reasonable cost DER programs, which violates the statutory requirement to achieve clean energy targets and customer benefits at the lowest reasonable cost.<sup>16</sup> Nothing in CETA or UTC rules requires CBIs to be *maximized* at the expense of lower cost resource options. While the statute requires the equitable distribution of customer benefits as well as reduction of burdens to vulnerable and highly impacted communities, WAC 480-100-610(5) makes it clear that “[e]ach utility must demonstrate that it has made progress towards and has met the standards in [WAC 480-100-610] at the lowest reasonable cost.” PSE’s approach, however, maximizes a limited set of customer benefits while discounting the weight of program costs in the scoring process and largely ignoring the overall costs and energy burdens faced by its customers due to CETA. Furthermore, PSE’s approach is devoid of important CBI metrics that would prioritize the reduction in bills, arrearages, and overall energy burden (see discussion on CBI metrics, above).

The selection criteria of Lowest Cost is deprioritized in PSE’s preferred DER portfolio approach because resource options that fail to meet an arbitrary CBI score of 15 are removed from consideration, regardless of how cost-effective the program may otherwise be. The Company’s approach becomes more problematic considering CBI scores are inherently subjective, vague, and opaque. Numerous stakeholders expressed confusion and asked for clarity on the CBI scores. Furthermore, CBI scores are not applicable to all DERs, as discussed below.

<sup>16</sup> RCW 19.405.040(6)(i); WAC 480-100-610(5).

The proportionality of cost is not considered as well. With this methodology, a DER that has half the capacity cost as a comparable alternative will be arbitrarily dropped from the preferred portfolio if it falls one point below the average CBI score of 15. In comparison, the 2022 DER Request for Proposal (“RFP”) currently utilizes a very different approach that balances the proportionality of cost and CBIs using a mathematical approach. 60 percent of the total proposal score is derived from the quantitative cost analysis and 10 percent of the total score for Category A applications is derived from the “CETA Equity Plan: Customer Benefits from Transition to Clean Energy.”<sup>17</sup> The CETA Equity Plan reflects CBIs used in the CEIP. The DER selection cost-benefit analysis in the CEIP is very different from the one used in the RFP process, which prioritizes cost-effectiveness and deprioritizes CBIs in comparison. The large differences in selection methodologies misalign preferred DER programs under the CEIP and the targeted DER RFP. We are concerned that the results of the CEIP preferred portfolio will prevent PSE from pursuing more cost-effective DER options especially if it requires them to directly construct these programs.

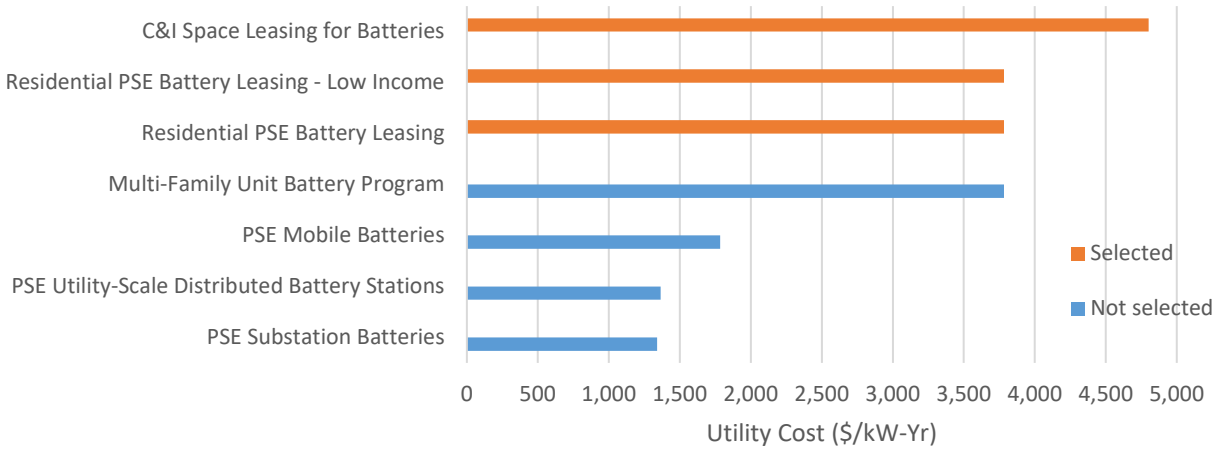
Interestingly, PSE chooses to select a demand response (DR) resource portfolio in a different manner despite being a type of DER undergoing a similar, active RFP process.<sup>18</sup> It is unclear why PSE moves forward with a DER preferred portfolio in this CEIP despite the active RFP, while not doing the same with DR resources. Complicating the matter further, PSE requests that the Commission approve their DER plan and make a prudence determination to move forward with significant projects. Our comments discuss this issue further, below.

According to our analysis, PSE’s preferred portfolio is comprised of the most expensive DER programs both in terms of capital expenses and capacity cost. We include the results of the analysis for battery storage resources in Figure 2 through 6, below. The remainder of our analysis is included in Appendix B. The preferred battery storage programs also have a lower than average SCT ratio (see Figure 5). The Company seems to have only optimized the preferred DER portfolio toward maximizing CBI scores (see Figure 6, below). The figures below show the results of our analysis for the preferred or “selected” battery storage programs compared to the program options that were not selected. The results do not support the conclusion that PSE is pursuing lowest reasonable cost DER programs as required by statute.

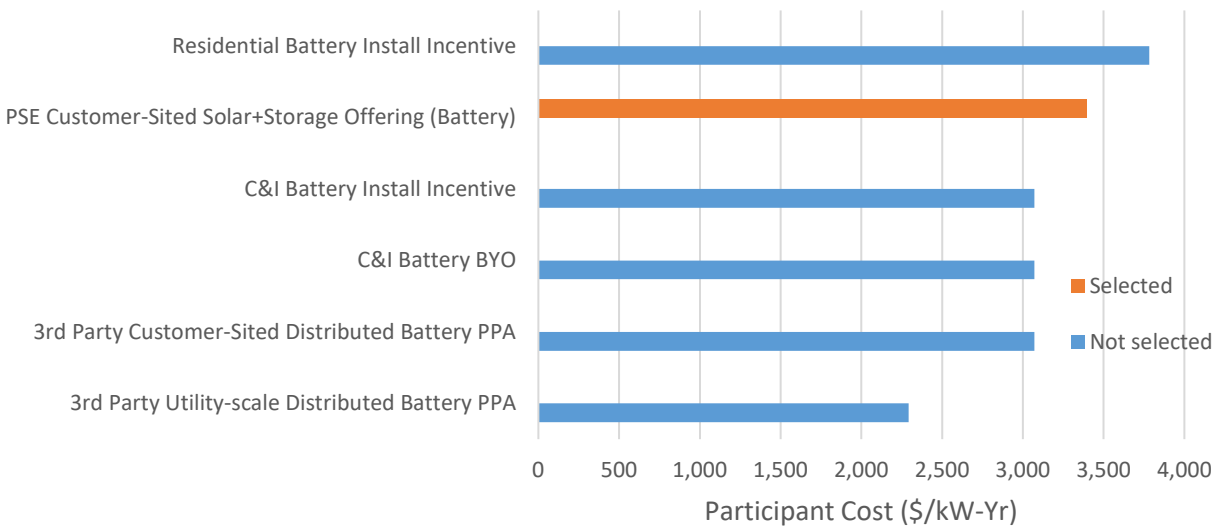
<sup>17</sup> Request for Proposals, Exh. A at A-2 and A-10, *Puget Sound Energy’s Draft 2022 Distributed Energy Resources Request for Proposals*, Docket UE-210878 (filed Nov. 15, 2021) [hereinafter “PSE 2022 Targeted DER RFP”]. Forty percent of the total score is comprised of the qualitative score. Twenty-five percent of the qualitative score comes from the CETA Equity Plan. This makes CBIs comprise 10 percent of the total score (40% x 25% = 10%).

<sup>18</sup> Final PSE CEIP at 108.

**Figure 2: Utility Cost Capital Expenses for Battery Storage Programs**

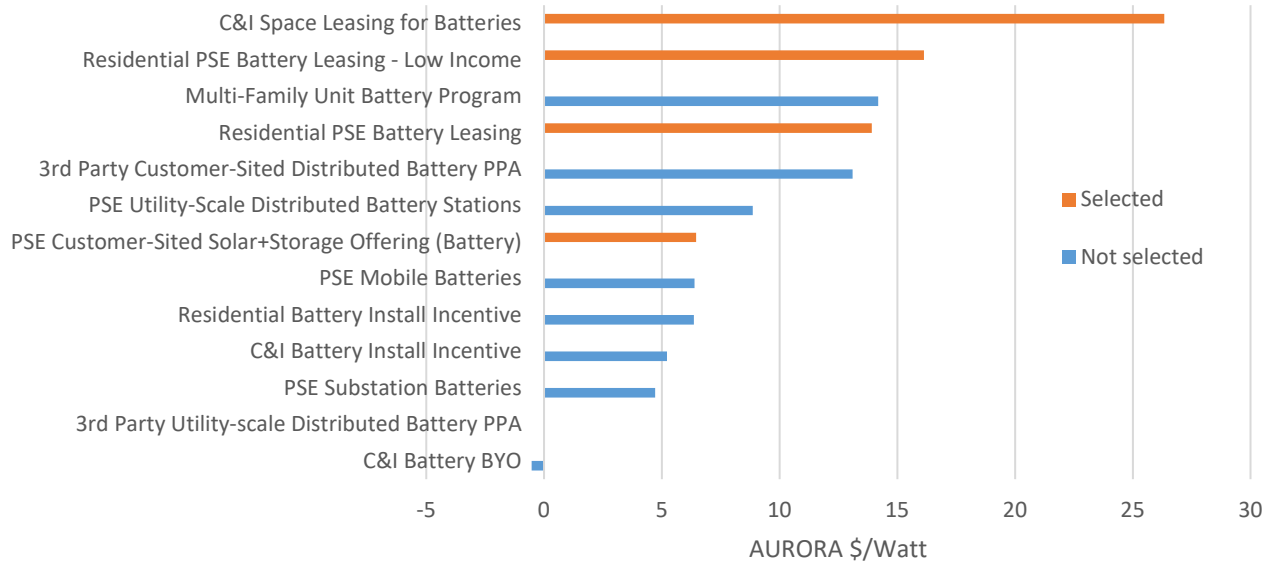


**Figure 3: Participant Cost Capital Expenses for Battery Storage Programs<sup>19</sup>**

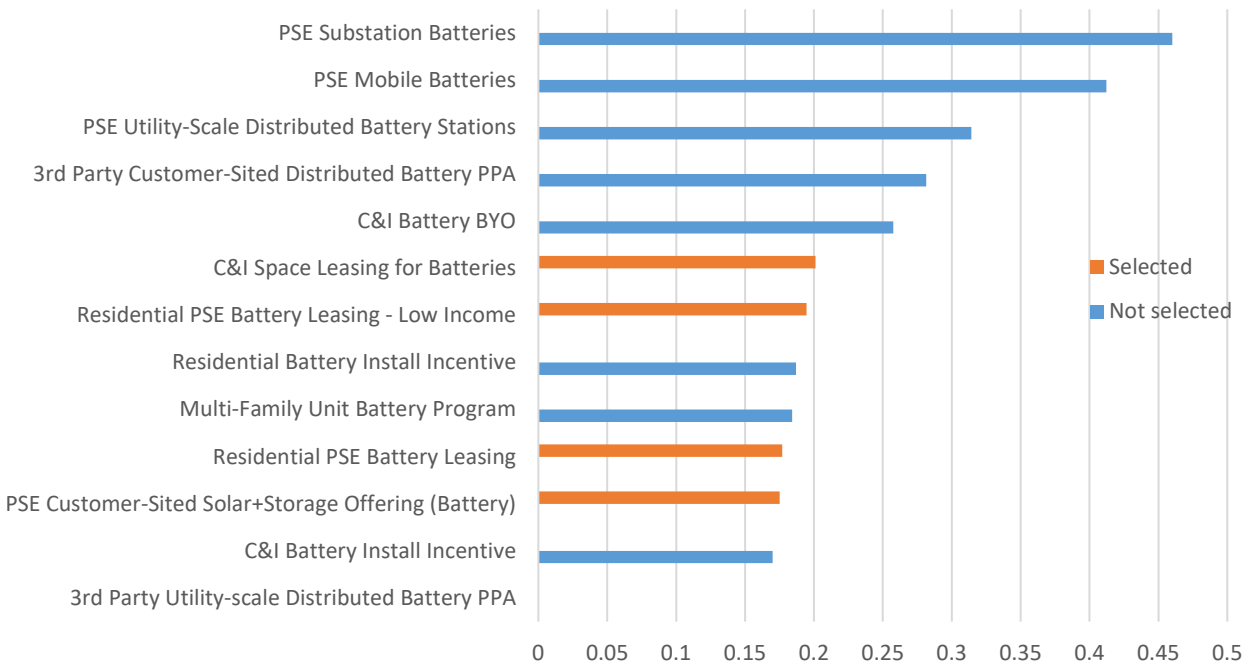


<sup>19</sup> The capital expenses of the PSE Customer-Sited Solar+Storage offering were split evenly in half in order to compare costs between the two resource types (solar or battery) in this analysis. The total participant capital expense of the PSE Customer-Sited Solar+Storage program is \$6,789.00/kW-Yr. See Final PSE CEIP, App'x K at 8 (Table 1-1-2).

**Figure 4: Capacity Cost for Battery Storage Programs**

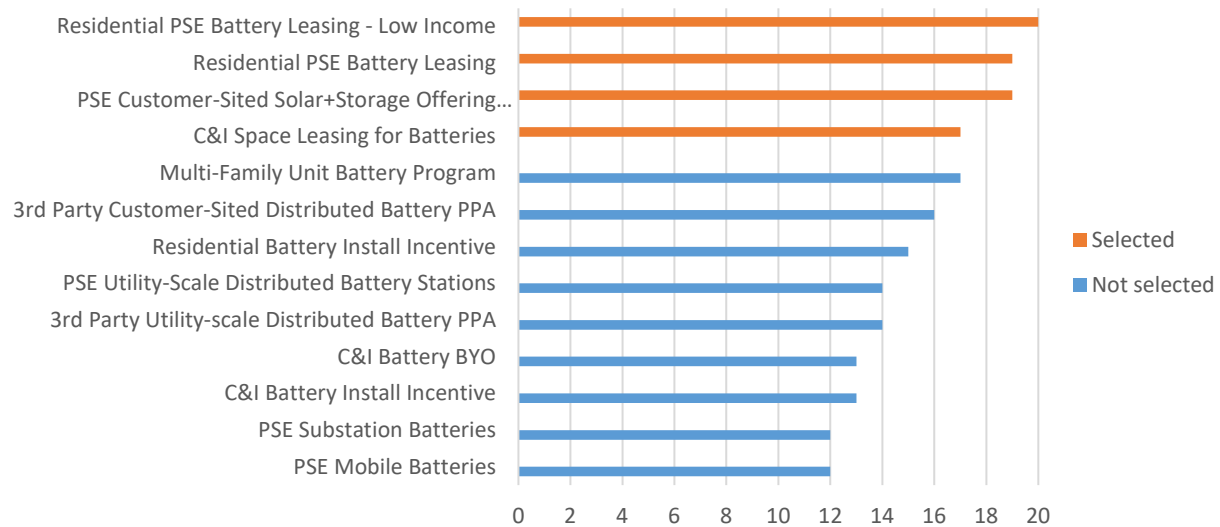


**Figure 5: Societal Cost Test Ratios for Battery Storage Programs**



**Figure 6: Unweighted CBI Scores for Battery Storage Programs**





## 2. Hidden and Unclear Weighting of CBIs

Stakeholders expressed confusion over both the weighting and scoring system for the CBIs in their comments on the Draft CEIP.<sup>20</sup> In weighting CBIs, rather than elevating the importance of certain customer impacts over others in a nuanced way, the Company simply multiplied certain CBI scores by two. Numerous stakeholders raised concerns about the arbitrary decision to double the weight of “prioritized” CBIs. The approach to prioritize certain CBI scores over others may have been less objectionable to stakeholders if a more nuanced approach to weighting with clear rationale was included in this CEIP. PSE responded by using the unweighted CBIs to score the DERs in the Final CEIP.<sup>21</sup>

Public Counsel commends PSE for responding to stakeholder concerns. Despite this change, there are still hidden weights behind the CBI scores, which runs counter to the feedback PSE received from stakeholder groups. Staff, along with other stakeholders, commented, “it is confusing that ‘0’ conveys a negative or neutral impact and that ‘1’ conveys some positive impact or neutral impact.”<sup>22</sup> PSE claims their scoring rubric was,

[I]ntended to create a transparent, straight-forward, and comparable framework to evaluate and score each of the CBIs... The rubric is adapted to each CBI to best create a measure for each of the DER program concepts that is unbiased and creates comparability across all program concepts, as well as other generation resources.<sup>23</sup>

<sup>20</sup> See generally Final PSE CEIP, App’x C-2.

<sup>21</sup> The decision to perform analysis with unweighted CBIs is also a bit of a misnomer. Rather than operating on a scale of “no weighting,” the Company decided to move forward with equal weighting, which also influences outcomes.

<sup>22</sup> Final PSE CEIP, App’x C-2 at 27.

<sup>23</sup> Final PSE CEIP, App’x C-2 at 27.

PSE further explained that “a ‘0’ denotes that a benefit is either not applicable, very limited, or in limited cases, negative in impact. A ‘1’ denotes that the benefit does apply but may not be significant. A ‘2’ denotes that a benefit does apply and that it is more significant.”<sup>24</sup>

The methodology is not, as PSE claims, transparent, straight-forward, or comparable. If it were, then stakeholders would not have expressed extensive confusion over it.<sup>25</sup> For some CBIs, a score of “1” is equivalent to a “0” and a score of “2” is equivalent to a “1” when compared to another CBI.<sup>26</sup> Some CBIs operate on a scale where a score of “1” or “2” demonstrate a scale of improvement. For other CBIs, however, a score of “1” or “2” operate on a binary improvement/no improvement system. This effectively doubles the weight of CBIs that operate on a binary improvement/no improvement system while also diminishing the contributions of DER programs that are more effective than others for that CBI. In the cases where CBIs have been scored on a binary improvement/no improvement system, the zero which represents a “negative impact” is never utilized.

The CBIs are essentially being compared on different rating systems and, thus, some CBIs and DER programs are given far more weight than others. This defeats the objective to compare disparate metrics in an “apples to apples” manner. PSE provides no explanation or justification for why certain CBIs were evaluated on a different rating system than others.

### **3. Application of CBIs to DER Portfolio Selection Process**

The ways in which PSE scored DER programs using certain CBIs are inconsistent, and they include no rational justification at times. Take, for example, the CBI that measures the “Increase in culturally-and linguistically-accessible program communications for named communities.” PSE considers this CBI under the “reduction of burdens” category and equates an increase in outreach material in non-English languages with an increase in awareness and understanding of programs.<sup>27</sup> We believe that the intention of including this CBI is to ensure that accessible program communications for named communities are being considered in the implementation of specific actions and programs, which is a critical function of a utility that conducts business through an equity lens. While we appreciate PSE incorporating stakeholder feedback to include this CBI, we do not believe that the intention was to use the CBI to select preferred portfolio programs. This metric should be used to track whether the Company is increasing its outreach in non-English speaking communities as part of program development and implementation and should not be used to compare programs against each other in the selection process. Simply put, this is a measure of equity in implementation of utility programs, not a measure suited to select programs.

<sup>24</sup> Final PSE CEIP, App’x C-2 at 27.

<sup>25</sup> See generally Final PSE CEIP, App’x C-2.

<sup>26</sup> See Final PSE CEIP, App’x D-3 (Worksheet CBI-Scoring). For CBI #6, 7, 8, 9, a score of “1” represents no impact, which is equivalent to a “0” for other CBIs.

<sup>27</sup> Final PSE CEIP, App’x D-3 (Worksheet CBI-Scoring, CBI #4, Cell D15).

The use of this particular metric to score and weigh DER programs, however, skews the resulting portfolio and heavily favors customer-facing programs over utility-sited programs. In this case, DER programs that are “customer-facing” are given a higher score in the CEIP essentially because they produce more translated materials for customers to engage with as compared to an internal utility program with no customer facing components. The DER RFP similarly provides a higher score for DER programs based on the number of non-English translations provided.<sup>28</sup> There is no rationale for selecting a DER program simply because it produces more translated materials for customers to engage with. For larger-scale, utility-sited DER programs, there may be little or no need for customer engagement, and we do not believe such a program should be scored less and eliminated from a preferred portfolio because of this inappropriate application of this CBI, particularly when it can provide broad system and customer benefits. The application of this CBI resulted in PSE Utility-scale Distributed Battery Stations being cut out of the CEIP preferred DER portfolio despite having nearly half the capacity cost and double the SCT benefit-cost ratio of comparable battery programs. The application of CBIs can have serious consequences in the selection of DER programs, and it may result in the selection of less cost-effective DER solutions. As a result, CETA compliance costs are inflated because of the selection of programs that produce fewer actual customer benefits than lower-cost alternatives. The translation of outreach materials should be considered a program requirement and not scored as a benefit to customers.

Another way in which CBIs are not applied in a clear and straightforward manner is use of the “Improved affordability of clean energy” metric. This CBI had the following score scheme for the selection of DERs, where a larger score implies the program reduces the cost of clean energy or improves the affordability of clean energy for customers—making it more likely the program will be selected for the portfolio:<sup>29</sup>

- 0 - non-measurable % decrease
- 1 - measurable % decrease, but only for targeted or participating customers
- 2 - measurable % decrease for all customers

Battery leasing programs are expected to increase costs for participating customers; however, for this particular CBI, PSE decided not to have “0” represent a negative impact, or what would be a measurable cost increase for targeted or participating customers.<sup>30</sup> In fact, for residential battery leasing programs, the CBI score here is a “1”, The Company represents this as a “measurable % decrease [in cost], but only for targeted or participating customers.” PSE explained that “residential would have the value of back-up or reduced cost compared to ownership are scored ‘1’, whereas utility-scale battery program concepts are scored ‘0’.” The metrics for this CBI are the percentage of income spent on electricity bills for PSE customers and percentage of customers experiencing energy burden. There is a misalignment between the metrics and the rationale of the scoring in this case. Residential battery leasing is expected to increase the percent

<sup>28</sup> PSE 2022 Targeted DER RFP, Exh. A at A-11.

<sup>29</sup> Final PSE CEIP, App’x D-3 (Worksheet CBI-Scoring, CBI #5, Cell H16).

<sup>30</sup> Final PSE CEIP at 33.

of income spent on electricity bills, since customers would be charged a monthly subscription fee.<sup>31</sup>

It appears that PSE's central assumption underlying its score of "1" is that participating customers would have purchased batteries on their own, and therefore leasing the batteries would be more affordable. There is no explanation for why utility-scale battery program concepts are scored "0" when they can play a critical role in reducing peak demand, and therefore, decrease energy costs. In contrast, PSE states batteries for C&I programs would "provide demand charge management," and these programs are given a score of "1". There is no explanation for why C&I programs are given points for demand charge management when utility-scale battery program concepts are not. There are numerous inconsistent, nonsensical, and opaque applications of CBIs in the DER preferred portfolio selection process. We are concerned that PSE is using this flawed process to steer multi-million dollar investments while asking requesting "WUTC approval that our investment in DERs and the DER enabling costs associated with these investments is reasonable and prudent at the level proposed in this plan."<sup>32</sup>

#### **4. Conditions for Approval Regarding the Scoring and Application of CBIs to Select Preferred DERs**

PSE must take the following steps to improve CBI scoring and application:

- Balance customer feedback on weighted CBI scores with the statutory necessity to maintain lowest reasonable costs;
- Modify the weighting process so that it can be applied in a unified and transparent manner that allows for a comparison of programs across different CBI metrics. At the very least, PSE must provide a clear rationale for the weights that the Company has assigned to CBIs and the scores that the Company has assigned to resources and programs;<sup>33</sup>
- Re-evaluate all scoring schemes to ensure that they actually provide scoring in a consistent manner between programs;
- Re-evaluate which CBIs are appropriate for selecting resources; and
- Acknowledge that CBIs are to be used in analysis of implementing CETA-related programs and measuring progress toward CETA's equitable benefits mandate, not just in selection.

#### **D. Alignment of CBIs and Metrics**

PSE has developed a list of CBIs and associated metrics that do not always seem to align with each other. The indicators are attributes of resource or distribution investments associated with customer benefits.<sup>34</sup> The overall purpose of the metrics should be to measure the Company's progress toward improvement of the intended customer benefit. The way the Company applies CBIs and associated metrics does not always align the CBIs and metrics with the intended

<sup>31</sup> Final PSE CEIP at 33.

<sup>32</sup> Final PSE CEIP at 28.

<sup>33</sup> Final PSE CEIP, App'x C-2 at 49.

<sup>34</sup> WAC 480-100-605.

customer outcome. For instance, the “affordability of clean energy” indicator has metrics related to energy burden and percentage of customers experiencing energy burden. The metrics specified to measure customer outcomes indicate that progress would be measured by programs reducing customer energy burden. However, in scoring DER programs based on this CBI, the basis for scoring is reducing the cost of ownership of battery storage and “the value of back-up.”<sup>35</sup> These outcomes are not aligned with the metrics selected in evaluating progress toward the “affordability of clean energy” CBI and seem to represent a different interpretation of the customer benefit entirely. This misalignment between metrics and CBIs make it difficult for The Company to direct actions and select programs that are efficient and aimed towards clear goals.

### **1. Conditions for Approval Regarding the Alignment of CBIs and Metrics**

To better align CBIs and the outcomes they intend to measure, PSE must make the following changes:

- Provide a brief description describing each selected CBI and its interpretation of that CBI.
- Clearly identify outcome metrics that measure the specific outcomes the Company hopes to achieve through its CEIP while ensuring its metrics and CBIs align in their interpretations of the expected customer benefits.

## **II. SPECIFIC ACTIONS**

### **A. General Comments on the Specific Actions Section of the CEIP**

PSE states that its primary specific actions in this CEIP are the All-Source and Targeted DER RFPs<sup>36</sup> but also includes a number of additional actions in this section. Appendix L in PSE’s CEIP lists the specific actions in the 2022–2025 period. While generally including the information required by WAC 480-100-640(5), the table shows only some CBIs being affected by each specific action and contains a blank cell where PSE determined a CBI did not apply to a specific action. While, in practice, this may be the case, Public Counsel recommends PSE use a comprehensive approach to evaluating CBI impacts and include a response in Appendix L for all CBIs used to evaluate each specific action. In the event a CBI may not be applicable to a specific action, PSE should include an explanation as to why it believes the CBI is not applicable.

WAC 480-100-640(6)(b) requires utilities to demonstrate in its narrative description of specific actions how the specific actions are consistent with the clean energy transformation standards in WAC 480-100-610(4). In particular, the rules require the narrative description to include an assessment of current benefits and burdens on customers, by location and population, and the projected impacts of specific actions on the distribution of customer benefits and burdens during the implementation period.<sup>37</sup> PSE included general information on expected customer benefits for each specific action in Chapter four and broad information about highly impacted and vulnerable communities at the census block and tract level in Chapter three. The Company,

<sup>35</sup> Final PSE CEIP, App’x D-3 (Worksheet CBI-Scoring, CBI #5, Cell AG16).

<sup>36</sup> Final PSE CEIP at 105.

<sup>37</sup> WAC 480-100-640(6)(b)(i).

however, did not include more granular information about the projected impacts of each action on the distribution of customer benefits and burdens as required. This detailed information is particularly critical given the highly localized nature of some DER programs and importance of proper siting of DER programs to ensure customers receive the promised benefits. PSE must include additional detailed information in the narrative description of specific actions, as required by Commission rules.

PSE did not include costs associated with specific actions with the narrative descriptions in Chapter four. Public Counsel is aware that these costs are included in Appendix L in the table of information required by WAC 480-100-640-(5), but it would be helpful if the costs of each specific action was included in the narrative descriptions to understand the magnitude of the action and its potential impact on customers without having to locate the information in a separate file. PSE must include the costs of each specific action in the narrative description.

## **B. Need for a Comprehensive Review of the Cost Impacts of CETA Specific Actions**

PSE states that the transition to clean electricity will increase customers' bills by approximately six dollars per month per residential customer in 2025,<sup>38</sup> in excess of rate increases for the general operation of the utility over that time. WAC 480-100-640(6) requires PSE to demonstrate how the Company is planning to meet the clean energy transformation standards at the lowest reasonable costs.<sup>39</sup> As part of this demonstration, PSE must include a description of the utility's approach to identifying the lowest reasonable cost portfolio of specific actions including a description of its methodology for weighing the considerations listed in WAC 480-100-610(4).<sup>40</sup> These demonstrations are necessary to determine whether PSE's actions equitably distribute the benefits of the transition to clean energy or whether the costs of PSE's choices harm customers through increased bills that may disproportionately harm highly impacted and vulnerable communities. In particular, an explanation of how PSE weighed the considerations under the CETA standards would inform stakeholders how the Company viewed the relative importance of each. This, in turn, would provide some insight how optimizing for any one consideration could benefit or harm customers.

<sup>38</sup> Final PSE CEIP at 11.

<sup>39</sup> WAC 480-100-640(6)(f).

<sup>40</sup> WAC 480-100-640(6)(f)(i). WAC 480-100-610(4) states:

- (4) In making progress toward and meeting subsections (2) and (3) of this section, each utility must:
  - (a) Pursue all cost-effective, reliable, and feasible conservation and efficiency resources, and demand response;
  - (b) Maintain and protect the safety, reliable operation, and balancing of the electric system; and
  - (c) Ensure that all customers are benefiting from the transition to clean energy through:
    - (i) The equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities;
    - (ii) Long-term and short-term public health and environmental benefits and reduction of costs and risks; and
    - (iii) Energy security and resiliency.

PSE must demonstrate how the Company plans to meet the CETA standards at the lowest reasonable costs and describe the Company's approach to identifying the lowest reasonable cost portfolio of specific actions. As part of the demonstration, PSE must conduct a holistic review of the entire portfolio of CETA incremental actions to determine if the utility's actions are reducing burdens and costs to vulnerable populations and highly impacted communities, as required by RCW 19.405.010 and WAC 480-100-610.

### **C. DER or DR?**

PSE's CEIP introduces the DR section by explaining the concept behind DRs<sup>41</sup> in Chapter four. While Public Counsel takes no issue with its description of DRs, the DR section then launches into a discussion about the Targeted DER RFP and the DER selection schedule in this section with no discussion of how DRs relate to or are distinguished from DERs. To further confuse matters, PSE did not include an explanation of its DR portfolio selection process so it is unclear if PSE treated DRs in the same manner as DERs or if they were selected using a different process. The lack of clarity regarding the distinction between DRs and DERs in Chapter four makes this section confusing. PSE must explain how the Company views the distinction between DRs and DERs and why DRs were included in the Targeted DER RFP. PSE must review Chapter four to ensure the Company is consistently referring to DRs and DERs as distinct sets of programs, unless PSE is actually selecting and siting DRs and DERs in the same manner.

### **D. Demand Response**

PSE lists five DR programs in Table 4-1 that it intends to pursue in this CEIP period.<sup>42</sup> Public Counsel is troubled by the lack of large commercial and industrial DR programs such as direct load control or interruptible tariff programs (curtailment programs) in this list. PSE neither explains how it selected this preferred portfolio of programs, nor explains why large commercial and industrial (C&I) programs were not considered. While PSE states that it may identify additional actions based on responses to the Targeted DER RFP, Public Counsel is concerned that PSE's pre-selection of this portfolio will shape the DR process and finalized programs, particularly since PSE is only seeking 24 MW of DR by 2025. Additionally, it is not clear to Public Counsel that a utility-driven, tariffed-based C&I interruptible program would even appear in a DER RFP at all,<sup>43</sup> thereby ensuring these types of programs will be excluded from the DR portfolio. PSE must explain how it selected this portfolio of DR programs and include information regarding why it did not consider large C&I customer programs. If PSE cannot provide an adequate rationale for its program selection, PSE should modify this section to either remove the proposed list of programs and wait for the DER RFP to complete, or modify the

<sup>41</sup> Final PSE CEIP at 108.

<sup>42</sup> Final PSE CEIP at 110. The list includes Residential Direct Load Control (DLC), Residential DLC Heat, Residential DLC Electric Resistance Water Heater, Residential DLC Heat Pump Water Heater, and Medium Commercial DLC Heat.

<sup>43</sup> This type of program may not show up in an RFP because these programs are generally based on agreements drafted between the utility and its large C&I customers, rather than through a project completed by a third-party contractor or built by the utility.

language in this section to clarify that this is a preliminary estimate of proposals and that the program selection process will be guided by the results of the RFP.

Additionally, while PSE includes a general statement that DR programs benefit customers through financial awards and alleviates energy burdens, renter versus owner burdens, and pollution burdens, PSE does not explain *how* the actions will provide these benefits other than the obvious benefits of providing financial rewards. There is no discussion regarding the potential for DRs to increase burdens on customers when the programs are triggered and a customer's home heat or water heater may be affected. As discussed, above, PSE must include additional, granular detail regarding the expected impacts on customer benefits and burdens from DRs.

### **E. Time-Varying Rates**

Public Counsel appreciates the level of detail PSE provided in the CEIP to describe their plans for time-varying rates pilot.<sup>44</sup> In particular, Public Counsel lauds the Company for specifying that a permanent program would be in an “opt-in tariff,” indicating that customers would not be forced to adopt a time-varying rate structure once the pilot is completed.<sup>45</sup> This is important because some customers are unable to adjust energy usage away from peak hours, which is important to protect low-income or otherwise vulnerable customers from paying higher bills.

In order to measure the full customer impacts of time-varying rates, particularly with a view toward equity, PSE's pilot must include low-income customers. The Company currently intends to include “roughly 7,500 customers” in their pilot, but it is not clear from the description in the CEIP that the Company will include and assess the impact of time-varying rates (TVR) on low-income customers.<sup>46</sup> PSE's testimony in its recently filed General Rate Case (GRC), UE-220066 and UG-220067 (*Consolidated*), explains that the Company will conduct the TVR pilot using six different treatment groups including residential low-income customers,<sup>47</sup> but this information is not available within the CEIP itself. PSE must include additional details about the TVR pilot program in the CEIP to explain how the program will include low-income customers.

Additionally, PSE states that the pilot encompasses four overarching objectives that directly and indirectly benefit customers. For the overarching objective of equity and accessibility, PSE states that it will “design and offer rates and programs that consider needs and effects on low-income and vulnerable populations” but does not specify how TVR programs will actually benefit these groups of customers. PSE must also explain how the pilot rates will impact the distribution of customer benefits and burdens or mitigate risks to highly impacted communities and vulnerable populations, as required by WAC 480-100-640(5).

<sup>44</sup> Final PSE CEIP at 114.

<sup>45</sup> Final PSE CEIP at 115.

<sup>46</sup> Final PSE CEIP at 115.

<sup>47</sup> Direct Testimony of Birud D. Jhaveri, Exh. BDJ-1T at 7, *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-220066 & UG-220067 (*consol*) (filed Jan. 31, 2022).



## **F. Distributed Solar Program**

PSE identifies 80 MW of distributed solar need by 2025<sup>48</sup> and includes distributed solar programs intended to expand access to and benefits of solar energy.<sup>49</sup> PSE proposes a Residential Rooftop Solar Leasing program for mass market and income eligible customers in which PSE will lease rooftop space from residential customer to install and operate solar photovoltaic systems.<sup>50</sup> PSE states that this DER approach will allow customers to participate in and benefit from clean energy generation without any investment,<sup>51</sup> but it is not clear from the program description if the customer who owns the roof will be able to use the solar energy or if the customer only receives the lease payments like the C&I Space Leasing for Batteries program. Under the C&I Space Leasing for Batteries program, PSE appears to be the primary recipient of the battery energy storage benefits, and C&I customers would pay a monthly fee for backup power.<sup>52</sup> These details can significantly impact the benefits customers may receive through this program. PSE must include more details about program design in the description of the Residential Rooftop Solar Leasing program.

Public Counsel appreciates that PSE intends to expand access to solar energy programs, but we are concerned that selecting resources to maximize program participation and access without investigating the cost impacts on customers more holistically may, in the end, do greater harm than good. Residential Solar Leasing for both mass-market and income-eligible customers have some of the highest capacity costs<sup>53</sup> and estimated capital costs<sup>54</sup> in the DER preferred portfolio for 5.47MW<sup>55</sup> of incremental installed capacity. While the program may be small enough such that the overall bill impact of these individual programs is minor compared to the benefits of net metering, assuming these programs allow participants access to the solar energy generated, there is not enough information included in Chapter four to determine how this specific program or the DER portfolio as a whole will impact customers. The granular data requested, above, on the projected impacts of this action on the distribution of customer benefits and burdens, particularly energy burden and costs, would help in this assessment.

## **G. PSE's Definition and Treatment of DERs versus Non-Wires Alternatives**

PSE dedicates significant portions of the CEIP on the description of its preferred DER portfolio and the selection process it applied to assemble its portfolio of distributed solar programs and battery energy storage programs. PSE's focus on DERs and its selection process has the effect of implying that the only DER programs PSE considers exists within the DER selection process and the forthcoming Targeted DER RFP. PSE, however, also appears to consider Non-Wires

<sup>48</sup> Final PSE CEIP at 122.

<sup>49</sup> Final PSE CEIP at 123.

<sup>50</sup> Final PSE CEIP at 123.

<sup>51</sup> Final PSE CEIP at 123.

<sup>52</sup> Final PSE CEIP at 134.

<sup>53</sup> See Final PSE CEIP at 39 (Table 2-13).

<sup>54</sup> See Final PSE CEIP, App'x K at 8 (Table 1-1-2).

<sup>55</sup> See Final PSE CEIP at 42 (Table 2-15).

Alternatives to be DERs as well.<sup>56</sup> While Public Counsel would agree that Non-Wires Alternatives should be considered DERs, it is utterly unclear from this CEIP why PSE treats Non-Wires Alternatives separately from its other DERs after categorizing Non-Wires Alternatives as DERs. To further confuse matters, PSE's Non-Wires Alternatives include solar generation and battery energy storage systems, which are the primary components of PSE's preferred DER portfolio. Public Counsel can hypothesize that PSE's DER portfolio selection process is only intended for specific types of DERs needed to achieve particular policy goals and maximize customer benefits, but PSE does not make this distinction in its description of its preferred DER portfolio or selection process. PSE must clearly distinguish the DERs chosen through the DER portfolio selection process and explain how and why the DERs in the preferred portfolio are distinct from Non-Wires Alternatives. PSE must also explain why the same selection process is not used for the two types of resources.

#### **H. Non-Wires Alternatives and Non-Wires Alternatives Evaluation Tool**

PSE expects to obtain 22 MW from Non-Wires Alternatives and includes descriptions of specific actions under this category.<sup>57</sup> PSE states that the section in Chapter four focuses on projects under development that can incorporate Non-Wires Alternatives to contribute to system needs.<sup>58</sup> In discussions with PSE, Public Counsel was informed that PSE did not include any costs associated with Non-Wires Alternatives or the business cost analysis evaluation tool in this CEIP. PSE explained that the costs were not included because the programs described were already being planned prior to CETA but that the Company would include costs in the future farther along in the planning process. It is unclear if these projects were driven by CETA or by distribution system needs. PSE must identify which projects were planned prior to CETA and why the projects are included in this CEIP if they were planned prior to CETA. PSE must also explain why future actions for projects (and their costs) that were planned prior to CETA or driven by distribution system needs must be included in the CEIP. Alternatively, PSE should remove all Non-Wires Alternatives from the CEIP at this time.

It is unclear from PSE's explanation of the existing projects whether the 22 MW expected from Non-Wires Alternatives are from the projects that were already under development or if the MWs are expected from future Non-Wires Alternatives projects that have not yet been identified. PSE must clarify whether the projected 22 MW are from these previously planned Non-Wires Alternatives or from future projects.

PSE includes the development of a Non-Wires Alternatives Evaluation Tool in its long list of DER Enablement actions, which will be discussed more generally, below.<sup>59</sup> PSE states that it is already applying a framework to assess when Non-Wires Alternative option are suitable to address a system need and evaluate proposed solutions against traditional solutions and

<sup>56</sup> See Final PSE CEIP at 130.

<sup>57</sup> Final PSE CEIP at 130.

<sup>58</sup> Final PSE CEIP at 130.

<sup>59</sup> Final PSE CEIP at 145.

approaches.<sup>60</sup> PSE, however, does not explain its existing selection process nor explain why it is deficient such that the Company needs to invest in a business cost analysis tool to conduct the same evaluation. PSE also does not explain why this action is included in the CEIP when the existing Non-Wires Alternatives projects discussed in the Specific Actions section were not driven by CETA nor was this proposed evaluation tool necessary to choose these projects. As mentioned, above, PSE must justify each specific action proposed in its CEIP. Additionally, this information is necessary to determine whether this activity could truly be considered incremental as a result of CETA if PSE already has a working framework to conduct these evaluations and was already planning and implementing Non-Wires Alternatives absent CETA. PSE must either include these explanations or remove this action from the CEIP at this time.

## **I. DER Enablement Actions**

PSE includes a host of actions, plans, technologies, and aspirations in its descriptions of specific actions grouped under the DER Enablement category. PSE projects that it will spend a total of \$46 million<sup>61</sup> for these enablement activities and outlines the different tasks included within this category.<sup>62</sup> It is difficult to determine whether all of these actions are prudent and necessary to meet resource and equity obligations under CETA. PSE failed to include much of the information required by UTC rules. WAC 480-100-640(6) requires a CEIP to include the projected impact of specific actions on the distribution of customer benefits and burdens as well as a description of how the specific actions mitigate risks to highly impacted communities and vulnerable populations. PSE does not discuss the benefits of these actions to customers other than in general terms and does not discuss the impact of these actions upon customer benefits, burdens, or risks.

PSE is required by law to demonstrate how the utility is planning to meet the clean energy transformation standards at the lowest reasonable costs.<sup>63</sup> As part of this demonstration, PSE must describe the utility's methodology for selecting the investments and expenses it plans to make<sup>64</sup> and include supporting documentation justifying each specific action identified in the CEIP.<sup>65</sup> So far as Public Counsel can determine, the only supporting documentation PSE cited to justify the DER Enablement actions is Appendix D-7, the DER Enablement Roadmap Development. This roadmap, however, only illustrates the sequencing of activities that PSE's contractors deemed "key activities necessary to design, launch, and scale PSE's desired DER portfolio."<sup>66</sup> Nothing in the document explains PSE's (or the consultant's) methodology for selecting these particular actions or supports a showing that these set of actions are necessary to meet CETA objectives or meet the clean energy transformation standards at the lowest reasonable costs. The DER Enablement actions were not selected through the DER portfolio

<sup>60</sup> Final PSE CEIP at 145.

<sup>61</sup> Final PSE CEIP, App'x F (Worksheet F5).

<sup>62</sup> Final PSE CEIP, App'x L.

<sup>63</sup> WAC 480-100-640(6)(f).

<sup>64</sup> WAC 480-100-640(6)(f)(ii).

<sup>65</sup> WAC 480-100-640(6)(f)(iii).

<sup>66</sup> Final PSE CEIP, App'x D-7 at 3.

selection process, and PSE cannot simply point to its selection process for DERs in general to justify the DER Enablement actions.

PSE must significantly modify the DER Enablers section of Chapter four to provide additional information regarding the benefits of these specific actions and the impacts of these actions on customer benefits, burdens, and risks. PSE must also include a description of the methodology PSE used to select these actions and a justification for each specific action. PSE must also demonstrate how the DER enablement actions are part of PSE's plan to meet the clean energy transformation standards at the lowest reasonable costs. Alternatively, PSE must remove these actions from the CEIP at this time.

## **J. Enablement of Grid Modernization**

PSE includes activities under the category Enablement of Grid Modernization such as accelerated Supervisory Control and Data Acquisition (SCADA) upgrades, circuit enablement, and Resilience Enhancement, but, as Staff pointed out in their comments on PSE's Draft CEIP, it is challenging to assess whether each of these actions are prudent and must be pursued due to CETA's requirements.<sup>67</sup> PSE states that they are already engaged in SCADA upgrade activities and that the acceleration of these activities is driven by CETA, but there is no explanation of how CETA activities would be affected without these upgrades or why acceleration is specifically necessary for the transition to clean energy. PSE must include additional detail regarding the acceleration of these activities.

Public Counsel is troubled by the inclusion of Resilience Enhancement activities under the umbrella of CETA specific actions. PSE states:

Efforts will include drone inspections to proactively identify high risk line assets needing replacement, distributed generation, and storage to support radial feeder improvements, and next generation transformer monitoring equipment. We will aim to fill the largest gaps in system monitoring to address the consequences of system outages – which improves –improving [*sic*] reliability. This effort directly supports the CETA goals and considers Highly Impacted Communities and Vulnerable Populations areas in its prioritizing with the express intent to improve resiliency to those areas.<sup>68</sup>

CETA requires utilities to ensure all customers benefit from the transition to clean energy through ensuring energy security and resiliency.<sup>69</sup> The intent to focus resiliency efforts on named communities is necessary and laudable, but it raises questions regarding the reliability of PSE's system in these communities prior to CETA. PSE must include additional detail regarding these Resilience Enhancement activities, including an explanation of why PSE considers these

<sup>67</sup> See Final PSE CEIP, App'x C-2 at 26.

<sup>68</sup> Final PSE CEIP at 161.

<sup>69</sup> RCW 19.405.040(8); WAC 480-100-610(4)(c)(iii).

activities to be incremental activities due to CETA as opposed to necessary maintenance and inspection activities that should occur in these communities regardless of CETA.

### **K. Conditions for Approval of Specific Actions Section of the CEIP**

With regard to Specific Actions necessary to implement CETA, PSE must:

- Use a comprehensive approach to evaluating CBI impacts and include a response in Appendix L for all CBIs used to evaluate each specific action. In the event a CBI may not be applicable to a specific action, PSE should include an explanation of why it believes the CBI is not applicable;
- Include detailed information for each specific action regarding the impact of the specific action on the distribution of customer benefits and burdens as required by WAC 480-100-640(6)(b)(i);
- Include the costs of each specific action in the narrative description;
- Demonstrate how the Company plans to meet the CETA standards at the lowest reasonable costs and describe the Company's approach to identifying the lowest reasonable cost portfolio of specific actions. As part of the demonstration, PSE must conduct a holistic review of the entire portfolio of CETA incremental actions to determine if the utility's actions, as a whole, are reducing burdens and costs to vulnerable populations and highly impacted communities.
- Explain how the Company views the distinction between DRs and DERs and why DRs were included in the Targeted DER RFP;
- Explain how it selected the portfolio of DR programs and include information regarding why it did not consider large commercial and industrial customer programs;
- Include additional, granular detail regarding the expected impacts on customer benefits and burdens from DRs;
- Include additional details about the TVR pilot program in the CEIP to explain how the program will include low-income customers;
- Include more details about program design in the description of the Residential Rooftop Solar Leasing program;
- Clearly distinguish the DERs chosen through the DER portfolio selection and provide an explanation of how the DERs in the preferred portfolio are distinct from Non-Wires Alternatives;
- Explain why the same selection process is not used for the DERs and Non-Wires Alternatives;
- Identify which Non-Wires Alternatives projects were planned prior to CETA, and why the projects are included in this CEIP if they are were planned prior to CETA and may be the result of distribution system needs, or, alternatively, remove all Non-Wires Alternatives from the CEIP at this time;
- Explain its existing selection process for Non-Wires Alternatives and why the process is deficient such that they need to invest in a business cost analysis tool to conduct the same evaluation;

- Explain why Non-Wires Alternatives Evaluation Tool is included in the CEIP when the existing Non-Wires Alternatives projects discussed in Chapter four were not driven by CETA now was such an evaluation tool required to choose the projects;
- Explain why future actions for projects (and their costs) that were planned prior to CETA or driven solely by distribution system needs must be included in the CEIP;
- Clarify whether the projected 22 MW are from these previously planned Non-Wires Alternatives or from future projects and whether the MW are included in the CEIP;
- Significantly modify the DER Enablers section of Chapter four to provide additional information regarding the benefits of these specific actions and the impacts of these actions on customer benefits, burdens, and risks. PSE must also include a description of the methodology PSE used to select these actions and a justification for each specific action. PSE must also demonstrate how the DER enablement actions are part of PSE's plan to meet the clean energy transformation standards at the lowest reasonable costs. Alternatively, PSE must remove these actions from the CEIP at this time.
- Include additional information regarding actions intended for the Enablement of Grid Modernization to explain why these specific actions must be considered CETA activities and incremental to general utility activities.

### III. INCREMENTAL COST

PSE estimates that, on average, it will need to increase expenditures up to the two-percent incremental cost cap outlined in RCW 19.405.060(3)(a) to implement the targets established in this CEIP.<sup>70</sup> PSE's incremental cost calculation includes estimates of costs for Renewable Energy, DRs, and DERs that the Company intends to update once it chooses specific resources and programs from the 2021 All-Source RFP and the 2022 Targeted DER and DR RFP. While it is possible the RFP results may not significantly alter the cost estimates, the current estimate is too uncertain to rely upon at this time.

As a more general matter, Public Counsel believes additional guidance is needed regarding incremental cost calculations for each of the utilities. It is critical that the incremental cost accurately capture costs that otherwise would not have been incurred, if not for CETA. Our concern is that specific actions that a utility would have taken regardless of CETA implementation are attributed to CETA. This issue may become more critical as utilities move closer to full compliance with the CETA mandates, and it becomes more difficult to discern

<sup>70</sup> RCW 19.405.060(3)(a) states,

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

which actions may or may not have been taken in the absence of CETA. While the resolution of this issue may not be critical for PSE's first CEIP filing, we recommend the Commission commence further discussion regarding the incremental costs calculations and provide further guidance while we have the time to do so.

### **A. Demand Response Costs**

PSE's incremental cost calculation appears to include the costs for commercial and industrial curtailment programs<sup>71</sup> that are not included in the discussion on DR programs in the Specific Actions section of the CEIP. Public Counsel noted the absence of commercial and industrial DR programs in our critique of PSE's Specific Actions, above. PSE must either include a full description of these commercial and industrial curtailment programs along with the required information regarding benefits, burdens, and risk reductions or remove the incremental costs from this CEIP.

### **B. Technology and Enabling Costs for DER and Grid Modernization**

PSE includes \$46 million in DER Enablement costs through 2025. PSE does not include any information in the Incremental Cost chapter of the CEIP to demonstrate that the investments and expenses identified for DER Enablement actions are directly attributable to actions necessary to comply with, or make progress towards, the requirements of CETA, as required by WAC 480-100-660(4)(b).<sup>72</sup> PSE merely points to the description of DER Enablement actions in Chapter four to justify the costs of the specific actions.<sup>73</sup> As explained above, however, PSE's showing on the DER Enablement actions lacked the required details necessary to justify the inclusion of these specific actions in the CEIP. The showing is equally insufficient to support the inclusion of these costs in this CEIP. PSE also makes no mention of costs in its description of specific DER Enablement actions in Chapter four. PSE must provide additional information to demonstrate that the investments and expenses for DER Enablement actions are directly attributable to actions necessary to comply with, or make progress towards, the requirements of CETA.

<sup>71</sup> Final PSE CEIP, App'x E-2 (Worksheet 2 Demand Response, cells G85 and G96).

<sup>72</sup> WAC 480-100-660(4)(b)(4):

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

...

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

<sup>73</sup> Final PSE CEIP at 177.

PSE includes \$117 million for Grid Modernization costs through 2025 in this CEIP. PSE does not sufficiently demonstrate that the investments and expenses identified for Grid Modernization are directly attributable to CETA actions. In Appendix F, PSE allocates a percentage of the costs for each subcategory (Substation SCADA, Circuit Enablement, Resilience Enhancement, Grid Modernization – Core) to CETA but does not provide the basis for each allocation in either the appendix or the narrative description of incremental costs in Chapter five. For example, PSE allocates 70 percent of the total Resilience Enhancement costs to CETA but does not explain how 70 percent of the costs are directly attributable to actions necessary to meet CETA requirements while 30 percent of those costs are not directly attributable to CETA. In Chapter five, PSE states that it is increasing its work plan for Resilience Enhancement by 70 percent,<sup>74</sup> but provides no explanation of what “increasing work plan” means or if PSE used this same 70 percent as the allocation percentage. Furthermore, if PSE intended this statement to support the 70 percent allocation to CETA listed in Appendix F, it is insufficient to satisfy the requirements of WAC 480-100-660-(4)(b). PSE must provide additional information to demonstrate the Grid Modernization costs identified for each subcategory are directly attributable to CETA.

### **C. Communication and Education Costs**

PSE includes approximately \$31 million in incremental costs in its Communication and Education category with no explanation of or demonstration that the investments and expenses are directly attributable to actions necessary to comply with CETA standards and targets. PSE’s expected costs increase from \$960 thousand in 2022 to nearly \$10 million in 2023<sup>75</sup> with no explanation for the astronomical increase.

The Communication and Education costs are subcategorized into General Education and Engagement, Focused Education and Engagement, and EAG Support, with increasing specificity of activities for each category, in that order. The costs in the General Education and Engagement category increase from \$250 thousand in 2022 to approximately \$9 million per year from 2023 through 2025 and clearly make up the bulk of the total costs for Communication and Education. Despite the exponential growth in these costs, PSE does not explain how these costs are tied to any particular specific action related to CETA compliance. In Chapter four of the CEIP, PSE generally states that the Company will implement education and outreach plans for most of the specific actions described in the chapter, but it does not clearly describe the types of education and outreach activities that are required for each specific action nor does the Company explain what portion of the total communications and outreach costs are attributable to each specific action. PSE does describe the types of work it expects to include under this cost category in Appendix F,<sup>76</sup> but the work activities are not tied to specific actions in the CEIP. As required by UTC rule, PSE must explain how it derived these Communications and Education costs and demonstrate how these costs are directly attributable to specific actions that are necessary to comply with or make progress towards CETA requirements. At a minimum, PSE must describe how it attributes each subcategory of education and communication costs to specific actions.

<sup>74</sup> Final PSE CEIP at 178.

<sup>75</sup> See Final PSE CEIP, App’x E-2 (Worksheet 5 Comm and Education Costs).

<sup>76</sup> See Final PSE CEIP, App’x F (Worksheet F6 Detailed Costs by Program Area).



PSE included advertising and promotional work activities listed in Appendix F such as “In-language advertising” and “Advertising in English as primary language,” with a combined cost of these activities totaling \$4.5 million dollars annually starting in 2023.<sup>77</sup> PSE does not explicitly state that these expenditures are intended to advertise specific energy programs to customers nor does the Company tie any activities under these subcategories to specific actions or directly attribute the costs to specific actions. PSE also does not include any information how it derived the advertising costs when specific programs have yet to be chosen through the Targeted DER RFP. Additionally, PSE does not explain how in-language and English advertising activities advance PSE toward its CETA targets, versus the types of advertising the Company conducted prior to CETA requirements. PSE must include this additional information regarding its advertising activities.

Public Counsel takes particular issue with the inclusion of “In-language marketing partnerships” activities, which are described as “Promotional partnerships (e.g., In-language partnership content with Seattle Sounders or Kraken, or Univision),”<sup>78</sup> and amounts to half a million dollars per year from 2023 through 2025. As a general matter, marketing and PR campaigns primarily intended for corporate image should never be paid for by ratepayers. There is nothing in this CEIP to suggest these marketing funds will be directly tied to any action that will result PSE attaining its renewable energy targets, reduce energy burdens for customers, or ensure the equitable distribution of energy benefits for all customers. It is important to note that these “promotional partnership” costs are separate from and additional to English and in-language advertising costs. The only conclusion that can be drawn from the descriptions buried in an appendix to PSE’s CEIP is that these activities will benefit PSE’s public image. The inclusion of these types of costs under the guise of CETA requirements is a gross overreach by PSE, and Public Counsel strongly opposes the inclusion of these costs in the CEIP. PSE must remove the actions and costs associated with “In-language marketing partnerships” from this CEIP.

#### **D. Conditions of Approval for Incremental Cost Section**

With regard to the incremental costs included in this CEIP and PSE’s showing in Chapter five and associated appendices, PSE must:

- Include a full description of these commercial and industrial curtailment programs along with the required information regarding benefits, burdens, and risk reductions or remove the incremental costs from this CEIP;
- Provide additional information to demonstrate that the investments and expenses for DER Enablement actions are directly attributable to CETA;
- Provide additional information to demonstrate the Grid Modernization costs identified for each subcategory are directly attributable to CETA;
- Explain how it derived the Communications and Education costs and demonstrate how these costs are directly attributable to comply with or make progress towards CETA requirements.

<sup>77</sup> Final PSE CEIP, App’x F (Worksheet F6 Detailed Costs by Program Area).

<sup>78</sup> Final PSE CEIP, App’x F (Worksheet F6 Detailed Costs by Program Area).

At a minimum, PSE must describe how it attributes each subcategory of education and communication costs to specific actions;

- Clarify whether PSE’s advertising costs are intended to advertise specific energy programs to customers, explain how these costs are directly attributable to specific actions included in this CEIP, and explain how PSE derived the advertising costs when specific programs have yet to be chosen through the Targeted DER RFP. Additionally, PSE must explain how in-language and English advertising activities advance PSE towards its CETA targets.
- Remove all actions and costs associated with “In-language marketing partnerships” from this CEIP.

#### IV. COST RECOVERY

##### A. PSE’s Request for Pre-approval and Recovery of DER Costs

PSE outlines a long list of resource acquisitions and programs they will pursue in order to comply with CETA. Furthermore, the Company—as indicated above—states that they will hit the two percent cost cap in order to comply with CETA during this planning period. To that end, the Company requests “WUTC approval that our investment in DERs and the DER enabling costs associated with these investments is reasonable and prudent at the level proposed in this plan.”<sup>79</sup> Public Counsel emphatically opposes this request, since the CEIP is not the appropriate proceeding for utilities to request prudence determinations or pre-approval for cost recovery. The purpose of CEIPs is to describe “the utility’s plan for making progress toward meeting the clean energy transformation standards” with interim clean energy targets and the specific actions to meet the targets.<sup>80</sup> Upon completing the plan and steps outlined in rule, the “[C]ommission...must by order approve, reject, or approve with conditions an investor-owned utility’s clean energy implementation plan and interim targets.”<sup>81</sup> The purpose of the CEIP is to broadly establish the actions electric utilities will take to meet clean energy targets and other CETA requirements. Upon review, the Commission has the ability to approve, reject, or modify the Company’s plan to meet legal mandates, but it is not intended to be a venue to reach prudence decisions, pre-approve cost recovery, or supplant the purpose of GRCs.

Even if the CEIP was an appropriate proceeding to make a prudence determination, PSE has provided no evidence as to why their planned DER investments are reasonable or prudent. As outlined in our comments, above, the Company simply has not justified that it will be pursuing DER programs that are in compliance with CETA’s mandate to equitably provide customer benefits at lowest reasonable cost. Furthermore, the Company still has an outstanding RFP for DER programs. It is inappropriate and premature to grant prudence for acquisitions that are not finalized. The Company has not come close to meeting its burden of proof required to receive approval for this type of request.

<sup>79</sup> Final PSE CEIP at 28.

<sup>80</sup> WAC 480-100-640(1).

<sup>81</sup> RCW 19.405.060(1)(c).

Not only is PSE's case for DER cost recovery insufficient, it is also unclear how much they are seeking to recover from ratepayers. The Company seeks cost recovery of at least \$46 million in DER enablement costs.<sup>82</sup> Public Counsel is unable to determine the magnitude of the Company's request for the preferred portfolio of DER generation resources from the documentation provided in this filing. PSE includes DER generation costs within the total generation resources costs and does not provide the costs on a stand-alone basis. It is disturbing that PSE seeks pre-approval and prudence determination for multi-million dollar projects without any transparency about the full financial scope of what they request.

## **B. Regarding Cost Recovery**

In regard to PSE's request for cost recovery, Public Counsel believes that:

- The Commission should deny the Company's request for approval and prudence determination for DER and DER-related investments at this time; and
- PSE must provide clear, transparent costs for all of their preferred generation resources, including DER.

## **V. PUBLIC PARTICIPATION**

Generally speaking, Public Counsel commends PSE for its public outreach efforts in this inaugural CEIP process. This is new territory for the Company and all stakeholders who have been involved in developing and responding to the Company's plan.

In particular, PSE convened a broad range of stakeholders to form the EAG, which met nine times before the Final CEIP was filed. Participation among members was consistent. Many of the stakeholders involved in this group were largely unfamiliar with the utility regulatory and planning processes. Participation required education, but members were able to provide valuable feedback in the formation of the inaugural CEIP. Furthermore, PSE's CEIP team met with other existing advisory groups, including the IRP Advisory Group, Conservation Resource Advisory Group, and Low-Income Advisory Group to provide updates on the process and receive stakeholder feedback. The Company made great strides in developing the first CEIP in partnership with organizations that have a vested interest in seeing the clean energy transformation succeed.

The Company made significant efforts to engage customers, but this is an iterative and evolving process. The Company should continue the strategies that were successful and continue to find ways to reach customers and interested stakeholder organizations and meaningfully engage them in the CEIP process. In particular, the Company should strive to ensure that stakeholders feel heard in the process and that their feedback is meaningfully discussed and incorporated into future CEIPs.

With all of this in mind, Public Counsel is concerned that the Company is not adequately incorporating stakeholder feedback into CBI selection or application. As previously indicated,

<sup>82</sup> PSE Final CEIP, App'x E-2 (Worksheet 4C Enablement and Grid Mod Bud).

the Joint Advocates filed a detailed, expanded set of CBIs on November 5, 2021. Although Public Counsel does not expect the Company to adopt our recommendations verbatim or exclude the recommendations of the EAG and other stakeholders, the Company's response to our proposal is inadequate, especially given the lack of CBIs measuring impacts on bill assistance, arrearages, and energy burden. The Company responded to the proposed CBIs in the CEIP stating, "PSE also received proposed customer benefit indicators from a joint advocate group, some of which we have incorporated in the CEIP. We recognize that the customer benefit indicators will continue to evolve."<sup>83</sup> This response is vague and non-committal, and it does not point to any specific areas of improvement in future iterations.

The Company also points to additional stakeholder engagement on CBIs that is largely ignored or not incorporated to the CEIP. Appendix C6 includes more than 260 pages of information about all the data and input gathered from stakeholders related to customer benefits. As we indicated earlier in our comments, the Company made some amendments to their CBIs, but there are still major gaps to fill and significant amounts of public feedback that is not incorporated into the final CBIs. At the very least, the Company did not adequately explain how all of the feedback detailed in Appendix C6 influenced the outcome of the final CBIs. Furthermore, many stakeholders expressed confusion over the application of CBIs, (i.e., the CBI scoring system applied to the DER preferred portfolio selection process). Despite the extensive confusion over the scoring of CBIs for selecting preferred DER programs, PSE continued their 0/1/2 scoring methodology without sufficient clarification or adjustments for stakeholders.

The Company's lackluster regard for stakeholder input is particularly problematic given its approach to CBIs used in the DER portfolio selection process. There is a clear real world impact related to the Company's failure to respond to and incorporate stakeholder feedback. PSE relies on CBIs to select millions of dollars of resources and related expenses that will ultimately be included in customer rates. PSE must adequately address major concerns brought forward by stakeholders particularly around the selection, prioritization, and application of CBIs.

## **VI. GENERAL COMMENTS AND CONCLUSION**

### **A. Accessibility and Usability of PSE's CEIP**

Public Counsel comments generally on the organization and usability of PSE's CEIP. The document is weighty: the main narrative spans more than 250 pages with at least 27 appendices. Given the breadth of this plan, it is critical that it is usable and well organized for the average reader. Public Counsel appreciates the level of detail provided in some sections, such as the in-depth section on DERs. However, other major sections, such as the sections on DR, conservation, and non-wires alternatives in Chapter four, lacked the same level of detail. The CEIP must provide the detail required under law while remaining clear and concise enough to be readily understood.

<sup>83</sup> Final PSE CEIP at 92.

In addition to the CEIP being unwieldy in its current form, the complex web of cross-references obscures critical formation. The CEIP required stakeholders to follow references buried in one or more appendices, sometimes unable to find clear answers to basic questions. Public Counsel understands that plans for many sections exist in other documentation filed with the Commission, but obtaining sufficient detail about specific actions required opening an appendix only to be sent to another appendix to find basic information such as the cost of a particular program. Furthermore, the corresponding documentation for less-detailed sections, such as the Biennial Conservation Plan, is not easily accessible with a hyperlink or similar type of reference. To that end, we echo NW Energy Coalition's comments on the usability and accessibility of supporting details.<sup>84</sup> Additionally, as we indicated in our above comments, it was impossible to isolate the stand-alone costs for DER acquisitions. The lack of cohesiveness and usability makes this document inaccessible to the public and fails to provide necessary transparency in a public process. Furthermore, it complicates the Commission's ability to assess whether or not this CEIP is in compliance with the law.

## **B. Need for Commission Guidance and Opportunity to Respond**

Public Counsel understands this is the first round of CEIPs in the state of Washington. With that, comes unique challenges and uncertainties. We appreciate the efforts of all stakeholders in the process so far. We would like to express the need for additional guidance from the Commission and Staff, while also acknowledging their work so far. Additional guidance is needed to determine the best way to present these documents in the future, and the process going forward. Clear Commission guidance will not only assist utilities in complying with CETA mandates during this initial CEIP period, but will set expectations for all stakeholders in future processes. In particular, Public Counsel requests that the Commission provide guidance regarding the selection, prioritization, and application of CBIs as both metrics to gauge utility progress towards meeting CETA requirements and as criteria in the resource selection process. Public Counsel also requests the Commission to provide additional guidance regarding incremental cost calculations for each of the utilities to ensure that the incremental cost calculations accurately capture costs that otherwise would not have been incurred absent CETA.

We look forward to continued collaboration in the open rulemakings, as well as any that may come up in the future regarding CEIPs and their compliance. As the Commission develops guidance in this docket, and other 2021 CEIP processes, Public Counsel recommends that the Commission examine re-opening a rulemaking to bring additional clarity to the CEIP rules. Stakeholders in the initial CEIP rulemaking recognized that this was a novel process that could require revised rules.

Given the uncertainties of this round, we would find it beneficial for the Commission to provide a response period after the filing of these comments. A number of stakeholders have participated in the creation of the CEIPs, and it would be especially useful for the Company and the stakeholders themselves to interact after this filing through a response period. The additional

<sup>84</sup> Comments of NW Energy Coalition at 2 (filed Nov. 12, 2021).

collaboration may help to clarify remaining questions, resolve some or all remaining disputes, and set the standard for CEIPs going forward.

We also understand that a set of conditions, similar to those presented in the utility Biennial Conservation Plan (BCP) dockets may be presented in this process.<sup>85</sup> For ease of reference, Public Counsel has provided in Appendix A, a list of the conditions included in these comments. We look forward to hearing proposals and feedback from Staff and other stakeholders, and may add to or modify these conditions as necessary. If discussions do not make substantive progress toward addressing the critical issues and conditions detailed in our comments, then the Commission must reject PSE's CEIP.

Public Counsel retains the right to revise our comments and recommendations as this process evolves. The uncertainty afforded by a novel process necessitates flexibility and learning among all parties. Public Counsel looks forward to continued engagement.

We again would like to thank PSE, members of PSE's advisory groups, the EAG, The Energy Project, NW Energy Coalition, Front & Centered, and the members of the public that have participated in this process so far. We look forward to continued collaboration, and appreciate the opportunity to submit these comments. If you have any questions about this filing, please contact Corey Dahl at (206) 464-6380 or via e-mail at [Corey.Dahl@ATG.WA.GOV](mailto:Corey.Dahl@ATG.WA.GOV), Aaron Tam at (206) 464-6215 or via e-mail at [Aaron.Tam@ATG.WA.GOV](mailto:Aaron.Tam@ATG.WA.GOV), or Nina Suetake at the contact information provided, below.

Sincerely,

/s/ 

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<sup>85</sup> Open Meeting Memo, Attach. A, *In re Avista Utils. 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket UE-210826 (filed Jan. 18, 2022).

**Due to the Voluminous Size When Printed Appendix B to Public Counsel's CEIP Comments, filed March 2, 2022 is Submitted in Electronic Format Only.**