

**Exh. JBN-1T
Docket UE-210795
Witness: Joel B. Nightingale**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

DOCKET UE-210795

PUGET SOUND ENERGY

**Clean Energy Implementation Plan
Pursuant to WAC 480-100-640**

TESTIMONY OF

Joel B. Nightingale

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Interim and Specific Targets, Incremental Cost of Compliance in Planning

October 10, 2022

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SCOPE AND SUMMARY OF TESTIMONY 2

III. DISCUSSION..... 4

 A. Interim Targets..... 4

 B. Energy Efficiency Specific Target..... 7

 C. Demand Response Specific Target 8

 D. Renewable Energy Targets 12

 E. PSE’s Distributed Energy Resources Sub-target 16

 F. Incremental Cost of Compliance in Planning..... 20

IV. CONCLUSION 23

LIST OF EXHIBITS

- Exh. JBN-2 Indications of Demand Response Increasing Cost-effectiveness Since Filing of PSE's 2021 CEIP
- Exh. JBN-3 PSE Responses to UTC Staff Data Request Nos. 2, 4, 8, and 10
- Exh. JBN-4 PSE Response to UTC Staff Data Request No. 9

1 I. INTRODUCTION

2

3 Q. Please state your name and business address.

4 A. My name is Joel Nightingale, and my business address is 621 Woodland Square
5 Loop SE, Lacey, Washington 98503. My business mailing address is P.O. Box
6 47250, Olympia, Washington 98504-7250. My business email address is
7 joel.nightingale@utc.wa.gov.

8

9 Q. By whom are you employed and in what capacity?

10 A. I am employed by the Washington Utilities and Transportation Commission
11 (Commission) as a Regulatory Analyst in the Conservation and Energy Planning
12 Section of the Regulatory Services Division.

13

14 Q. How long have you been employed by the Commission?

15 A. I have been employed by the Commission since September 2021.

16

17 Q. Please state your qualifications to provide testimony in this proceeding.

18 A. I have a Bachelor of Science degree in Mechanical Engineering from the University
19 of Portland and am an Engineering Intern in Oregon. I have a Master of Science
20 degree in Sustainable Engineering from Villanova University where one of my areas
21 of focus was renewable energy systems.

22

1 **Q. Have you testified previously before the Commission?**

2 A. Yes. I provided testimony in Puget Sound Energy's (PSE or Company) 2022 General
3 Rate Case, Docket UE-220066/UG-220067, related to a transmission project capital
4 addition and its impact on revenue requirement.

5

6 **II. SCOPE AND SUMMARY OF TESTIMONY**

7

8 **Q. What is the scope and purpose of your testimony?**

9 A. My testimony addresses PSE's 2021 Clean Energy Implementation Plan's (CEIP)
10 interim targets, energy efficiency target, demand response (DR) target, renewable
11 energy target, distributed energy resources (DER) sub-target, and the use of the
12 incremental cost of compliance in planning.

13

14 **Q. Please summarize Staff's recommendations.**

15 A. In summary, Staff recommends the Commission:

- 16 1. Approve PSE's proposed 2022 – 2025 interim targets.
- 17 2. Approve PSE's energy efficiency specific target.
- 18 3. Approve PSE's DR target of 23.7 megawatts (MW) by 2025, on the
19 following conditions:
- 20 • PSE must update its demand response target in the 2023 CEIP biennial
21 update to pursue all cost-effective DR.
 - 22 • PSE must develop a methodology to be filed with the 2023 CEIP biennial
23 update for ensuring and demonstrating that its demand response target

1 and programs contribute to meeting the equitable distribution
2 requirements of RCW 19.405.040(8).

3 4. Approve PSE's renewable energy target on the following condition:

- 4 • PSE must file to this docket, within 60 days of final Commission action,
5 a narrative describing how its renewable energy target of 800 MW
6 contributes to PSE's achieving its interim target of 63 percent renewable
7 or non-emitting energy by 2025. This filing should also include the
8 renewable energy target as a percentage of retail load, as required by
9 WAC 480-100-640(3)(a)(iii).

10 5. Approve PSE's DER sub-target of 80 MW of distributed solar by 2025 on the
11 following condition:

- 12 • In time for the 2023 CEIP update, PSE must work with the equity
13 advisory group and an advisory group (either new or existing) with
14 sufficient expertise and interest to develop a new or revised DER
15 selection process that is (1) consistent with the distributed energy
16 resources planning process outlined in RCW 19.280.100; and (2)
17 transparent, technology neutral, and robust in its comparison of DER
18 programs considering cost and non-cost factors.

19 6. Require PSE not to use the incremental cost of compliance (IC) as a
20 constraint for future CEIP base portfolio selection processes.

21

1 **Q. Have you prepared any exhibits in support of your testimony?**

2 A. Yes. I prepared Exhibits JBN-2 through JBN-4.

3 • Exh. JBN-2 provides three data points that Staff sees as indicators of
4 increasing cost-effectiveness of demand response since PSE’s final CEIP was
5 filed

6 • Exh. JBN-3 shows PSE’s responses to UTC Staff Data Requests 2, 4, 8 and
7 10

8 • Exh. JBN-4 shows PSE’s response to UTC Staff Data Request 9
9

10 **III. DISCUSSION**

11
12 **A. Interim Targets**

13
14 **Q. What targets are required in a CEIP?**

15 A. In the CEIP, CETA requires Puget Sound Energy (PSE or Company) to propose four
16 targets: interim targets, and specific targets for energy efficiency, demand response,
17 and renewable energy.¹
18

19 **Q. What are PSE’s interim targets and how do they relate to the Company’s 2021**
20 **CEIP?**

21 A. Interim targets are quantitative benchmarks demonstrating how PSE is making
22 reasonable progress towards meeting the clean energy transformation standards.²

¹ RCW 19.405.060(1)(a).

² WAC 480-100-640(2).

1 Interim targets are set as a percent of forecasted retail sales of electricity supplied by
2 nonemitting and renewable resources.³ As required by commission rule,⁴ PSE
3 reported that 34 percent of retail sales in 2020 was supplied by renewable and
4 nonemitting resources.⁵ For its 2021 CEIP four-year compliance period, PSE has
5 proposed the following interim targets (presented as a percent of forecasted retail
6 electricity sales supplied by nonemitting and renewable resources):

- 7 1. 2022 – 43 percent,
- 8 2. 2023 - 53 percent,
- 9 3. 2024 - 59 percent, and
- 10 4. 2025 - 63 percent.⁶

11

12 **Q. What action is PSE requesting of the Washington Utilities and Transportation**
13 **Commission (Commission) with respect to the Company’s proposed interim**
14 **targets?**

15 A. The Company is asking the Commission to approve its CEIP, including 2022 – 2025
16 interim targets.⁷ The Commission will enter an order approving, rejecting, or
17 approving with conditions the utility's CEIP or CEIP update at the conclusion of its
18 review. The Commission may, in its order, recommend or require more stringent
19 targets than those the utility proposes.⁸

³ WAC 480-100-640(2)(b).

⁴ WAC 480-100-640(2)(c).

⁵ *In the Matter of Puget Sound Energy’s Final Clean Energy Implementation Plan*, Docket UE-210795, Puget Sound Energy Clean Energy Implementation Plan, p. 15 (Feb. 1, 2022) (PSE Final CEIP). PSE also reported that the 2020 figure would be 33 percent using median water conditions.

⁶ PSE Final CEIP at 17.

⁷ RCW 19.405.060(1)(c).

⁸ *Id.*

1 **Q. What is Staff's recommendation regarding PSE's proposed interim targets?**

2 A. Staff recommends the Commission approve PSE's interim targets, as filed. While the
3 CEIP's proposed interim targets are higher than PSE's initial linear glidepath
4 discussed in its 2021 IRP, Staff believes this acceleration demonstrates the Company
5 is trying to seek a lowest reasonable cost solution when accounting for risk –
6 including the value of avoided greenhouse gas emissions,⁹ and mitigation of inflation
7 and renewable energy supply chain risks.¹⁰

8

9 **Q. Why is Staff contesting the CEIP if it believes that the proposed interim targets
10 should be approved?**

11 A. Commission rule sets two primary requirements for interim targets. First, they must
12 demonstrate how the utility will make reasonable progress toward meeting the 2030
13 and 2045 standards.¹¹ Second, the utility must demonstrate that proposed interim
14 targets are consistent with WAC 480-100-610(4).¹² That subsection of the rule
15 requires that the utility achieve interim targets in a particular way. Namely, that all
16 cost-effective, reliable, and feasible conservation and efficiency resources and
17 demand response are pursued, that safety and reliability is maintained, and that the
18 equity requirements under RCW 19.405.040(8) are met.

19 Assessing the first requirement is relatively straightforward, and Staff
20 believes that the interim targets, if achieved, would be reasonable progress toward
21 the 2030 and 2045 standards. But the second requirement, determining whether the

⁹ Nightingale, Exh. JBN-3.

¹⁰ Durbin, Exh. KKD-1T, at 12:17 – 13:3.

¹¹ WAC 480-100-640(2)(a)(i).

¹² WAC 480-100-640(2)(a)(ii).

1 plan to achieve the proposed interim target is consistent with WAC 480-100-610(4),
2 is where PSE’s CEIP falls short. While Staff has no desire to delay the
3 implementation of the actions necessary to achieve the proposed 2025 interim target,
4 Staff cannot support unconditional approval of a CEIP that does not adequately
5 demonstrate consistency with WAC 480-100-610(4). The conditions proposed by
6 Staff are aimed at addressing this issue.

7
8 **Q. Does Staff recommend the Commission take further action regarding the**
9 **Company’s proposed interim targets, such as providing explanatory guidance?**

10 A. No. Staff finds the Commission provided sufficient guidance regarding the
11 acquisition of renewable resources in advance of a statutory deadline.¹³ This
12 guidance applies to PSE’s proposed interim targets, which accelerate acquisition of
13 renewable energy resources by 2025 above the midway point between PSE’s 2020
14 CETA-eligible energy position and the 2030 greenhouse gas neutral target.¹⁴

15
16 **B. Energy Efficiency Specific Target**

17
18 **Q. What is the Company’s energy efficiency specific target?**

19 A. PSE proposes achieving 1,073,434 MWh of energy efficiency during the four-year
20 CEIP period. This figure represents a doubling of PSE’s two-year total utility
21 conservation goal of 536,717 MWh from its 2022-2023 Biennial Conservation Plan

¹³ *In re Washington Utilities and Transportation Commission’s Inquiry on Regulatory Treatment for Renewable Energy Resources*, Docket UE-100849, Report and Policy Statement Concerning Acquisition of Renewable Resources by Investor-owned Utilities, pp. 24 – 26, ¶¶ 51 - 57 (Dec. 30, 2010).

¹⁴ Durbin, Exh. KKD-1T at 12:12 – 14.

1 (BCP).¹⁵ PSE will adjust this target to align with its 2024-2025 BCP in its 2023
2 CEIP biennial update.¹⁶

3

4 **Q. What is Staff's recommendation in response to PSE's request for approval of its**
5 **energy efficiency specific target?**

6 A. Staff recommends approval of PSE's energy efficiency specific target with the
7 understanding that PSE will update it in the 2023 CEIP update to align with the
8 2024-2025 BCP in accordance with WAC 480-100-640(11). Given that this is
9 required by commission rule, Staff does not believe it is necessary to include as a
10 condition of approval.

11

12 **C. Demand Response Specific Target**

13

14 **Q. What is the demand response target in PSE's 2021 CEIP?**

15 A. PSE's 2021 CEIP proposes a demand response target of 23.7 megawatts (MW) by
16 2025.

17

18 **Q. How was the 23.7 MW demand response target developed?**

19 A. The development of PSE's 23.7 MW demand response target began with the 2021
20 Integrated Resources Plan (IRP) process. This process included the analysis of the
21 following: (1) conservation potential assessment, where achievable technical
22 potential was identified, (2) resource adequacy assessment, where capacity need and

¹⁵ PSE Final CEIP at 20-21.

¹⁶ *Id.* at 23.

1 resource effective load carrying capabilities were calculated, (3) long-term capacity
2 expansion (LTCE) portfolio modeling, where different resources were selected based
3 on their contribution to system needs. At the end of this portfolio analysis, PSE's
4 2021 IRP preferred portfolio included 217 MW of cost-effective demand response by
5 2045.¹⁷ In its 2021 Clean Energy Action Plan (CEAP) PSE selected 29 MW by 2025,
6 and an additional 167 MW by 2031, totaling 196 MW of demand response by
7 2031.¹⁸

8

9 **Q. Does the 23.7 MW demand response target include critical peak pricing?**

10 A. No. PSE's 23.7 MW demand response target in the CEIP does not include critical
11 peak pricing and time-of-use programs. PSE asserts it is developing pilots to identify
12 these savings, which are separate and distinct.¹⁹

13

14 **Q. Does Staff have concerns about PSE's treatment of critical peak pricing in the**
15 **CEIP?**

16 A. Yes. Staff has concerns that not including these programs in the DR target may not
17 be in full alignment with the statutory requirement to pursue all cost-effective DR
18 required by RCW 19.405.040(6). However, because the ability of these programs to
19 shift usage is still unknown in PSE's service territory, Staff does not object to the
20 treatment at this time. Since the pilots' contributions were removed from this target,

¹⁷ *In re Puget Sound Energy's Draft 2021 Electric and Natural Gas Integrated Resource Plans*, Dockets UE-200304 & UG-200305, 2021 PSE IRP, p. 1-13, figure 1-4 (April 4, 2021) (2021 PSE IRP).

¹⁸ *Id.* at 2-17, figure 2-9.

¹⁹ PSE Final CEIP at 23.

1 Staff recommends the Commission exclude achievement of the pricing pilots from
2 the calculation of progress towards the target.

3

4 **Q. Was the process used to identify the DR target reasonable?**

5 A. Overall, yes. Staff does not have concerns with the process itself, although it should
6 be refined as best practices are further developed. Staff does believe, however, that
7 updated inputs, such as those discussed below, will show more available cost-
8 effective DR in PSE's service territory.

9

10 **Q. Does PSE's 23.7 MW DR target encompass all cost-effective DR as required by**
11 **RCW 19.405.040(6)(a)?**

12 A. Most likely not. Staff and others expressed concern that the assumptions made by
13 PSE while developing the target – such as program cost assumptions, call limits, and
14 the value of DR to PSE's system and customers – may have been overly
15 conservative.²⁰ Analysis that PSE has conducted and presented since the filing of its
16 final 2021 CEIP suggests that more cost-effective DR is available than the analysis
17 based on previous assumptions indicated.²¹

18

19 **Q. Does Staff expect PSE's demand response target to increase in the 2023 CEIP**
20 **update?**

²⁰ Commission Staff Comments Regarding PSE's Final CEIP, pp 9-10 (filed March 2, 2022); *see also*, 2021 PSE IRP, Commission Staff Comments Regarding PSE's Draft IRP, pp. 28-30 (filed Feb. 5, 2021).

²¹ Nightingale, Exh. JBN-2.

1 A. Yes. Staff will be surprised if the 2023 CEIP biennial update does not see a
2 substantial increase in the demand response target based on key information that has
3 come available since PSE filed its 2021 CEIP, including:

- 4 • draft results from the conservation potential assessment (CPA) and resource
5 adequacy analysis for PSE’s upcoming 2023 IRP progress report,
- 6 • preliminary results of PSE’s 2022 Distributed Energy Resources (DER)
7 Request for Proposals (RFP), and
- 8 • the demand response performance incentive mechanism that PSE agreed to in
9 its 2022 general rate case multiparty settlement agreement.²²

10 All of the above data points would indicate that demand response is getting more
11 cost-effective relative to prior cycles.

12

13 **Q. What is Staff’s recommendation in response to PSE’s request for approval of**
14 **the demand response specific target?**

15 A. Staff recommends the Commission approve PSE’s demand response target of 23.7
16 MW, with the following conditions:

- 17 1. PSE must update its demand response target in the 2023 CEIP biennial
18 update to pursue all cost-effective DR.
- 19 2. PSE must develop a methodology to be filed with the 2023 CEIP biennial
20 update for ensuring and demonstrating that its demand response target and
21 programs contribute to meeting the equitable distribution requirements of
22 RCW 19.405.040(8).

²² Nightingale, Exh. JBN-2.

1 **D. Renewable Energy Targets**

2

3 **Q. What are PSE’s renewable energy targets and how do they relate to the**
4 **Company’s 2021 CEIP?**

5 A. The Company must propose the renewable energy target as the percent of retail sales
6 of electricity supplied by renewable resources and provide additional project specific
7 criteria.²³ For its 2021 CEIP four-year compliance period, PSE claims it has provided
8 renewable energy targets compliant with rule by proposing two sets of metrics. The
9 Company first restates its interim targets as follows:

- 10 1. 2022 – 43 percent,
11 2. 2023 - 53 percent,
12 3. 2024 - 59 percent, and
13 4. 2025 - 63 percent.²⁴

14 Staff understands that PSE reiterated its interim targets because PSE is not planning
15 on using non-emitting electricity to meet its interim targets (i.e., PSE’s interim
16 targets represent only renewable energy). PSE then proposes a 2025 renewable
17 energy target of 800 megawatts (MW), but not as a percent of electric retail sales,²⁵
18 for reaching its proposed interim targets. Staff believes it is important to be clear that
19 the renewable energy target should be expressed a percent of retail sales, not in
20 nameplate capacity additions.

21

²³ WAC 480-100-640(3)(a)(iii).

²⁴ PSE Final CEIP at 24, Table 2-6.

²⁵ *Id.* at 26.

1 **Q. What action is PSE requesting of the Commission with respect to the**
2 **Company’s renewable energy targets?**

3 A. The Company seeks Commission approval of its renewable energy specific target in
4 MW, not in percentage of retail sales of electricity supplied by renewable
5 resources.²⁶

6
7 **Q. What is Staff’s position regarding PSE’s proposed renewable energy specific**
8 **target?**

9 A. Staff requests additional information due to insufficient, summarized data presented
10 by the Company in the filed CEIP. PSE fails to provide clear explanations of how the
11 quantitative components of its CEIP relate to and inform one another.²⁷ This lacking
12 narrative, combined with data gaps and general references to redacted model outputs,
13 make it impossible for a technical generalist to follow and understand PSE’s relevant
14 methodologies.²⁸ These transparency issues and implications for equity in energy
15 regulation are discussed more broadly in the testimony of Staff witness Snyder.²⁹

16 Specifically, in response to Staff’s inquiries about how the Company’s
17 proposed renewable energy target and DER sub-target move PSE's energy mix from
18 its 2020 position³⁰ to nonemitting and renewable resources supplying 63 percent of
19 the Company’s electric retail sales (i.e., PSE’s proposed 2025 interim target), PSE

²⁶ PSE Final CEIP at 26.

²⁷ *Id.* at 29-31.

²⁸ Nightingale, Exh. JBN-3.

²⁹ *See* Snyder, Exh. JES-1T at 14-17; 27-29.

³⁰ Required in the first CEIPs under WAC 480-100-640(2)(c). WAC 480-100-640(3)(a)(iii): “The utility must propose the renewable energy target as the percent of retail sales of electricity supplied by renewable resources and must provide details of renewable energy projects or programs, program budgets as applicable, and forecasted distribution of energy and nonenergy costs and benefits.”

1 provided insufficient information. The response contained a scattering of references
2 to various tables within the CEIP, the underlying AURORA model output, and select
3 other Company filings, including PSE’s 2022 – 2023 Biennial Conservation Plan
4 (BCP). The AURORA model reference is a redacted one-page PDF “placeholder”
5 which offers no value.³¹

6
7 **Q. What information would Staff need to support PSE’s proposed renewable**
8 **energy specific target?**

9 A. To support approving PSE’s proposed renewable energy specific target and DER
10 sub-target, Staff needs a step-by-step *clear* explanation illustrating how the
11 Company’s renewable energy specific target gets the Company from its 2020
12 “baseline” position to its 2025 interim target of 63 percent. Staff does not believe
13 PSE satisfactorily addressed this question during discovery. PSE’s existing CEIP
14 narrative lacks relevant connection to the Company’s underlying analytical model(s).
15 Staff outlines the following two recommended conditions:

- 16 1. In its revised target explanation or methodology, PSE should include
17 screenshots of the underlying modeling output or, at minimum, references to
18 specific spreadsheet cells within larger workpaper workbooks. Staff would
19 view such increased granularity as a marked improvement over the “global
20 references” to the underlying AURORA models PSE has so far provided
21 through discovery.

³¹ Nightingale, Exh. JBN-3.

1 2. Importantly, PSE should follow the rule and clarify the relationship between
2 the Company’s renewable energy specific target and its overall interim
3 targets by expressing its renewable energy target as “the percent of retail
4 sales of electricity supplied by renewable resources.”³² PSE’s renewable
5 energy specific target as filed in MW, while useful for understanding the
6 scale of new nameplate installations, does not comply with rule and the
7 needed unit conversions present yet another area of ambiguity.

8
9 **Q. In summary, what are Staff’s recommendations regarding PSE’s proposed**
10 **renewable energy specific target?**

11 A. Staff recommends the Commission approve the renewable energy target on the
12 condition that PSE must file to the docket within 60 days of final Commission action
13 a narrative describing how its renewable energy target of 800 MW contributes to
14 PSE’s achieving its interim target of 63 percent renewable or nonemitting energy by
15 2025. This filing should also include the renewable energy target as a percentage of
16 retail load, as required by WAC 480-100-640(3)(a)(iii). This narrative should
17 reference other applicable targets and actions that contribute to achieving PSE’s
18 2025 interim target. This narrative should contain references to relevant supporting
19 workpapers, and should be written such that a technical generalist can understand the
20 connections. Staff does not consider the approach the Company took in Chapter 2 of
21 its CEIP referencing redacted workpapers and parallel workstreams (e.g., the

³² WAC 480-100-640(3)(a)(iii).

1 2022-2023 BCP) as granular enough for a technical generalist to be able to follow
2 and understand.

3

4 **E. PSE’s Distributed Energy Resources Sub-target**

5

6 **Q. What is PSE’s Distributed Energy Resources Sub-target?**

7 A. Although it is not required by rule or statute, PSE proposed an aspirational
8 Distributed Energy Resources (DER) Sub-target of 80 MW for this CEIP period.
9 This is in *addition to* 800 MW of new utility scale renewables described in the
10 section above.³³ Along with this sub-target, PSE provided a methodology for
11 dividing these 80 MW (and the 25 MW from its distributed battery storage specific
12 action) among different program concepts, recognizing that along with their grid
13 benefits, “DERs create opportunities to enhance benefits to customers.”³⁴

14

15 **Q. Where does this DER sub-target of 80 MW of distributed solar by 2025 come
16 from?**

17 A. PSE’s 2021 IRP included 80 MW of distributed solar in its preferred portfolio.³⁵
18 During the CEIP development process, PSE consultant Black and Veatch found that
19 achieving this sub-target within the CEIP period represented a “feasible market
20 adoption rate.”³⁶

21

³³ PSE Final CEIP at 4.

³⁴ *Id.* at 32.

³⁵ 2021 PSE IRP at 1-13.

³⁶ *See* PSE Final CEIP at 25, Appendix K.

1 **Q. Does Staff have any concerns about the 80 MW distributed solar sub-target?**

2 A. Yes. Staff generally supports the idea of the additional 80 MW DER sub-target, but
3 has concerns regarding the methodology PSE uses to allocate these resources to
4 various programs, cost implications, and ultimately the consideration of the equitable
5 distribution of benefits. As described in the previous section on PSE’s renewable
6 energy specific target, the Company has not sufficiently provided detail in its CEIP
7 as to how this 80 MW DER sub-target contributes to PSE achieving its interim target
8 or how benefits are distributed.

9

10 **Q. What does PSE’s DER portfolio selection methodology consider?**

11 A. PSE’s DER portfolio selection process brings cost and non-cost information together
12 to select PSE’s preferred DER portfolio to “balance lower costs, [Customer Benefit
13 Indicator (CBI)] scores, and diverse program offerings.”³⁷

14

15 **Q. How do CBIs affect PSE’s DER preferred portfolio?**

16 A. In Phase 1 of its preferred portfolio selection process, PSE uses what it calls “CBI
17 scores” to filter out DER program concepts (programs) that score below the average
18 score of 15.³⁸ In Phase 2, PSE selects concepts based on “high CBI score, high
19 [societal cost test], and low-cost.”³⁹

20

21

³⁷ PSE Final CEIP at 37, Table 2-11.

³⁸ *Id.* at 38; see also, Nightingale, Exh. JBN-3 at 12-17; 24-29 (PSE Responses to UTC Staff Data Request Nos. 10 and 4, respectively).

³⁹ PSE Final CEIP at 39.

1 **Q. Please describe the CBI scoring process.**

2 A. Each program receives a score for its assumed impact on each of PSE’s CBIs. These
3 appear in the form of an integer score – zero, one, or two. Depending on the CBI, a
4 zero can refer to impacts that vary from neutral or negligible, to negative or
5 harmful.⁴⁰ A score of one or two reflects subjective characterizations like “minimal,”
6 “substantial,” “significant,” “measurable,” “likely,” etc.⁴¹ While PSE notes that these
7 scores were created by PSE’s “subject matter experts,” the vague and subjective
8 language in the CBI scoring rubric does not lend itself well to verification.⁴²

9 Once assigned, these individual scores are added up for each program to
10 calculate that program’s overall CBI score, which is then used in the DER portfolio
11 selection process, described above.

12
13 **Q. What are Staff’s critiques of this DER program concept selection methodology?**

14 A. Staff’s primary critique of PSE’s program selection process is that the individual
15 CBI scoring is opaque and subjective. Staff is concerned that DER program CBI
16 scores are determined by unknown subject matter experts instead of using an open,
17 transparent process with advisory group input and/or verifiable data sources.⁴³

18 Further, Staff also sees flaws in PSE’s scoring rubric which appears to rely on
19 subjective characterizations; the scores do not provide clarity on the nature or degree

⁴⁰ PSE Final CEIP, Appendix D-3, sheet “CBI-Scoring”, Columns G and H.

⁴¹ *Id.*

⁴² Nightingale, Exh. JBN-3 at 12-17; 24-29 (PSE Responses to UTC Staff Data Request Nos. 10 and 4, respectively).

⁴³ See *In the Matter of Adopting Rules Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act*, Dockets UE-191023 & UE-190698 (consolidated), General Order 601, p. 21, ¶ 50 (“As with all customer benefit indicators, the application of these terms must reflect customer input to ensure that all customers are benefiting from the transition to clean energy.”) (Adoption Order).

1 of benefits created by the various DER programs. The zero, one, two scale for CBI
2 scoring lacks resolution needed to provide a nuanced evaluation.⁴⁴

3 In addition to the CBI scoring methodology, Staff is concerned that other
4 aspects of the DER selection process and program concepts themselves, still need
5 significant refining. For example, some of the programs are designed for “income
6 eligible” customers, but PSE has not set an income eligibility threshold for these
7 programs.⁴⁵ Also, many of the cost assumptions are based on PSE’s consultant’s
8 (Black and Veatch’s) “experience,” rather than more specific cost information.

9

10 **Q. Are there any other aspects of the DER selection process that concern Staff?**

11 A. Yes. Staff questions the value of going through this DER selection process *before*
12 solid data and specific program details are available. Broadly, PSE has not fleshed
13 out many aspects of the DER programs, and in several places PSE notes that the final
14 suite of DERs implemented “may vary depending on what [PSE] learn[s] through the
15 Targeted DER RFP process.”⁴⁶

16

17 **Q. What is Staff’s recommendation on the DER selection process?**

18 A. Staff recommends that the Commission approve PSE’s proposed 80 MW DER sub-
19 target, on condition that: in time for the 2023 CEIP update, PSE must work with the
20 equity advisory group and an advisory group (either new or existing) with sufficient

⁴⁴ Staff acknowledges that CBIs can be qualitative, and therefore measuring certain CBIs will involve some level of subjectivity. But those subjective judgments should be presented in as transparent, explicit, and detailed a manner as possible. Only then can the Commission and other parties evaluate these kinds of CBIs and related scoring.

⁴⁵ Nightingale, Exh. JBN-3 at 12-17 (PSE Response to UTC Staff Data Request No. 10).

⁴⁶ PSE Final CEIP at 41.

1 expertise and interest to develop a new or revised DER selection process that is (1)
2 consistent with the distributed energy resources planning process outlined in RCW
3 19.280.100, and (2) transparent, technology neutral, and robust in its comparison of
4 DER programs considering cost and non-cost factors. Staff agrees with PSE that
5 DERs are particularly useful when pursuing an equitable distribution of benefits in
6 the energy transition. However, the critiques outlined above highlight several of the
7 serious questions Staff still has when it comes to PSE's DER selection process.

8
9 **Q. Does the Commission even need to accept or reject the DER sub-target in its**
10 **CEIP Order?**

11 A. No. As noted above, a determination on a proposed DER sub-target is not required
12 by statute or Commission rule. However, the Commission may require more
13 stringent targets than those proposed by the utility, and Staff believes that including a
14 DER sub-target as part of the Commission order is beneficial because of DER's
15 particular ability to support a pursuit of an equitable distribution of benefits in the
16 energy transition.

17
18 **F. Incremental Cost of Compliance in Planning**

19
20 **Q. What is the Incremental Cost of Compliance (IC)?**

21 A. The IC is meant to quantify the cost of meeting RCW 19.405.040, RCW 19.405.050
22 and the interim targets as compared to the cost that otherwise would have been
23 incurred in a world in which RCW 19.405.040 and -.050 did not exist. In rule, the IC

1 appears in two forms, the projected incremental cost (as described in WAC 480-100-
2 660(4)) and the reported actual incremental cost (as described in WAC 480-100-
3 660(5)). The projected incremental cost is required in each CEIP filing per WAC
4 480-100-640(7), while the reported actual incremental cost is required in the clean
5 energy compliance report per WAC 480-100-650(1)(g).

6
7 **Q. What is the purpose of the projected incremental cost calculation specifically?**

8 A. The purpose of the projected incremental cost calculation is twofold. First, it acts as
9 a practice run for the actual incremental cost calculation, which decides whether the
10 alternative compliance pathway is available to the utility at the end of the compliance
11 period. Allowing the parties to work toward a common understanding of how to
12 properly perform the calculation now could avoid or mitigate litigation during the
13 compliance review. Second, it allows the Commission to have a general
14 understanding of the incremental cost of the plan proposed by the utility.⁴⁷ As
15 indicated below, the incremental cost is not a cap or a floor. It does not prohibit a
16 utility from spending above the two percent increase, and it does not authorize a
17 utility to spend up to two percent when the lowest reasonable cost analysis indicates
18 that the goals of RCW 19.405.040 and -.050 could be achieved by spending less.⁴⁸
19 Nor does the projected incremental cost prohibit the Commission from approving a

⁴⁷ See Adoption Order at 44, ¶ 120.

⁴⁸ See *Id.* at 44-45, ¶ 120 (“The Commission expects that a utility’s incremental cost of compliance estimate would be consistent with its recommended specific actions, specific targets, and interim targets that it submits to the Commission for approval. Accordingly, the specific actions, specific targets, and interim targets should not require the utility to spend an amount that approaches its incremental cost estimate; to the contrary, as we stated above, CETA requires utilities to meet the statutory requirements at the lowest reasonable cost.”)

1 CEIP projected to exceed the two percent incremental cost figure.⁴⁹ For that reason,
2 the results of the projected incremental cost calculation should not be used in the
3 preferred portfolio selection process.

4

5 **Q. Should the IC be used during the CEIP base portfolio selection process?**

6 A. Staff recommends that the two percent IC alternative compliance pathway *should not*
7 be used in the CEIP base portfolio selection process. Staff’s recommendation is in
8 line with the Commission’s CETA rule adoption order, where it notes multiple times
9 that the IC should not be used as a target or a cap:

- 10 • At paragraph 107, the order states that the IC is “not a strict cost cap nor is it
11 a floor, but, as stated above, an alternative compliance pathway.”
- 12 • At paragraph 117, the order states again that “the incremental cost of
13 compliance is a compliance pathway, not a strict cap.”
- 14 • At paragraph 119, the order states that “Relying on projections from the
15 beginning of the implementation period to determine compliance would not
16 be consistent with statute.”⁵⁰

17 The Commission’s guidance in the CETA rule adoption order is the basis for Staff’s
18 understanding that the incremental cost of compliance should not be used as a
19 planning constraint during PSE’s CEIP development process.

20

⁴⁹ See RCW 19.405.060(1)(c) (No requirement outlined for the Commission adjusting targets or timelines under this subsection is related to incremental cost. Similarly, subsections -.060(1)(a)-(b) make no mention of incremental cost requirements for the initial filing.).

⁵⁰ Adoption Order at 39-44.

1 **Q. Specifically, what is Staff’s recommendation on the application of incremental**
2 **cost of compliance for the 2023 CEIP biennial update filing?**

3 A. Staff recommends in the 2023 CEIP biennial update, that PSE refrain from using the
4 IC as a constraint in its base case, whether it is referred to as a target, cap, guidepost,
5 or otherwise. PSE’s CEIP states that its target development process “iterated on
6 various permutations to *maximize spending* to the incremental cost guidance”
7 (emphasis added).⁵¹ Staff does not support using IC as a limiting constraint in its
8 base case and does not expect to see it in the narrative or modeling for the next CEIP
9 iteration.

10
11 **Q. Should Staff’s silence on other aspects of PSE’s projected incremental cost**
12 **calculation be interpreted as an endorsement?**

13 A. No. Staff’s silence on other aspects of PSE’s incremental cost calculation should not
14 be interpreted as an endorsement of the way PSE calculated its projected incremental
15 cost in this CEIP.

16

17 **IV. CONCLUSION**

18

19 **Q. Does this conclude your testimony?**

20 A. Yes.

⁵¹ PSE Final CEIP at 27.