

**EXH. LCM-3
DOCKET UE-210795
2022 PSE CEIP
WITNESS: LAUREN C. MCCLOY**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of
PUGET SOUND ENERGY, INC.
2021 Clean Energy Implementation Plan

Docket UE-210795

**SECOND EXHIBIT TO THE PREFILED RESPONSE TESTIMONY OF
LAUREN C. MCCLOY
ON BEHALF OF NW ENERGY COALITION AND FRONT AND CENTERED**

OCTOBER 10, 2022

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKETS UE-220066/UG-220067 and
UG-210918 (Consolidated)

SETTLEMENT STIPULATION AND
AGREEMENT ON REVENUE
REQUIREMENT AND ALL OTHER
ISSUES EXCEPT TACOMA LNG AND
PSE'S GREEN DIRECT PROGRAM

In the Matter of the Petition of

PUGET SOUND ENERGY

For an Order Authorizing Deferred
Accounting Treatment for Puget Sound
Energy's Share of Costs Associated with the
Tacoma LNG Facility

AUGUST 26, 2022
SETTLEMENT STIPULATION AND AGREEMENT ON
REVENUE REQUIREMENT AND ALL OTHER ISSUES EXCEPT
TACOMA LNG AND PSE'S GREEN DIRECT PROGRAM

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I. INTRODUCTION

1. This Settlement Stipulation and Agreement addresses all issues in Puget Sound Energy's ("PSE" or "the Company") above-captioned general rate case except those issues relating to the Tacoma Liquefied Natural Gas ("LNG") Facility and those related to the Settlement Stipulation and Agreement (Green Direct)¹ ("Settlement"). The Settlement is entered into by and between the following parties in this case: (i) PSE, (ii) the regulatory staff of the Washington Utilities and Transportation Commission ("Commission Staff"),² (iii) Alliance of Western Energy Consumers ("AWEC"), (iv) Federal Executive Agencies ("FEA"), (v) Walmart, Inc. ("Walmart"), (vi) The Energy Project, (vii) Kroger, Co. ("Kroger"), (viii) NW Energy Coalition, (ix) Sierra Club, (x) Front and Centered, (xi) Microsoft and (xii) Nucor Steel Seattle, Inc. ("Nucor"), as of August 26, 2022. These parties are hereinafter collectively referred to as "Settling Parties" and individually as a "Settling Party."

2. This Settlement is a partial multiparty settlement as that term is defined in WAC 480-07-730(3)(b).

3. King County neither joins nor opposes the Settlement.

4. The Coalition of Eastside Neighborhoods for Sensible Energy ("CENSE") opposes the Settlement.

¹ Issues relating to the Tacoma LNG facility and PSE's Green Direct Program are addressed in separate settlement stipulations. This stipulation incorporates the Green Direct settlement stipulation's Green Direct credit term into its agreed revenue requirement increase. *See* Section III.A, *infra*.

² In formal proceedings, such as this, the Commission's regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners' policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

5. The Public Counsel Unit of the Washington Office of the Attorney General (“Public Counsel”) will respond to the Settlement on September 9, 2022, and may support or remain neutral regarding most terms, except cost of capital and capital structure.

6. To the extent appropriate given the limitations placed on its involvement in this case, the Puyallup Tribe of Indians may respond to this Settlement on September 9, 2022, indicating its support, opposition and/or neutrality regarding Settlement terms.

7. This Settlement is subject to review and disposition by the Washington Utilities and Transportation Commission (“Commission”). Section III of the Settlement is effective on the date of the Commission order approving it (unless the Commission establishes a different effective date). The remainder of the Settlement is effective as of August 26, 2022.

II. BACKGROUND AND NATURE OF THE DOCKET

8. On January 31, 2022, PSE filed with the Commission, in Dockets UE-220066 and UG-220067, a general rate case (“2022 GRC”), which proposed a three-year multiyear rate plan (“MYRP”).

9. On February 10, 2022, the Commission suspended operation of the as-filed tariff schedules, commenced discovery, and set the matter for hearing in Order 01.

10. On February 28, 2022, the Commission convened a virtual prehearing conference. The Commission granted party interventions and set a procedural schedule in the Prehearing Conference Order, served on March 3, 2022.

11. On April 27, 2022, Commission Staff filed a motion to consolidate an accounting petition PSE filed in Docket UG-210918, seeking an order authorizing deferred accounting

treatment for PSE's share of costs associated with the Tacoma LNG Facility, with the 2022 GRC. On May 12, 2022, the Commission consolidated the proceedings.

12. On July 28, 2022, Commission Staff, Public Counsel, and Intervenors filed response testimony.

13. The parties to PSE's general rate case participated in several virtual settlement conferences, including on June 13, 14, and August 10 and 12, 2022. In addition, settlement discussions continued by email during this time period.

14. On August 5, 2022, a partial multiparty settlement on the Green Direct program was filed with the Commission, along with supporting testimony. The parties to that settlement are PSE, Commission Staff, Public Counsel, King County, and Walmart. No party opposes the Green Direct settlement.

15. On August 12, 2022, the parties notified the Commission that two settlements in principle had been reached: one that specifically addressed Tacoma LNG issues and a second settlement that addressed all other remaining issues in the case (this Settlement).

16. On August 18, 2022, Nucor agreed to join the settlements in principle reached on August 12, 2022.

17. On August 18, 2022, the Commission convened a Status Conference to discuss a schedule for filing settlement documents and testimony supporting and opposing the settlements.

18. On August 22, 2022, the Commission issued a revised procedural schedule for the Settlement hearing.

III. AGREEMENT

19. The Settling Parties agree to the following terms as a multiparty settlement in this filing that fully settles all issues in this proceeding except those relating to Tacoma LNG and

Green Direct. Supporting Schedules are presented as exhibits to this Settlement Stipulation and Agreement.³

A. Revenue Requirement and Prudence

20. Two Year MYRP. The Settling Parties agree to a two-year MYRP.

21. Electric Revenue Requirement. The Settling Parties agree to an overall electric revenue increase of \$223 million in the first year of the rate plan and an overall electric revenue increase of \$38 million in the second year of the rate plan.

22. Gas Revenue Requirement. The Settling Parties agree to an overall natural gas revenue increase of \$70.6 million in the first year of the rate plan and an overall natural gas revenue increase of \$18.8 million in the second year of the rate plan.

23. The Settling Parties agree the revenue requirement increases assume and reflect the following assumptions:

- a. Return on Equity/Capital Structure/Cost of Debt. The authorized return on equity is set at 9.4 percent and the capital structure is set at 49 percent equity/51 percent debt with the cost of debt at 5.0 percent for the duration of the MYRP.
- b. Reliability Spending. \$70 million of electric and natural gas reliability spending that PSE projected to spend in 2023 is shifted to 2024.
- c. Renewable Natural Gas. Renewable natural gas costs are not included.
- d. Power Costs. Power cost increases embedded in the revenue requirement are assumed to equal PSE's filed case (\$125.5 million in 2023) reduced for the

³ Exhibits A-N are attached. Workpapers will be provided to the Settling Parties.

electric portion of the Northwest Pipeline settlement (\$4.6 million, after grossing up for revenue sensitive items). The power cost update that will occur at the compliance filing in this case⁴ will use these power costs as the reference point for projected 2023 power costs.

e. Advanced Metering Infrastructure (“AMI”). The Settling Parties accept a determination that:

- i. PSE has adequately demonstrated utility system benefits of AMI.
- ii. PSE will continue deferring recovery of its return on equity on AMI but will recover its debt component of return on rate base.

1. On AMI plant in service as of December 31, 2019, PSE will defer through 2022 its return on rate base (equity and debt) per Order 08 in Dockets UE-190529 and UG-190530. Beginning in 2023, PSE will amortize over three years the debt component of return on rate base that has been deferred through 2022 on investments made as of 2019.
2. As of January 1, 2023, the deferral of the return on equity on AMI plant will include plant as of December 31, 2021, and PSE will amortize the debt component of return on rate base deferred through 2021 over three years beginning in 2023.
3. The deferral of the return on equity component of AMI will continue until rates are changed in PSE’s next MYRP, and the

⁴ See Section III.D. *infra*.

amortization of deferred return on equity on AMI investments may not occur sooner than 2025.

- iii. PSE is entitled to recovery of its AMI plant put into service through December 31, 2021, to the extent not already recovered.
 - iv. Parties do not object to the Commission making a determination that costs (depreciation and the debt component of return on investment) for AMI after December 31, 2021, are reasonable, subject to refund, pending future review processes.
 - v. PSE will not receive a final determination of prudence on the AMI project until the AMI installation is complete and PSE provides an AMI benefits progress report. PSE will file a final AMI benefits progress report as a compliance filing in these dockets no later than the filing of its next MYRP. The report will provide an update describing how PSE has continued efforts to maximize Company and customer benefits realized under the program and PSE's plans to continue such maximization efforts, as well as any new Company or customer benefit use cases identified.
 - vi. In the AMI benefits progress report, PSE will update its AMI reporting metrics, including equity considerations.
- f. Electric Capital Investments. The Settling Parties agree that PSE's proposed electric capital investments will be included in its proposed MYRP rates with reductions noted elsewhere in this Settlement. As discussed below, PSE will propose to recover certain capital expenses related to its Clean Energy

Implementation Plan (“CEIP”) and Transportation Electrification Program (“TEP”) through separate trackers.⁵

- g. Gas Capital Investments. The Settling Parties agree that PSE’s proposed gas capital investments will be included in its proposed MYRP rates with revenue requirement reductions of \$5 million in 2023 and \$1 million in 2024 to reflect lower gas rate base in part to be attributable to lower new gas customer construction costs.
- h. Electric Operations and Maintenance (“O&M”). The Settling Parties agree to PSE’s proposed increases to electric O&M with reductions embedded in Exhibit J to this Settlement. As discussed below, PSE will recover certain O&M expenses related to its CEIP and TEP through separate trackers.⁶
- i. Gas O&M. The Settling Parties agree to PSE’s proposed increases to gas O&M with a 20 percent reduction in the gas O&M increases in 2023 and 2024.
- j. Colstrip. PSE will move Colstrip rate base and expense into a separate tracker under Schedule 141-C, as proposed in the testimony of Susan E. Free (Exh. SEF-18). PSE agrees to exclude capital investments associated with the construction of PSE’s Colstrip dry ash facilities from recovery in base rates in this case and PSE’s proposed Schedule 141-C tracker. The Settling Parties agree that Colstrip costs included in rates in 2023 and beyond (including major maintenance expense and new plant additions) are subject to review,

⁵ See Section III.A, *infra* (the section detailing revenue requirement assumptions, subsections k and l).

⁶See *id.*

including but not limited to an examination of prudence, in PSE's annual Schedule 141-C tariff filing. Major maintenance costs incurred during the MYRP will be amortized over three years, regardless of the year incurred. Costs amortized after 2025 would not be recovered in rates. The Settling Parties retain all rights to challenge Colstrip costs when PSE files tariff revisions for the tracker.

- k. Clean Energy Implementation Plan. PSE agrees to develop a separate tracking mechanism and tariff (“Schedule XX, Clean Energy Implementation Tracker”) for costs included in its approved CEIP in Docket UE-210795 that are not included in Power Costs and are appropriate for recovery during the MYRP. Such costs may include but are not necessarily limited to distributed energy resource (“DER”) program costs, O&M expense, and capital expense for projects that enable CEIP implementation. The Settling Parties agree to work collaboratively with PSE in developing this tracker by April 1, 2023. All CEIP investments recovered through this separate tracking mechanism are subject to review, including but not limited to an examination of prudence. This tracker will expire upon the implementation of new rates in PSE’s next general rate case, or other date agreed to by the Settling Parties. This proposal is non-precedential, and inclusion of costs in the tracker does not qualify them as incremental costs for the purpose of WAC 480-100-660(4). PSE agrees to include costs associated with its 2025 CEIP as part of base rates or the associated tariff schedules implementing PSE’s MYRP (i.e., Schedules 141-N and 141-R) in its next general rate case.

- l. Transportation Electrification. The Settling Parties agree to move recovery of Transportation Electrification Program (“TEP”) costs to a new rate tracker. Such costs will include capital, depreciation, and O&M expenses to enable the TEP. The Settling Parties have no position as to whether this approach to recovery of TEP costs would be permanent or not. The Settling Parties retain all rights to challenge program costs when PSE files tariff revisions for the tracker.
- m. Energize Eastside. The Settling Parties agree that delayed service dates for Energize Eastside are assumed to be incorporated into the agreed upon revenue requirement above (i.e., South Phase in service by October 2023 and North Phase in service by October 2024). The Settling Parties agree that estimated costs associated with Energize Eastside (as described in PSE's initial filing) may enter rates provisionally (on the updated timeline, outlined above), subject to refund. Settling Parties accept and will not challenge that PSE has met its threshold prudence requirement to demonstrate that the investment should be provisionally included in rates. Settling Parties may challenge the costs of the project in the review of investments after the plant is placed in service.
- n. COVID Deferral. PSE agrees to a partial write-off of the COVID deferral. Deferred costs, savings, and fee revenues associated with PSE’s COVID deferred accounting petition filed in Dockets UE-200780 and UG-200781 will be written-off, but PSE can seek to recover its “Additional Funding for Customer Programs” provided by PSE in compliance with Order 01 in Docket

U-200281 and bad-debt accrued in excess of levels embedded in existing rates through PSE's electric and gas Schedule 129.

- o. Load Forecast. PSE agrees to change the load forecast for certain rate schedules.⁷
- p. Plant Investment. The Settling Parties do not object to determination of prudence for all other plant investment through 2021 as proposed in PSE's direct case. The Settling Parties do not object to allowing to go into rates all other plant investment included in PSE's MYRP that went, or is projected to go, into service in 2022 through 2024 subject to refund and the annual review process for prudence proposed in the testimony of Susan E. Free (Exh. SEF-1Tr).
- q. Depreciation Rates and Expenses. The Settling Parties accept PSE's proposed depreciation rates and expenses as proposed by Ned W. Allis (Gas and Common from Exh. NWA-3 and Electric from Exh. NWA-4) and Susan E. Free (Exh. SEF-1Tr).
- r. Regulatory Assets
 - i. Automated Meter Reading. The Settling Parties do not object to PSE's recovery of its AMR investment.
 - ii. Water Heater Business. The Settling Parties do not object to PSE's recovery of its loss associated with its water heater business sale.

⁷ See Section III.F, *infra*.

- iii. Other Regulatory Assets and Liabilities. The Settling Parties do not object to PSE's proposals related to all other regulatory assets and liabilities, as identified in Exhibit N to the Settlement Agreement.
- s. Green Direct. The recovery of the Green Direct Energy Credit is included in the proposed electric revenue requirement in this Settlement.
- t. Other Revenue: PSE will remove from the Gas revenue requirement model the “Other Adjustments” in column I, line 28, on p. 1, of Exh. JDT-3. PSE will remove from the Electric revenue requirement model the “Other Adjustment” in column (b), line 24, on p. 2, of Exh. BDJ-3.
- u. Estimated Residential Bill Impacts: The estimated bill impacts resulting from this Settlement for residential electric and gas customers is shown below. PSE will make a subsequent filing by September 2, 2022 with updated bill impacts for electric and gas customers.⁸ Final electric impacts will not be known until the power cost update is completed in the compliance filing.

Electric		
Settlement Average Bill Increase		
Rate Class	2023	2024
Residential Sch 7	\$ 10.83	\$ 1.71

Gas		
Settlement Average Bill Increase		
Rate Class	2023	2024
Residential (16,23,53)	\$ 4.93	\$ 1.27

⁸ Final cost of service numbers may impact net revenue change included in the revenue requirement exhibit for both electric and gas.

- v. Estimated Percent of Revenue Increase by Rate Class: The below is an estimate of the percent of total revenue increase by rate class, resulting from the Settlement, for electric and gas customers. PSE will make a subsequent filing by September 2, 2022 with updated percent of revenue increase by rate class for electric and gas customers.⁹ Final electric revenue increase will not be known until the power cost update is completed in the compliance filing.

Electric		
Settlement % of Total Revenue Increase by Rate Class		
Rate Class	2023	2024
Residential Sch 7	11.4%	1.6%
Sec Volt Sch 24 (kW < 50)	7.8%	1.3%
Sec Volt Sch 25 & 29 (kW > 50 & < 350)	8.7%	1.4%
Sec Volt Sch 26 (kW > 350)	7.2%	1.3%
Pri Volt Sch 31 (General Service)	7.7%	1.4%
Pri Volt Sch 35 (Irrigation)	21.8%	2.4%
Pri Volt Sch 43 (Interruptible)	5.5%	1.1%
Special Contract	-1.9%	1.6%

⁹ Final cost of service numbers may impact net revenue change included in the revenue requirement exhibit for both electric and gas

High Volt Sch 46 & 49 (Interruptible & Gen Svc)	2.0%	1.1%
Choice/Retail Wheeling Sch 449 & 459	1.2%	0.2%
Street & Area Lighting	15.4%	2.1%
Total	9.7%	1.5%

Gas		
Settlement % of Total Revenue Increase by Rate Class		
Rate Class	2023	2024
Residential (16,23,53)	6.5%	1.6%
Comm. & Indus. (31,31T)	6.2%	1.6%
Large Volume (41,41T)	5.8%	1.5%
Interruptible (85, 85T)	10.7%	2.6%
Limited Interruptible (86, 86T)	2.1%	0.7%
Non-Exclusive Interruptible (87, 87T)	4.4%	1.4%
Contracts	-0.5%	0.0%
Total	6.4%	1.6%

- w. Estimated Percent of Margin Increase by Rate Class: The below is an estimate of the percent of total margin increase by rate class, resulting from the Settlement, for gas customers. PSE will make a subsequent filing by

September 2, 2022 with updated margin increase by rate class for gas customers.¹⁰

Gas		
Settlement % of Margin Increase by Rate Class		
Rate Class	2023	2024
Residential (16,23,53)	12.8%	3.3%
Comm. & Indus. (31,31T)	13.6%	3.7%
Large Volume (41,41T)	14.3%	3.8%
Interruptible (85, 85T)	19.1%	5.2%
Limited Interruptible (86, 86T)	6.4%	2.2%
Non-Exclusive Interruptible (87, 87T)	11.6%	3.7%
Contracts	-0.6%	0.0%
Total	13.1%	3.5%

B. Corporate Capital Planning

24. By the end of the MYRP, the Settling Parties agree PSE shall make a compliance filing in these dockets demonstrating:

- a. Plan for Equitable Outcomes. A process or procedure for how PSE’s Board of Directors and senior management plan for equitable outcomes when making decisions on enterprise-wide capital portfolios within the three-tier planning process. This will include a transparent and inclusive methodology for how the Enterprise Project Portfolio Management (“EPPM”) tool will be used to

¹⁰ Final cost of service numbers may impact net revenue change included in the revenue requirement exhibit for both electric and gas.

apply an equity lens to the Corporate Capital Allocation framework that integrates feedback from persons affected by PSE's decisions.

- b. Corporate Spending Authorizations ("CSAs"). PSE's use of CSAs that require sponsors to consider the equitable distribution of benefits and reduction of burdens of the project or program. This can be demonstrated either qualitatively or quantitatively, or both. Once the Company has completed its pilot distributional equity analysis, participated in the Commission Staff-led process,¹¹ and has received approval from the Commission for its methods (and updated its analysis as necessary to conform to any changes to methods potentially required by the Commission), PSE will include in its CSAs results of distributional equity analysis.

C. Delivery and Distribution System Planning

25. Distribution System Planning. PSE will conduct Distribution System Planning in coordination with its CEIP process, as part of an integrated system planning approach for distribution system investments. A goal of the Distribution System Plan is identifying ways that connected customer-side resources can provide system value for all customers and achieve an equitable distribution of benefits and burdens to vulnerable populations and highly impacted communities. During the MYRP, PSE will solicit stakeholder input to help identify options and priorities for community-based resources and provide equitable treatment of measures that can enhance distribution carrying capacity, including those not owned or controlled by PSE.

¹¹ See section III.L. *infra*.

26. Investment decision optimization tool (“iDOT”). PSE will develop new benefits and costs (with associated weights) related to equity for use in the optimization step in its replacement software for iDOT.
- a. PSE must, at minimum, collaborate with its Equity Advisory Group, Integrated Resource Plan (“IRP”) Advisory Group, and its customers, particularly in Named Communities. Engagement with these groups will occur at least at the “Collaboration” level on the International Association for Public Participation Spectrum.¹²
 - b. New benefits and costs in the iDOT should include, but are not limited to, societal impacts, non-energy benefits and burdens, and the Social Cost of Greenhouse Gases, as well as any other benefits and costs deemed appropriate after engagement with PSE’s advisory groups.
 - c. PSE will establish a process for including new iDOT benefits and costs within the Solutions Assessment of projects.
 - d. Once PSE has completed its pilot distributional equity analysis, participated in the Commission Staff-led process,¹³ and has received approval from the Commission for its methods (and updated its analysis as necessary to reflect the approved methods), PSE will incorporate such analyses as a decision-making tool alongside the Benefit/Cost Analysis (“BCA”), which is currently performed in the Optimization step and the Alternatives and Solutions Analysis step.

¹² International Association for Public Participation Spectrum USA, IAP2 Public Participation Spectrum, available at <https://iap2usa.org/cvs>.

¹³ See section III.L. *infra*.

D. Power Costs

27. Power Cost Only Rate Case (“PCORC”). PSE agrees to a PCORC stay-out throughout the pendency of the MYRP. The Settling Parties reserve the right to challenge whether PSE’s ability to file PCORCs as allowed under its Power Cost Adjustment (“PCA”) Mechanism should continue in future proceedings.

28. Power Cost Updates. The Settling Parties agree that:

- a. PSE will update power costs for recovery in 2023 as part of its compliance filing at the conclusion of this case and include the bulleted items listed in subpart b, below, as part of the power cost update.
- b. PSE is required to file a 90-day compliance filing in this proceeding to change rates effective January 1, 2024, for power costs to be recovered in 2024. In this compliance filing, PSE will update the rate recovering the PCA baseline by updating the power cost model from this filing with the cost and inputs listed below:

- Costs associated with Mid-C hydro contracts;
- Costs associated with upstream pipeline capacity;
- Outage schedules;
- BPA rates;
- Load forecast (for the 2024 update);
- Variable O&M costs;
- Impacts to dispatch logic related to Climate Commitment Act (“CCA”) compliance;
- Hedges and physical supply contracts;
- Natural gas prices;
- Changes to terms of current resources;
- Any new and updated resources (including transmission contracts);
- Nothing in this agreement limits the Settling Parties’ ability to review and contest prudence in future proceedings.

29. Timing. By August 1, 2023, PSE must provide details regarding any complex changes to the PCA baseline rate including work papers demonstrating the method and effect of the changes. If there are no complex changes, PSE must provide a letter stating so. Complex changes include, but are not limited to:

- Any new power resources;
- Any new contracts (e.g., transmission);
- Modification in any existing contract structure or form;
- Any methodological changes to PSE's power cost calculations.

- a. The Settling Parties agree that by October 1, 2023, PSE must provide all other changes to the forecast.
- b. The compliance filing containing proposed rates to recover the new PCA baseline rate would be made by PSE with sufficient time for Commission Staff to review in order to become effective on January 1, 2024.

30. Prudence. Any new resources included in the January 1, 2023 or January 1, 2024 baseline update will undergo a prudence review in the annual PCA Compliance Filing. To reduce the amount of time that costs spend in deferral, the prudence of any new resources effective in 2023 will be determined in the April 2023 PCA filing. Prudence of any new resources effective in 2024 will be determined in the April 2024 PCA Compliance Filing.

- a. The Settling Parties reserve the right to recommend to the Commission that a prudence determination of a particular resource occur in the following year.
- b. The Settling Parties reserve the right to challenge actual deferrals in the following year's PCA Compliance Filing.

31. Power Supply Resources. The Settling Parties accept that all power supply resources (including transmission contracts) for which PSE sought a prudence determination in its initial 2022 GRC filing are deemed prudent.

32. DER Power Purchase Agreements (“PPA”). The cost of any DER PPA for distributed generation, battery resources and demand response costs are eligible for recovery through PSE’s PCORC, PCA Mechanism and/or annual power cost update and are eligible for potential earning on PPAs pursuant to RCW 80.28.410.

E. Rate Spread

33. Electric. The Settling Parties accept PSE’s filed rate spread methodology in the testimony of Birud D. Jhaveri (Exh. BDJ-1Tr).

34. Gas. The Settling Parties agree to a gas base rate spread that is midway between PSE’s proposed relative percentage-based increases in the testimony of John D. Taylor (Exh. JDT-1T) and an equal percent of margin. The Settling Parties agree to spread Schedules 141-R and 141-N proportionately to the base increase.

F. Rate Design

35. Electric. The Settling Parties agree to:

- a. No increase to residential basic monthly charge.
- b. Increase the account limit for the conjunctive demand service option from 5 to 15 accounts per customer and increase the customer’s participating load limit to 6 MW of winter demand. To accommodate increased load in this program, PSE agrees to increase the cap on the program size from 20 aMW to 30 aMW.
- c. For all rate schedules with demand-based charges, the rate design of the MYRP riders (Schedules 141-R and 141-N) should include both a demand

and an energy component for each rate schedule that includes both a demand and an energy charge in its base rates. The amount of rider costs collected through the demand and energy charge components for each rate schedule should be proportional to the demand and energy charge revenues that are collected through base rates for each rate schedule. The Settling Parties agree that the proportion of costs to be recovered through the demand and energy charges would be tied to the projected proportion of base revenue in 2023, as actual results are unlikely to vary greatly and this would avoid the need to track/true-up for small differences between the projected proportionality and actual results.

- d. For all rate schedules with demand-based charges, the rate design of the Colstrip rider (Schedule 141-C) is as follows: 80 percent of the revenue will be recovered through demand charges and 20 percent of the revenue will be recovered through energy charges.
- e. The Settling Parties agree to split the difference (meet halfway) between PSE's electric forecasted billing determinants and Public Counsel's forecasted billing determinants for three specific rate schedules (Residential – Rate 7, Secondary Pumping/Irrigation – Rate 29, and High Voltage Interruptible – Rate 46). PSE will incorporate changes in loads associated with these changes to billing determinants into its updates to power costs during the rate plan.

36. Gas. The Settling Parties agree to:

- a. The basic charge as proposed by PSE witness John D. Taylor (Exh. JDT-1T), with the exception that the residential customer basic charge be \$12.5 per month.
- b. The Schedule 87/87T charges as proposed by PSE witness John D. Taylor (Exh. JDT-1T), except as modified below:
 - i. Demand charge remains unchanged at \$1.45 per therm.
 - ii. First through fifth base rate volumetric block rates receive an equal percentage increase. Sixth volumetric block rate will receive 33 percent of the average rate increase across base rates.
 - iii. Schedules 141-R and 141-N rates are proportional to volumetric base rate increase.
 - iv. Calculate rates using test year weather normalized actual volumes and blocking in both rate years plus PSE's filed Puget LNG forecast in corresponding years.

G. Low Income Issues

37. Bill Discount Rate ("BDR") and Arrearage Management Plan ("AMP"). The Settling Parties agree that:

- a. PSE will consult with the Low-Income Advisory Committee ("LIAC") to develop and design the BDR and AMP. By July 1, 2023, PSE will make a subsequent filing with the Commission for approval of the BDR and AMP program design developed through the LIAC process.
- b. The BDR program will begin on October 1, 2023, will include at least five income-based discount tiers, and at a minimum offer to serve all low-income

customers up to 200 percent of the Federal Poverty Level (“FPL”) or 50 percent Area Median Income, whichever is higher. PSE, the LIAC, and Community Action Agencies will evaluate ways to provide bill discounts to customers with incomes between 50 and 80 percent of Area Median Income. PSE’s subsequent July 1, 2023 filing will describe this evaluation, including the input of other parties and any proposals presented to the LIAC for providing bill discounts to customers with incomes between 50 and 80 percent of Area Median Income.

- c. In consultation with the LIAC, PSE agrees to develop and adopt an AMP as part of an integrated program with BDR and Home Energy Lifeline Program (“HELP”) with an effective date of October 1, 2024.
- d. The program year for the HELP, BDR, and AMP will be October 1 to September 30.
- e. PSE will consult with the LIAC concerning:
 - i. eligibility criteria;
 - ii. enrollment procedures, including the verification of income using self-attestations;
 - iii. how to manage the overlap between the Low-Income Home Energy Assistance Program, HELP, and BDR; and
 - iv. how to integrate the BDR with HELP and AMP.
- f. PSE will not recover new types of costs in its Schedule 129 tariff riders without first consulting the LIAC and making a subsequent filing for Commission approval.

- g. PSE will continue to include Community Action Agencies and other agencies delivering low-income bill assistance programs in LIAC meetings.
- h. The Settling Parties agree that there will be joint administration of enrollment by PSE and the Community Action Agencies for BDR and AMP programs.
- i. Current agency administrative allowances for bill assistance programs will be maintained, with the level to be revisited after the new BDR program is developed and the costs are better known.
- j. BDR and HELP funding will be maintained as separate and independent (except unspent HELP funds, which shall be available to fund the BDR program).
- k. The Settling Parties agree to preserve the grant function of HELP and its availability for arrearage assistance.

38. HELP Funding Increase. PSE will increase HELP funding consistent with RCW 80.28.425(2), as amended.

39. Low-Income Conservation and Weatherization.

- a. PSE agrees to make a good faith effort to increase weatherization measure incentive amounts in 2022. PSE agrees to work with its Conservation Resources Advisory Group (“CRAG”) to survey actual installed measure costs and adjust rebate amounts per survey findings, if warranted, and fully fund all low-income conservation measures shown to be cost-effective with a Total Resource Cost test result of at least 0.667 based on survey results.

- b. PSE agrees to extend its current commitment¹⁴ to maintain an annual base funding level for weatherization through the end of PSE's next GRC as follows:

PSE agrees to continue to fund low-income weatherization programs that the low-income agencies inform PSE they can feasibly achieve with an annual base funding level of no less than the amount in PSE's current Biennial Conservation Plan Low-Income Weatherization Programs through the next General Rate Case.

- c. Nothing in this Settlement is intended to modify any of PSE's existing obligations to make shareholder contributions for weatherization funding.

40. Credit/Collection. PSE agrees to continue its existing credit and collection processes until the conclusion of the proceeding currently being conducted in Docket U-210800.

H. Time Varying Rates Pilot

41. Time Varying Rates ("TVR") Pilot. The Settling Parties agree to the TVR pilot subject to the following modifications:

- a. Include low-income customers up to 200 percent FPL/80 percent Area Median Income.
- b. Provide enabling technology to half of the low-income program participants at no cost to the low-income participant, and funded through Schedule 120, and examine the results in the evaluation, measurement, and verification ("EM&V") plan.
- c. Provide bill protection to half of the low-income program participants and examine the results in the EM&V plan.

¹⁴ Docket U-210542, Order 01, Appendix A, Commitment 43.

- d. Provide for review and comment on recruitment language by the Commission (Consumer Protection Division).
- e. Include in the EM&V plan an exit survey that asks customers if they understood their rate.
- f. Refresh the rates proposed for the pilot to reflect the electric revenue requirement resulting from this Settlement and the electric cost of service methodology presented in the testimony of Birud D. Jhaveri (Exh. BDJ-1Tr).

42. Proposal for Full Opt in Program. PSE agrees to make a proposal for a full opt-in TVR program for residential customers in its next general rate case.

I. Colstrip Tracker and Decommissioning and Remediation Costs

43. Colstrip Tracker. The Settling Parties agree to the Schedule 141-C Colstrip tracker as described above. The Settling Parties also agree to the proposed time period for the Colstrip Schedule 141-C tracker, as proposed by Susan E. Free (Exh. SEF-18), but the Settling Parties may request up to 90 days for review.

44. Forecasted Decommissioning and Remediation (“D&R”). The Settling Parties accept PSE’s calculation of forecasted Colstrip D&R costs, net of monetized Production Tax Credits (“PTCs”), and PSE’s proposed allocation factor for purposes of the Microsoft buyout.

45. Microsoft Lump Sum Payment. The Settling Parties accept Microsoft’s proposal to pay its obligation in a lump sum following the conclusion of this case, as presented in the testimony of Irene Plenefisch (Exh. IP-1T). This results in an up-front payment from Microsoft to PSE’s customers of \$407,922.43. Microsoft will satisfy its obligation within 90 days of receipt of a bill from PSE following a final, non-appealable, order in these dockets. PSE retains the risk of an inaccurate forecast and will not allocate any under-recovered amounts from Microsoft to

any other customer class. PSE agrees that in the event that D&R costs exceed the estimates presented in this case, it will not seek recovery from Microsoft or other ratepayers of amounts that would otherwise be allocated to Microsoft. Microsoft agrees that in the event D&R costs are less than the estimates presented in this case, it will not seek reimbursement from PSE or other ratepayers for the amount of its overpayment.

46. Order of Priority for PTCs. The Settling Parties agree to the change in the order of priority for the application of PTCs to the recovery of Colstrip costs, as described in the testimony of Susan E. Free (Exh. SEF-18).

47. Colstrip Annual Report. The Settling Parties agree to move the Colstrip annual report to the annual Colstrip tracker filing, as proposed by Susan E. Free (Exh. SEF-18).

J. Clean Energy Transformation Act-Related Costs

48. The Settling Parties agree that there will be no determination regarding which costs may be included in the projected incremental cost of compliance with the Clean Energy Transformation Act in this docket. The Settling Parties agree that any questions surrounding the projected incremental cost of compliance will be addressed in the ongoing CEIP proceeding in Docket UE-210795, per WAC 480-100-660(4).

K. Gas Line Extension Margin Allowances

49. PSE shall provide the following tariff revisions for natural gas line extension margin allowances in its compliance filing immediately following the issuance of the final order in this case, with effective dates no later than when new state building codes take effect in 2023, January 1, 2024, and January 1, 2025:

- a. No later than when new state building codes take effect in 2023, such tariff revisions shall reflect a natural gas line extension margin allowance based on

the net present value (“NPV”) methodology using a two-year timeframe and updated inputs from this rate case.

- b. No later than January 1, 2024, such tariff revisions shall reflect a natural gas line extension margin allowance based on the NPV methodology using a one-year timeframe and the same inputs used in 2023.
- c. No later than January 1, 2025, such tariff revisions shall reduce the natural gas line extension margin allowance to zero.

L. Distributional Equity Analysis

50. Pilot Distributional Equity Analysis. PSE agrees to develop methods and process for a pilot distributional equity analysis, by means that could include, but are not limited to, the Company hiring a technical expert, consulting literature, and collaborating with the Settling Parties. The Company will apply the methods developed to its proposed 80 MW of distributed energy resources, as proposed in its 2021 IRP and CEIP, as a pilot, updating the application of these methods to this program as needed upon possible updates to the program. Within 15 months of the approval of this MYRP, PSE will file with the Commission a compliance item documenting the methods and results of the pilot distributional equity analysis. If the proposed 80 MW of distributed energy resources is ultimately not included in the 2021 CEIP’s preferred portfolio approved by the Commission, PSE will confer with other interested parties and decide on an alternative program to use for this pilot.

51. Distributional Equity Analysis Process. Following the pilot distributional equity analysis, PSE agrees to participate in a Commission Staff-led process, which will be open to participation from other parties, to refine the methods for a distributional equity analysis. Commission Staff will select a third-party facilitator to support this effort that PSE must hire in

consultation with Commission Staff. At the end of this process, PSE will request Commission approval of its methods for a distributional equity analysis going forward and, when approved, apply these methods as detailed in the Corporate Capital Planning and Delivery System Planning sections of this stipulation.

M. Other Issues

52. Decoupling. The Settling Parties agree to PSE's proposal for electric and gas decoupling discussed in the testimony of Birud D. Jhaveri (Exh. BDJ-1Tr).

53. Annual Review and Earnings Sharing. The Settling Parties agree to PSE's annual review process and earnings sharing proposals discussed in the testimony of Susan E. Free (Exh. SEF-1Tr), except that the review period will be four months.

54. Allocation of CEIP/TEP Costs. PSE agrees not to allocate CEIP or TEP costs, proposed to be recovered through a tracker, to customers served under Schedules 448/449.

55. Northwest Pipeline Refund. PSE agrees to amortize the estimated \$24.3 million refund from Northwest Pipeline that are attributable to its gas customers over a 12-month period through its 2023 PGA filing. PSE also agrees to amortize the estimated \$4.4 million refund from Northwest Pipeline attributable to its electric customers over the 12 months of 2023 as a credit against the forecasted power costs in this case.

56. Streamlining of Reports. The Settling Parties accept PSE's proposed streamlining of reporting as discussed in the testimony of Jon A. Piliaris (Exh. JAP-1T). Further, PSE agrees to update and file its matrix of filings in Docket U-210151 within 30 calendar days of the date of the Commission's final order in this case, and by January 1 each year thereafter.

57. Electric Vehicle Supply Equipment ("EVSE") Payment Methods. PSE shall make minimum payment methods available at all publicly available electric vehicle supply equipment,

owned or supported by the utility, to increase access to all customers. Minimum payment methods should be consistent with California's EVSE Standards, § 2360.2, titled "Payment Method Requirements for Electric Vehicle Supply Equipment." It is the Settling Parties' understanding that this standard does not include the use of "swipe" cards.

N. Performance Based Ratemaking

58. Demand Response ("DR") Performance Incentive Mechanism ("PIM"). The Settling Parties accept PSE's proposed DR PIM as described in the testimony of Dr. Mark Newton Lowry (Exh. MNL-1T), with the following modifications:

- a. The initial reward threshold will activate at 105 percent of the DR target. The initial reward from the DR PIM will be a percent of DR program costs equal to PSE's approved weighted average cost of capital ("WACC").
- b. The second reward threshold will activate if PSE exceeds 115 percent of the DR target. The reward for this threshold increases to 15 percent of DR program costs.
- c. As explained in Exh. MNL-1T at 30:4-5, no additional reward is provided for achievement levels in excess of 150 percent of the target.
- d. The PIM is based on the DR target of 40 MW by 2024, to be calculated in the same way that PSE calculates its peak load reduction for compliance with the DR target in PSE's CEIP. This does not replace the requirement to adopt a DR target in the CEIP. The Settling Parties reserve the right to support a higher target in the CEIP docket.
- e. The incentive provided by this DR PIM shall not exceed \$1 million over the course of this MYRP.

- f. Unless otherwise ordered by the Commission, the DR PIM ends at the end of Rate Year 2.

59. Electric Vehicle (“EV”) PIM. The Settling Parties agree that there will be no approved EV PIM as part of this rate case.

60. In addition to the metrics discussed by Dr. Mark Newton Lowry (Exh. MNL-1T), PSE agrees to report on the following metrics annually as a compliance filing in this docket and in conjunction with PSE’s annual review process, as described in the testimony of Susan E. Free (Exh. SEF-1Tr), and as outlined in the timeline in Exh. JAP-3. Except for the DR PIM, there will be no targets or benchmarks at this time.

61. Resilient, reliable, and customer-focused distribution grid. The Settling Parties agree PSE will report on the following metrics relating to PSE’s delivery of a resilient, reliable, and customer-focused distribution grid:

- a. Number of EVSE stations and charging ports installed through PSE’s TEP programs, broken out by program.
- b. Energy served through PSE’s TEP programs, per program.
- c. Energy and capacity of load reduced or shifted, and percent of load reduced or shifted, through load management activities conducted through PSE’s EV tariffs.
- d. To the extent readily available, load profiles of energy consumption through PSE’s TEP Programs by rate schedule.
- e. Percentage of known EV energy sales under managed charging.
- f. Percentage of known EVSE in DR programs.
- g. Percentage of known EVSE using time-of-use rates.

- h. Number of customers served by each of PSE's DER programs.
- i. The energy and capacity provided through each of PSE's DER programs.
- j. Percentage of utility spending on DR, DER, and renewable energy programs that benefits highly impacted communities or vulnerable populations.
- k. Percentage of low-income customers that participate in DR, DER, or renewable energy utility programs
- l. Average customer AMI electric bill read success rate.
- m. Average customer AMI gas bill read success rate.
- n. Average customer remote switch success rate.
- o. Average customer reduced energy consumption from voltage regulation.
- p. Count of participating customer complaints in each of PSE's TVR pilots.
- q. Load reduction during called events for customers enrolled in the Time of Use ("TOU") + Peak Time Rebate ("PTR") pilot.
- r. Count of customer impressions with AMI program marketing efforts.
- s. High usage alert open rate.
- t. Download count of energy data, in both CSV and green button format.
- u. Count of customers enrolled in smart thermostat programs for space heating.

62. Environmental Improvements. The Settling Parties agree PSE will report on the following metrics relating to PSE's environmental improvements:

- a. Total greenhouse gas ("GHG") emissions from energy delivery systems, reported separately for gas and electric service. The Settling Parties also agree to use this metric in place of "CO2 Emissions from Company-Owned Electric Operations" on PSE's proposed scorecard.

- b. Carbon intensity: CO₂e/MWh and CO₂e/MW.
- c. Annual SO₂ emissions from utility-owned electric generation resources, by census tract.
- d. Annual NO_x emissions from utility-owned electric generation resources, by census tract.
- e. Annual PM_{2.5} emissions from utility-owned electric generation resources, by census tract.

63. Customer Affordability. The Settling Parties agree PSE will report on the following metrics relating to customer affordability:

- a. Average annual bill for residential customers, separately for electric and gas, by census tract.
- b. Average annual bill as a percentage of the average income of all energy-burdened customers, separately for electric and gas.
- c. Total revenue recovered from customers outside of rates approved within its MYRP. For this rate case, this would exclude base rates and Schedules 141-C, 141-N and 141-R.
- d. Number and percentage of (1) disconnect notices, (2) residential disconnections for nonpayment, and (3) reconnection, each broken out by month and zip code, separately for electric and gas.
- e. Total residential arrearages and average age of arrears by month and zip code, separately for electric and gas.
- f. Average annual residential bill as a percentage of average residential income, by census tract, separately for electric and gas.

- g. Average annual net plant in service per customer, separately for electric and gas.
- h. Average annual O&M per customer, separately for electric and gas.
- i. Average excess energy burden per household, separately for gas and electric.

64. Advancing Equity in Utility Operations. The Settling Parties agree PSE will report on the following metrics relating to equity in utility operations.

- a. To the extent readily available, the number of customers in highly impacted communities and vulnerable populations taking service through PSE's EV tariffs.
- b. Percentage of utility transportation electrification spending that is intended to benefit highly impacted communities and vulnerable populations through PSE's programs.
- c. Percentage of utility-owned and supported EVSE by use case located within or intended to provide direct benefits and services to highly impacted communities and vulnerable populations.
- d. Estimated percentage of PSE suppliers that are minority-owned, women-owned, or veteran-owned.
- e. AMI electric bill read success rate for highly impacted communities and vulnerable populations.
- f. AMI gas bill read success rate for highly impacted communities and vulnerable populations.
- g. Remote switch success rate for highly impacted communities and vulnerable populations.

- h. Reduced energy consumption from voltage regulation for highly impacted communities and vulnerable populations.
- i. For each DER program: number and percentage of residential customers, known low-income customers, known customers in highly impacted communities and vulnerable populations taking part in each of PSE's DER programs; and average energy savings per home for each of these customer groups. The term "DER programs" is defined to include energy efficiency.
- j. Count of customers in highly impacted communities and vulnerable populations taking part in each of PSE's DER programs.
- k. The amount of PSE DER program capacity sited in areas of highly impacted communities and vulnerable populations.
- l. Total residential arrearages and average age of arrears by month for known low-income households, highly impacted communities, and vulnerable populations.
- m. Number and percentage of residential (1) disconnect notices, (2) electric disconnections for nonpayment, and (3) reconnection by month and zip code for known low-income households, highly impacted communities, and vulnerable populations.
- n. Percentage of households with a high-energy burden (>6%), separately identifying known low income and highly impacted communities and vulnerable populations, separately for gas and electric by census tract.

O. Comprehensive Decarbonization Study, Targeted Electrification Pilot, and Targeted Electrification Strategy

65. Overview. The Settling Parties agree that PSE will (1) conduct an updated decarbonization study aimed at maximizing carbon reductions with more up-to-date assumptions on targeted electrification, (2) concurrently develop an electrification pilot that will evaluate a range of impacts to gas and electric delivery systems and PSE customers by deploying heat pump technologies, including high-efficiency electric-only solutions, and (3) incorporate a Targeted Electrification Strategy, based on the findings of the updated decarbonization study and electrification pilot, into its next Natural Gas IRP and Biennial Conservation Plan following the conclusion of the study and pilot, as provided below. PSE’s final updated decarbonization study and the results of its electrification pilot will be made available to the public with no designations of confidentiality. PSE commits to an investment of up to \$15 million in Company funds for these efforts through the end of 2024, which will be deferred for consideration of recovery in PSE’s next general rate case. Costs will be allocated as described below. PSE will prioritize low-income customers, highly-impacted and vulnerable populations, and customers experiencing a high energy burden in its pilot programs and incentives developed pursuant to this condition.

66. Decarbonization Study. PSE’s updated decarbonization study will build off the gas decarbonization study prepared for PSE by E3 with more up-to-date assumptions regarding efficient Cold Climate Heat Pumps (“CCHPs”) for targeted electrification. Measures and scenarios evaluated in the study must include but are not limited to comparisons of cost to ratepayers and GHG emissions associated with installing all electric vs. dual fuel systems for new customers and for existing gas customers, DERs, and decarbonized fuels. This decarbonization study will also include an evaluation of the impacts of all electric heat pumps,

hybrid systems, and reducing and decarbonizing gas throughput. The study will be provided within 12 months of the Commission's final order in this case, and should include but not be limited to the following elements:

- a. A more up-to-date electrification scenario that takes into account recent performance trends of CCHPs.
- b. An accounting of both near-term (3-5 years) and long-term costs and benefits of electrification, including carbon reductions and avoided gas system infrastructure costs due to fewer new customer connections.
- c. A segmentation of new and existing customers to separately evaluate the costs and benefits of electrifying new and existing customers and a scenario whereby PSE seeks to electrify all new customers and projected corresponding carbon emission reductions.
- d. A review of the time to build out and the cost of incremental electric system costs based on recent cost trends in power and capacity, as well as sensitivity analysis around electric system assumptions to understand how these assumptions impact the viability of high electrification scenarios.
- e. Updated unit costs, including the incentives provided by the Inflation Reduction Act.
- f. Study the impacts and benefits of electric heat pump technologies on PSE's gas constrained delivery systems.
- g. Collaborate with adjacent consumer-owned utility electric service providers to conduct coordinated electric delivery system and gas delivery system studies or pilots.

- h. Evaluate how to use the biennial conservation planning process to advance least-cost decarbonization strategies in PSE's gas utility service area, including by promoting fuel switching to electric utility service.
- i. Include regional forecasted load and market price sensitivities that reflect regional electrification.
- j. An evaluation of the impact of electrification with and without hybrid heat pumps on gas and electric rates, to provide an update to the existing analysis in the E3 study referenced above.
- k. The results of the updated study will be incorporated into PSE's 2025 Natural Gas Integrated Resource Plan and a compliance filing in this docket by January 2025.

67. Targeted Electrification Pilot. PSE will conduct an 18-month Targeted Electrification Pilot.¹⁵ The pilot will deploy strategies to maximize effective carbon reduction measures associated with the deployment of electric-only heat pumps in homes and buildings with wood, oil, propane, electric resistance and gas heating. This pilot is targeted toward residential and small commercial customers.

- a. The pilot will have a target of engaging 10,000 customers through at least two of the following measures:
 - i. rebates and incentives for fuel switching to high-efficiency electric-only appliances that includes consideration of carbon emission reduction potential,

¹⁵ The measures supported through the Targeted Electrification Pilot will be in addition to and separate from PSE's existing hybrid heat pump pilot program.

- ii. remote and in-home electrification assessments, and
 - iii. education related to available electrification incentives and programs as described in item (d)(iv) below.
- b. PSE agrees to file a report summarizing the results of the Targeted Electrification Pilot, including the number of residential and commercial customers engaged through each of the measures identified above, as a compliance requirement in this docket, no later than January 2025.
- c. Funding for the Targeted Electrification Pilot program will only be used to support promotion or installation of high-efficiency electric-only appliances. However, to assist existing gas customers in transitioning to electric solutions, the pilot may rely upon existing gas appliances for back-up fuel supply (e.g., installing new electric-only heat pumps while maintaining existing gas furnaces as backup fuel supply).
- d. The Targeted Electrification Pilot will also integrate the following elements to advance electrification efforts:
 - i. Identify opportunities for incremental DER investment as a mechanism to offset electric system reliability risk during peak load events and begin deploying these investments.
 - ii. Identify barriers to heat pump adoption and develop recommendations for improving the penetration of heat pump technologies in PSE's service territory.
 - iii. Identify barriers to low-income customers, highly-impacted populations, vulnerable populations, and customers experiencing high

energy burdens accessing heat pump technology, and develop policies and programs to support adoption of heat pump technologies by those customers and populations.

- iv. Provide education and outreach to customers on qualified installers, and available utility incentives offered through the pilot, or from state and federal sources (e.g., Inflation Reduction Act).
 - v. Evaluate whether providing a financial incentive to existing gas customers for fuel switching to electric-only appliances, would incentivize and promote increased adoption of high-efficiency electric-only appliances.
- e. In consultation with the CRAG, findings from the Targeted Electrification Pilot should be considered in the 2025 Biennial Conservation Plan (for the 2026-2027 biennium).
- f. PSE will consult with the LIAC and the CRAG to ensure the Targeted Electrification Pilot program and Targeted Electrification Strategy provide demonstrated material benefits to low-income participants, enrolls eligible participants in bill assistance programs, and includes appropriate low-income customer protections. As part of this consultation, PSE will consider the following:
- i. Any guidance from the Department of Commerce concerning low-income electrification programs.
 - ii. What defines a material benefit to low-income customers; e.g., decreased energy burden, and/or back up heat sources or energy

storage systems in areas with frequent outages if necessary to protect health and safety.

- iii. Notification if participation will increase energy burden.
- g. Costs will be spread to each electric rate schedule based on the schedule's share of total Targeted Electrification Pilot program funding expended for that schedule. For clarity, costs will not be allocated to Schedule 449 customers.

68. Targeted Electrification Strategy. PSE will use the information and analysis from the Targeted Electrification Pilot together with the updated decarbonization study to develop a Targeted Electrification Strategy for its electric service territory in its next Natural Gas Integrated Resource Plan or Progress Report following the completion of the Decarbonization Study and Targeted Electrification Pilot, and as a compliance filing in this docket by January 2025, and its 2025 Gas IRP. The Targeted Electrification Strategy will be based on findings from the Decarbonization Study, and the Targeted Electrification Pilot.

- a. The Targeted Electrification Strategy will focus on maximizing carbon emission reductions consistent with legal requirements at the lowest reasonable cost, which includes consideration of adverse rate impacts to remaining gas customers and avoidance of inter-rate class cost shifting.
- b. The Targeted Electrification Strategy shall consider a comprehensive set of strategies to minimize inter-class cost shifting, including the potential use of regulatory assets to shift rate base if the proposed strategy would create stranded assets.

- c. The Targeted Electrification Strategy shall consider a comprehensive set of strategies, programs, incentives, promotional materials, and other measures to encourage electrification for new and existing customers.
- d. The Targeted Electrification Strategy shall provide for a fuel-switching rebate that incentivizes gas customers to install electric-only appliances, to the extent that fuel switching to high-efficiency electric appliances is determined to be a cost-effective method to decarbonize gas utility service. This fuel switching rebate will provide an additional financial incentive to existing energy efficiency appliance rebates to promote rapid fuel switching to high-efficiency electric only appliances.
- e. In consultation with the CRAG, PSE will integrate fuel switching concepts from gas to electric into its conservation planning for the next Biennial Conservation plan following the completion of the Targeted Electrification Strategy. In developing these concepts, PSE's approach will be informed by the steps outlined in the Equitable Building Electrification Framework.¹⁶
- f. The Targeted Electrification Strategy shall include a proposed budget, and plan for implementing the measures and strategies that were studied in the electrification pilot and described in item b. above, a proposal to limit or phase out incentives for new gas appliances, based on an evaluation of their continued cost-effectiveness and risk to ratepayers. This strategy will also set

¹⁶ <https://greenlining.org/publications/reports/2019/equitable-building-electrification-a-framework-for-powering-resilient-communities/>

annual targets to continue reducing new gas customer additions in future years.

- g. PSE agrees to work with the CRAG on developing educational and communications materials encouraging customers to fuel switch to electric-only appliances in line with PSE's conservation targets, if the Targeted Electrification Strategy provides a fuel-switching rebate to customers, per sub-item (d).
- h. The funds for the Targeted Electrification Strategy will be recovered from the class benefiting from the program.
- i. PSE agrees to phase out promotional advertising specific to connecting new customers to the gas system or encouraging customers to switch to gas utility service away from other forms of energy service, as described in WAC 480-90-223 (including mailers to customers, promotions on PSE's website and social media, print, digital, television, and radio advertisements, etc.) by January 1, 2023.

IV. GENERAL PROVISIONS

69. Entire Agreement. This Settlement is the product of negotiations and compromise amongst the Settling Parties and constitutes the entire agreement of the Settling Parties. Accordingly, the Settling Parties recommend that the Commission adopt and approve the Settlement in its entirety as a full resolution of contested issues identified in this Settlement. This Settlement will not be construed against any Settling Party on the basis that it was the drafter of any or all portions of this Settlement. This Settlement supersedes any and all prior oral and written understandings and agreements on such matters that previously existed or occurred in

this proceeding, and no such prior understanding or agreement or related representations will be relied upon by the Settling Parties to interpret this Settlement or for any other reason.

70. Confidentiality of Negotiations. The Settling Parties agree that this Settlement represents a compromise in the Settling Parties' positions. As such, conduct, statements, and documents disclosed during the negotiation of this Settlement are not admissible in this or any other proceeding and will remain confidential. Notwithstanding the foregoing, the Settlement itself and its terms do not fall within the scope of this confidentiality provision, and each Settling Party is free to publicly disclose the basis for its own support of the Settlement.

71. Precedential Effect of Settlement. The Settling Parties enter into this Settlement to avoid further expense, uncertainty, inconvenience, and delay. This Settlement does not serve to bind the Commission when it considers any other matter not specifically resolved by this Settlement in future proceedings. Nothing in this Settlement compels any Settling Party to affirmatively intervene or participate in a future proceeding.

72. Positions Not Conceded. In reaching this Settlement, the Settling Parties agree that no Settling Party concedes any particular argument advanced by that Settling Party or accedes to any particular argument made by any other Settling Party. Nothing in this Settlement (or any testimony, presentation, or briefing supporting this Settlement) shall be asserted or deemed to mean that a Settling Party agreed with or adopted another Settling Party's legal or factual assertions in this proceeding.

73. Manner of Execution. This Settlement will be deemed fully executed when all Settling Parties have signed it. A designated and authorized representative may sign the Settlement on a Settling Party's behalf. The Settling Parties may execute this Settlement in counterparts. If the Settlement is executed in counterparts, all counterparts shall constitute one

agreement. A Settlement signed in counterpart and sent by facsimile or emailed as a pdf is as effective as an original document. A faxed or emailed signature page containing the signature of a Settling Party is acceptable as an original signature page signed by that Settling Party. Each Settling Party shall indicate the date of its signature on the signature page. The date of execution of the Settlement will be the latest date indicated on the signature page(s).

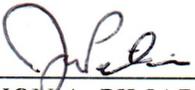
74. Approval Process and Support of Settlement. Each Settling Party agrees to support the terms and conditions of this Settlement in this proceeding. Each Settling Party agrees to support the Settlement during the course of whatever proceedings and procedures the Commission determines are appropriate for approval of the Settlement. Each Settling Party agrees to make available one or more witnesses to testify in support of the Settlement.

75. Commission Approval with Conditions. In the event the Commission approves this Settlement, but with conditions not proposed in this Settlement, the provisions of WAC 480-07-750(2)(b) will apply.

76. Commission Rejection. In the event the Commission rejects this Settlement, the provisions of WAC 480-07-750(2)(c) will apply. In that event, the Settling Parties agree to jointly and promptly request that the Commission convene a prehearing conference to address procedural matters, including a procedural schedule for resolution of the case at the earliest possible date.

Dated this 26th day of August, 2022.

PUGET SOUND ENERGY

By: 

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Director, Regulatory Affairs

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**ALLIANCE OF WESTERN ENERGY
CONSUMERS**

By: _____
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Dated this 26th day of August, 2022.

PUGET SOUND ENERGY

By: _____
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**ALLIANCE OF WESTERN ENERGY
CONSUMERS**

By: _____
SOMMER MOSER
Davison Van Cleve PC
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Energy Consumers

Dated this 26th day of August, 2022.

PUGET SOUND ENERGY

By: _____
JON A. PILIARIS
Director, Regulatory Affairs

ROBERT W. FERGUSON
Attorney General

By: _____
JEFF ROBERSON
Assistant Attorney General
Attorneys for Washington Utilities and
Transportation Commission Staff

KROGER

By:  _____
KURT BOEHM
Attorneys for Kroger

WALMART, INC.

By: _____
VICKI M. BALDWIN
Parsons Behle & Latimer
Attorneys for Walmart

NUCOR STEEL SEATTLE, INC.

By: _____
DAMON XENOPOULOS
Stone Mattheis Xenopoulos & Brew, PC
Attorneys for Nucor Steel Seattle, Inc.

**ALLIANCE OF WESTERN ENERGY
CONSUMERS**

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Davison Van Cleve PC
Attorneys for the Alliance of Western
Energy Consumers

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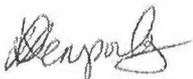
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THE ENERGY PROJECT

By: 

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