

**EXH. LCM-8
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

**FIRST EXHIBIT TO THE PREFILED CROSS-ANSWERING TESTIMONY OF
LAUREN C. MCCLOY
ON BEHALF OF NW ENERGY COALITION AND FRONT AND CENTERED**

December 12, 2022

NW Energy Coalition and Front and Centered's Recommended Conditions for PSE's 2021 CEIP

For the convenience of the parties and the Commission, this document compiles in one place all of the recommendations set forth in testimony by experts testifying on behalf of NW Energy Coalition and Front and Centered.¹

NWEC and Front and Centered recommend that the Commission approve PSE's CEIP subject to the following conditions:

Distributed Energy Resources: Actions and Targets

1. **Community Solar.** PSE will increase its community solar target from 25.4 MW to 50 MW by 2025. (Exh. SR-1T at 32-45; Exh. LCM-1T at 12-13, 31, 46-47, 51.)
2. **Eliminate Leasing.** PSE will remove the residential rooftop solar leasing and residential battery leasing program concepts from consideration in its list of DER programs, and will instead develop rent-to-own or other options for named communities. (Exh. SR-1T at 46-48; Exh. LCM-1T at 12-13, 47-48, 51.)
3. **Demand Response.** PSE will increase its demand response target to include all cost-effective DR bids it received in response to its recent RFP. PSE will include expanded Direct Load Control offerings in this increased target. (Exh. LCM-1T at 42-45, 52; Exh. SR-1T at 20-25.)
4. **Codeployment.** PSE will develop an explicit strategy for co-deploying energy efficiency products and programs with other products and programs, such as demand response and distributed energy resources. (Exh. SR-1T at 16-18, 27, 51-52; Exh. LCM-1T at 50.)

Energy Efficiency

5. **Updated Targets.** PSE will update its energy efficiency target no later than the 2023 Biennial CEIP Update, and in its Biennial Conservation Plan. (See Exh. LCM-1T at 31-33, 51.)
6. **Increased Funding.** PSE will increase funding for low-income weatherization programs to at least: \$8,615,626.56 in 2023; \$9,094,272.48 in 2024; and \$10,051,564.32 in 2025. (Exh. RDC-1T at 52-57, 66.)
7. **EE Information in the CEIP.** PSE will include more information from the BCP in the 2023 Biennial CEIP Update and in future CEIPs with the goal of ensuring that readers have a clear understanding of the energy efficiency target development. (See Exh. LCM-1T at 31.)

¹ See Cross-Answering Testimony of Lauren C. McCloy (Exh. LCM-7T); Prefiled Response Testimony of Lauren C. McCloy (Exh. LCM-1T); Prefiled Response Testimony of Elaine K. Hart (Exh. EKH-1T); Prefiled Response Testimony of Roger D. Colton (Exh. RDC-1T); Prefiled Response Testimony of Scott Reeves (Exh. SR-1T); Prefiled Response Testimony of Mariel F. Thuraingham (Exh. MFT-1T).

Specific Action Selection and Analysis

8. **Specific Actions.** PSE will file an amended final CEIP with the Commission to identify the actual, specific resource and program actions it will take during the planning period. PSE will include a narrative and quantitative evaluation of the specific actions it selects, including DER programs, utility scale resources, and other actions. (Exh. LCM-1T at 37-41.)
9. **Equity Analysis for RFP Responses.** PSE will conduct an equity analysis for the All-Source RFP proposals so that it can be fairly compared to the DER RFP proposals. PSE will solicit more information from bidders and/or independently develop additional information as necessary to effectively evaluate the equity components of the All-Source and DER RFP proposals. PSE will include the results of this analysis in the narrative and quantitative discussion of the specific actions it selects. (Exh. LCM-1T at 16, 38-41, 52; Exh. SR-1T at 9-11.)

Named Community Designations

10. **Vulnerable Populations.** For this CEIP as well as future CEIPs, PSE will include in its list of Vulnerable Populations (Exh. RDC-1T at 8-17, 19-20, 64-65):
 - Any census block group that has the highest score for any one of the categories of commonly grouped vulnerability factors:
 - Environmental exposures (heat islands, death from extreme heat, illness from extreme heat);
 - Sensitive populations (disability, cardiovascular disease, low birth weights, higher rates of hospitalization, home care);
 - Energy security/insecurity (arrearage/disconnections, estimated energy burden, housing burden);
 - Other socioeconomic factors (access to digital/internet resources, access to food, access to health care, educational attainment level, historical redline influence, linguistic isolation, race, transportation expense, unemployment, poverty, deep poverty, renter status, seniors with fixed income, housing quality);
 - Any census block group that PSE identified as “high needs” or “underserved” in the most recent Biennial Conservation Plan;
 - Any census block group with an average home energy burden exceeding 6% of income for households with annual income less than 200% of the federal poverty level;
 - Any census block group in a census tract that is a Qualified Census Tract as defined by HUD for purposes of the Low-Income Housing Tax Credit program; and
 - Any census block group in a census tract that is a “community in economic distress” as defined by the U.S. Department of Treasury for purposes of the New Markets Tax Credit program.
11. **Vulnerable Population Designation Methodology.** PSE will modify its designation methodology for vulnerable populations for the 2025 CEIP as follows and will, starting in 2023, begin gathering any additional data necessary to apply this new designation methodology (Exh. RDC-1T at 8-18, 63-64):

- For all vulnerability factors where it is possible for PSE to obtain individual customer data, designate groups of similarly situated individual customers who share a particular vulnerability factor as Vulnerable Populations, and designate entire census block groups as Vulnerable Populations based on a high geographic concentration of individuals with that vulnerability factor only when it is not possible to obtain individual customer data;
- Evaluate vulnerability factors to assess whether some factors are measuring the same underlying attribute, and consolidate factors where this is the case;
- Include as vulnerability factors deep poverty, housing quality, and death and illness from extreme heat;
- Consider the synergistic impacts of some vulnerability factors that render people with multiple vulnerabilities significantly worse off than people with just one;
- Designate Vulnerable Populations wherever they are warranted, rather than arbitrarily restricting Vulnerable Population status to only the top tercile experiencing a particular vulnerability factor; and
- More heavily weight factors like energy burden that are leading indicators of vulnerability.

Customer Benefit Indicators and Metrics

12. **Additional CBIs and metrics.** PSE will include the following additional CBIs and metrics in this CEIP:
 - In the category of energy benefits (Exh. LCM-1T at 15-20, 52-53):
 - a new CBI “*Increased Named Community Clean Energy*;”
 - a new metric, “increase percentage of utility spending on DR, DER, and renewable energy programs that benefits highly impacted communities or vulnerable populations;”
 - a new metric, “increase average energy savings per home for customers in highly impacted communities and vulnerable populations taking part in each of PSE’s DER programs;”
 - a new metric, “Increased number and percentage of appliances converted to efficient models in named communities;”
 - a new metric, “Improvement and expansion of energy efficiency in rental housing stock in named communities;”
 - a new metric, “Increase total MWh of distributed energy resources 5 MW and under, where benefits and control of the resource accrue to members of named communities;”
 - a new metric, “Increase total MWs of energy storage resources 5 MW and under, where benefits and control of the resource accrue to members of named communities;”
 - a new metric, “Increase number (i.e., sites, projects, and/or households) of distributed renewable generation resources and energy storage resources, where benefits and control of the resource accrue to members of named communities;” and

- a new metric, “Increase total MWh of energy savings from EE programs, where benefits and control of the savings accrue to members of named communities.”
 - Where known, for each of the preceding metrics, PSE will specify whether the named community resources are in highly impacted communities and/or vulnerable populations and/or known low-income customers. For vulnerable populations, where known, PSE will specify named community resources broken down by the sensitivity factors and/or socioeconomic factors that led the customer or community to be designated highly vulnerable.
 - In the category of public health (Exh. LCM-1T at 15-18, 20-22, 25, 53-54; Exh. RDC-1T at 26-30, 66):
 - an additional CBI, “*Improved indoor air quality*;”
 - a new metric, “Reduced annual SO₂ emissions in named communities from utility-owned electric generation resources, by census tract;”
 - a new metric, “Reduced annual NO_x emissions in named communities from utility-owned electric generation resources, by census tract;”
 - a new metric, “Reduced annual PM_{2.5} emissions in named communities from utility-owned electric generation resources, by census tract;”
 - a new metric, “Improved housing quality;” and
 - a new metric, “Decreased health impacts from extreme heat.”
 - In the categories of “reduction in cost” and “energy security” (Exh. LCM-1T at 22, 24-25, 53-54; Exh. RDC-1T at 21-26, 66; Exh. LCM-7T at 3):
 - a new CBI, “*Reduced residential Arrearages and Disconnections for Nonpayment*;”
 - a new CBI, “*Reduced number of Households with a High Energy Burden (>6%)*;”
 - a new metric, “Decreased number and percentage of residential electric disconnections for nonpayment by month, measured by location and demographic information (zip code/census tract, KLI customers, Vulnerable Populations, Highly Impacted Communities, and for all customers in total);”
 - a new metric, “Decreased residential arrearages as reported pursuant to Commission Order 04 in Docket U-200281;”
 - a new metric, “Decreased number and percent of households with a high energy burden (>6%);” and
 - a new metric, “Decreased average excess burden per household.”
13. **CBI Scorecard.** PSE will incorporate CEIP CBIs and metrics into a publicly-accessible comprehensive report card that includes all metrics and baseline data that the Company reports to the Commission. (Exh. LCM-1T at 13-15, 55.)
14. **CBI Application and Scoring.** PSE will develop, in conjunction with relevant advisory groups and stakeholders, a transparent methodology for applying CBIs and metrics to resource decisions and program evaluation. This methodology will include changes to PSE’s weighting and scoring processes for future resource

acquisition processes. PSE will begin discussions on this revised methodology within three months of a final Commission order in this docket, and will finalize the new methodology prior to filing its draft 2025 CEIP. (Exh. LCM-1T at 16, 26-27; *see also* Exh. SR at 47-48.)

Public Participation and Accessibility

15. **Readability Guidelines.** PSE will adopt a set of readability guidelines for its 2025 CEIP. (Exh. LCM-1T at 7, 54; *see also* Exh. MFT-1T at 9-18.)
16. **Scorecard.** PSE will develop an energy justice scorecard for the 2025 CEIP. The scorecard will include clear goals and targets with regular reporting on progress to allow communities to hold PSE accountable to its goals. (Exh. LCM-1T at 13-15, 55; *see also* Exh. MFT-1T at 9-18.)
17. **EAG Technical Advisor.** PSE will hire an independent technical advisor at the Company's expense to support the EAG. (Exh. LCM-7T at 8; *see also* Exh. MFT-1T at 9-18.)
18. **Future Timeline.** For the 2025 CEIP, PSE must file a draft CEIP on a timeline the Company determines sufficient to incorporate comments on the draft CEIP into the final CEIP. (Exh. LCM-7T at 7-8; *see also* Exh. MFT-1T at 9-18.)

Distribution System Planning

19. **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. (*See* Exh. LCM-5 at 31.)

Interim Targets and Incremental Cost of Compliance

20. **SCGHG and Capacity Values.** PSE will rerun its portfolio optimization models with updated methodology for incorporating the Social Cost of Greenhouse Gas Emissions and updated capacity values for energy storage. PSE will recalculate its interim clean energy targets and energy storage sub-target, and its projected incremental cost of compliance with CETA, based on these new model runs. PSE will incorporate any changes in its 2023 Biennial CEIP Update. (Exh. EKH-1T at 7-38; *see also* Exh. LCM-1T at 31-32, 54.)
21. **Projected Incremental Cost of Compliance.** PSE will revise its projected incremental cost of compliance and will not attribute the following DER enablement and grid modernization costs to CETA: Hosting Capacity Analysis (\$6.19m), Virtual Power Plant (\$9.62m), Data Lake and Analytics (\$3.65m attributed to CETA), Substation SCADA – Accelerated (\$41.36m attributed to CETA), and Circuit Enablement-DER and Microgrid (\$57.5m attributed to CETA). (Exh. LCM-1T at 31-37, 54-55; Exh. LCM-5 at 8-9, 21-30.)
22. **Planning Constraint.** PSE will not use the projected incremental cost of compliance as a planning constraint in the 2025 CEIP. (*See* Exh. LCM-1T at 31-37, 54.)

Programs and Pilots to Target and Serve Named Communities

23. **Minimum Designations.** PSE will file with the Commission an amendment to this CEIP to designate for named communities a minimum of 30% of the energy benefits of its DER solar, DER storage, DR, and EE programs, with benefits

measured across each tranche of resources. PSE will commit to develop a targeting approach to identify the customers and communities with deepest need within the broader category of named communities, in consultation with stakeholders and advisory groups. By the 2023 Biennial CEIP Update, PSE will designate a minimum percentage of energy benefits that will flow to named communities with deepest need. (Exh. LCM-1T at 48-50, 51; Exh. SR-1T at 7, 48-49, 50-51.)

24. **DER Program Design.** To implement the 30% energy benefit minimum designations for named communities discussed above, PSE will develop mechanisms for intentionally serving customers in named communities in each of their individual DER programs, including carve-outs for program costs (including outreach/education) and minimum participation thresholds. PSE will also modify its program design for solar and storage DER programs to better ensure benefits flow to named communities, including by developing targeting for named communities beyond using income as the sole criterion for program eligibility; offering higher incentives for low-income customers and named communities; ensuring benefits flow to tenants in affordable multifamily housing; and targeting storage programs to vulnerable populations where increased reliability would reduce vulnerabilities. (Exh. SR-1T at 5-6, 7-11, 16, 25-27, 29-31, 41-46, 48-49, 50-53.)
25. **Distributional Equity Analysis.** PSE will conduct a distributional equity analysis across its service territory. The distributional equity analysis will describe the current benefits and burdens on customers by location and population, and the projected impact of specific actions on the distribution of customer benefits and burdens during the implementation period. PSE will begin this analysis within three months of a final Commission order in this docket and will complete this analysis in time to incorporate the results into the draft and final 2025 CEIP. (Exh. LCM-1T at 52; Exh. LCM-7T at 8.)
26. **Public Engagement Pilot.** PSE commits to developing and implementing a DER Public Engagement Pilot to gain experience with and understanding of engaging named community members at the “Empowerment” level on the International Association for Public Participation’s Public Participation Spectrum in developing DER offerings specifically for named communities. PSE will collaborate with the EAG, other relevant advisory groups, and stakeholders to develop this pilot. PSE will begin work on the design of the pilot within three months of a final Commission order, and will implement the pilot after the 2023 Biennial CEIP Update. (Exh. LCM-1T at 13-15, 28-29, 51; *see also* Exh. MFT-1T at 15.)
27. **Geo-Targeting Pilot.** In advance of the 2025 CEIP, PSE will collaborate with the EAG, other relevant advisory groups, and stakeholders to develop a Geo-Targeting Pilot to geo-target specific actions to particular named communities in order to address the particular vulnerabilities that led to each community’s designation as highly impacted or vulnerable. In the 2025 CEIP, PSE will describe how specific program selection and implementation actions will mitigate risks and reduce burdens to named communities, based on the impact of PSE’s specific programs on the factors that led to individual communities’ designations as highly impacted or vulnerable. PSE will incorporate qualitative data on the

- lived experience of named communities into this analysis. (Exh. RDC-1T at 43-46, 66; *see also* Exh. MFT-1T at 7.)
28. **Payment-Troubled Targeting Program.** PSE will implement an income-qualified Payment-Troubled Targeting Program to intentionally target energy efficiency investments to the customers who need them most, whether or not they are in named communities, using targeting factors based on PSE's own records including high energy usage and intensity, high arrearages, broken or defaulted deferred payment arrangements, and disconnection for nonpayment. PSE will include this program in the 2023 Biennial CEIP Update. (Exh. RDC-1T at 46-50, 66; *see also* Exh. MFT-1T at 7.)
29. **Workforce Development Initiative.** PSE will incorporate a workforce development initiative into its low-income weatherization programs to help meet increasing demand for energy efficiency services, to diversify the workforce, and to cultivate ambassadors from named communities. PSE will include this initiative in the 2023 Biennial CEIP Update. (Exh. RDC-1T at 57-61, 67.)
30. **Community Outreach.** PSE will develop a community outreach plan to ensure more meaningful public participation, in consultation with its advisory groups and other stakeholders. PSE will include this plan in the 2023 Biennial CEIP Update. The outreach plan will incorporate: (1) facilitating ongoing opportunities for direct interaction between the company and communities; (2) allocating funding for staff positions trained and dedicated to community outreach and facilitating collaborations; (3) choosing arrangements for community interactions to maximize effective participation, accounting for factors such as meeting times, locations, and translation needs; (4) ensuring that affected individuals and communities have access to sufficient information to enable meaningful participation in activities; (5) ensuring sufficient time for meaningful interaction before decisions are made or unalterable commitments are agreed to; and (6) ensuring transparency in decision-making. (Exh. LCM-1T at 28-30; *see also* Exh. MFT-1T at 7, 9-18.)