

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PUGET SOUND ENERGY

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

Docket UE-210795

POST-HEARING BRIEF OF
PUBLIC COUNSEL

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February 22, 2023

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I. INTRODUCTION

1. Pursuant to the Washington Utilities and Transportation Commission's (Commission) Order 04 in the above-referenced docket,¹ the Public Counsel Unit of the Washington State Office of the Attorney General (Public Counsel) submits this Post-Hearing Brief regarding Puget Sound Energy's (PSE or the Company) 2021 Clean Energy Implementation Plan (CEIP).
2. Public Counsel recognizes that PSE's 2021 CEIP is the Company's first plan filed under the new requirements of the Clean Energy Transformation Act (CETA) and that the process will be iterative, evolving, and will require flexibility until the Commission and parties gain sufficient experience with the planning process. Utility plans, however, must still comply with statute and the Commission's Rules. As written, PSE's CEIP does not meet the statutory requirements of CETA or WAC 480-100-640. Public Counsel supports PSE's interim target but has significant concerns with several aspects of the CEIP. In keeping with the iterative nature of this planning process, Public Counsel has made a number of recommendations and proposed conditions to align the current CEIP, the 2023 Biennial Update, and the 2025 CEIP with statutory requirements.
3. Public Counsel provided extensive comments on PSE's CEIP, as well as additional testimony, and will not triplicate all of its comments and recommended conditions in this brief. This brief primarily highlights conditions that have changed since Public Counsel's testimony filing, were addressed in PSE's rebuttal testimony, or were raised at the evidentiary hearing. Public Counsel continues to recommend all other conditions previously provided in its

¹ Prehearing Conference Order 04 at 13.

testimony. Appendix A to this brief includes the final, updated list of Public Counsel’s recommended conditions, with citations to relevant sections of Public Counsel’s testimony.

II. DISCUSSION

A. Interim and Specific Targets

4. PSE is required to “propose interim targets for meeting the standard under RCW 19.405.040” in its CEIPs for the four-year planning period. PSE seeks approval of a 63 percent renewable energy interim target, meaning PSE seeks to acquire new renewable resources such that its energy mix is 63 percent clean energy by the end of the four-year CEIP period. PSE’s 2021 IRP forecasted CETA-eligible clean energy acquisitions up to 56 percent of the Company’s resource mix through 2025, but the Company accelerated the target to 63 percent for the 2021 CEIP.
5. Public Counsel generally supports PSE’s 63 percent interim target. Initial review of PSE’s CEIP did not readily reveal benefit-cost analysis or further justification for accelerating the interim target from 56 to 63 percent. In discovery, PSE provided cost and benefit comparisons between the 2021 CEIP and IRP preferred portfolios.² The CEIP Preferred Portfolio has an \$18.79 million 24-year levelized cost compared to a \$21 million 24-year levelized cost for the IRP preferred portfolio.³ Similar cost differentials exist in the 20-year levelized costs: \$16.54 million for the CEIP portfolio and \$18.21 million for the IRP portfolio.⁴ PSE also projects lower revenue requirements in the CEIP preferred portfolio compared to the IRP preferred portfolio.⁵

² See Response Testimony of Corey Dahl & Aaron Tam, Exh. CDAT-5 (PSE Response to Public Counsel’s Data Request No. 8).

³ *Id.*

⁴ *Id.*

⁵ *Id.*

In Public Counsel’s opinion, review of this analysis suggests accelerating the target to 63 percent is reasonable.

6. Public Counsel’s primary concerns about the interim and specific targets are the cost to ratepayers and whether the targets reflected acquisition of resources at the lowest-reasonable cost. Public Counsel therefore continues to recommend Conditions 1 and 2 in Appendix A. In testimony, Public Counsel originally included a third condition that PSE will maintain the proposed renewable energy target of 63 percent by 2025.⁶ Public Counsel is concerned, however, with the issues raised in PSE’s rebuttal testimony regarding the inflationary pressure on cost estimates as well as the impact of supply chain and permitting issues on execution of the proposed target.⁷ Public Counsel continues to support the proposed 63 percent target, but recommends the following additional condition:

- In the 2023 Biennial CEIP Update, PSE will include an update regarding the impact of inflation, supply chain, and permitting issues, if any, on the estimated costs of and likelihood of attaining the accelerated target. PSE should also include an updated target if the 63 percent target is no longer viable by 2025. (Condition 3 in Appendix A)

B. Specific Targets

7. In response testimony, Public Counsel recommended that PSE harmonize its Demand Response (DR) target in the CEIP with the DR target established by the 2022 PSE General Rate Case (GRC) Settlement performance incentive mechanism by re-filing the CEIP.⁸ In rebuttal testimony, PSE argued that the 2023 Biennial CEIP Update is a more appropriate mechanism by

⁶ Dahl & Tam, Exh. CDAT-1T at 13:6.

⁷ Rebuttal Testimony of Kara K. Durbin, Exh. KKD-6T at 5:6–6:4.

⁸ Dahl & Tam, Exh. CDAT-1T at 18:16–19:2.

which to refresh and update the analysis.⁹ Public Counsel agrees that this discrepancy can be addressed in the Biennial Update rather than through re-filing the CEIP. During the evidentiary hearing, Commissioner Doumit asked PSE whether the Company could update the information through a compliance filing, and the Company indicated that it could but that it may not have all the data in time to do so prior to the filing of the Biennial Update.¹⁰ Public Counsel adjusts its original condition as follows:

- PSE will update its Demand Response target to match the target established in PSE’s 2022 GRC in a compliance filing shortly after an order is issued in this proceeding or in the 2023 Biennial CEIP Update if the necessary data is not available in time to file a compliance filing (Condition 4 in Appendix A).

C. Specific Actions

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

9. Additionally, WAC 480-100-640(5) requires that each CEIP present the specific actions in a tabular format that provides (a) the general location, if applicable, proposed timing, and estimated cost of each specific action or remaining resource need, including whether the resource will be located in highly impacted communities, will be governed by, serve, or otherwise benefit highly impacted communities or vulnerable populations in part or in whole; (b) metrics related to

⁹ Durbin, Exh. KKD-6T at 10:13–14.

resource adequacy including contributions to capacity or energy needs; and (c) customer benefit indicator values, or a designation as nonapplicable, for every customer benefit indicator.

10. In the CEIP, PSE included general information on expected customer benefits for each specific action and broad information about highly impacted and vulnerable communities at the census block and tract level. The Company also provided the nameplate capacity, peak capacity, energy contribution, estimated cost, and relevant Customer Benefit Indicators (CBI) in tabular format in Appendix L.

11. PSE, however, did not include more granular information about the projected impacts of each specific action on the distribution of customer benefits and burdens and impact on named communities as required in WAC 480-100-640(5)(a) and WAC 480-100-640(6)(b). The Company also did not provide CBI values or metric values as required in WAC 480-100-640(5)(c). This detailed information is particularly critical given the highly localized nature of some DER programs and importance of proper siting of DER programs to ensure customers receive the promised benefits.

12. PSE failed to meet the WAC requirements regarding the specific actions included in this CEIP. PSE asserts that it was unable to provide greater detail in the CEIP because the information was not available at the time of filing.¹² PSE, however, agreed that the Commission and parties will need to see additional detail about product designs prior to the launch of any products for customer enrollment.¹³ PSE also stated that it “intends to share greater detail about the potential product offerings as it consults with highly impacted communities, vulnerable

¹⁰ Durbin, TR. 191:22–193:2.

¹¹ WAC 480-100-640(6)(b)(i).

¹² See Rebuttal Testimony of William T. Einstein, Exh. WTE-1T at 8:17–9:17.

populations, and other customers prior to filing specific electric service schedule tariffs for approval by this Commission beginning in 2023.” While Public Counsel appreciates PSE’s acknowledgement that it must share greater details about its specific actions, CETA and WAC rules require PSE to include detailed information within the CEIP itself.¹⁴ Public Counsel therefore makes no modification to its positions regarding PSE’s presentation of specific actions in the CEIP and continues to recommend Condition 5 in Appendix A to bring the CEIP into compliance in the 2023 Biennial CEIP Update.

1. Distributed Energy Resources and Distribution Planning

13. PSE’s 2021 CEIP included exhaustive detail regarding PSE’s Distributed Energy Resource (DER) portfolio selection methodology and preferred portfolio. Public Counsel raised extensive and significant concerns regarding PSE’s DER portfolio selection process in its initial March 2022 comments¹⁵ and in response testimony.¹⁶ PSE’s DER selection methodology deprioritized the use of lowest reasonable cost principles to select resources and prioritized the maximization of CBIs.¹⁷ This approach disregarded CETA’s requirement that utilities achieve clean energy targets and customer benefits at the lowest reasonable cost.¹⁸ In some cases, PSE selected questionable CBIs for use in rating DER programs, leading to potentially skewed results.¹⁹ PSE also applied hidden and unclear weighting of the CBIs in the selection process.²⁰ PSE’s portfolio selection methodology also resulted in a preferred portfolio comprised of the

¹³ See Einstein, Exh. WTE-1T at 9:18–12.

¹⁴ WAC 480-100-640(5) and (6).

¹⁵ See Dahl & Tam, Exh. CDAT-4 at 11–19 (Public Counsel’s Comments filed in March 2022).

¹⁶ See Dahl & Tam, Exh. CDAT-1T at 15:14–18:4.

¹⁷ Dahl & Tam, Exh. CDAT-4 at 12.

¹⁸ RCW 19.405.040(6)(i); WAC 480-100-610(5).

¹⁹ Dahl & Tam, Exh. CDAT-4 at 17–18.

most expensive DER programs both in terms of capital expense and capacity costs.²¹ Due to these concerns, Public Counsel recommends that the sections in the CEIP related to PSE's DER portfolio selection process and preferred portfolio be removed from the CEIP.²²

14. PSE's witness, Kara Durbin, responded that the DER portfolio selection methodology and preferred portfolio are illustrative,²³ and that PSE objected to any condition requiring the removal of the DER preferred portfolio from the CEIP.²⁴ Durbin also indicated that the Company would update its methods for selecting DER portfolios²⁵ and improve how it thinks about and applies CBIs to select resources.²⁶ When asked what process PSE is using to craft its DER portfolio, Durbin referred to PSE witness, William Einstein.²⁷

15. Einstein, however, did not provide additional clarity regarding PSE's portfolio selection process and appeared to focus on the Company's expected activities once product concepts were chosen. Einstein indicated that PSE will continue forward with the product concepts submitted in the CEIP,²⁸ and stated, "We're going to take the list of the product concepts that we submitted as part of the CEIP and re-evaluate them and analyze them both for costs as well as feedback...we're going to take what's there..."²⁹ Einstein also stated,

In the case of the CEIP, we put together some initial product concepts in the suite of – the initial suite of product concepts that we intended to suggest for their approval. We did some initial scoring relative to CBIs...And then over the last

²⁰ *Id.* at 16–17.

²¹ *Id.* at 13–16.

²² Dahl & Tam, Exh. CDAT-1T at 16:1–17:12. This condition would result in the removal of pages 32–42 in Chapter 2 of PSE's CEIP and Appendix D and all its subparts.

²³ Durbin, Exh. KKD-6T at 14:14–16; *see also* Durbin, TR. 166:5–12.

²⁴ Durbin, Exh. KKD-6T at 14:11–12.

²⁵ *Id.* at 166:23–167:11.

²⁶ *Id.* at 167:12–18.

²⁷ *Id.* at 165:20–25.

²⁸ Einstein, TR. 252:15–25.

²⁹ *Id.* at 253:2–23.

year, we received the feedback and input from the various parties about what that looks like. *We will now take that all again, after receiving the order in this process and finish the process of – of preparing each individual product* for its review consideration approval by the parties, as well as the Commission and our customers.³⁰

It is unclear from Einstein's response, whether PSE intends to move forward with the program concepts in PSE's illustrative CEIP DER preferred portfolio or if PSE will move forward with completely different programs using a new DER portfolio selection process. Public Counsel's concern with further development of programs in the DER preferred portfolio is that these programs were selected using a deeply flawed methodology that PSE has stated is merely illustrative. Further development of programs that are the most expensive options that do not clearly provide benefits to customers in general or more specifically to named communities would be an unreasonable use of ratepayer funds.

16. To compound the confusion regarding PSE's plans for selecting DER programs, Einstein also admitted that the Company has made no changes to the portfolio selection process and has done no work to revise or change it since the filing of the CEIP.³¹ If the DER portfolio selection process and resulting portfolio were truly illustrative, PSE should have been working to modify the process and refine its use of CBIs in the selection process for the last year and a half since the CEIP was first filed.

17. At this point, it is unclear whether PSE will select a different preferred DER portfolio based on a new selection process or if PSE intends to use the preferred portfolio included in the CEIP as the basis for further program development. If PSE uses a new selection process, it is still

³⁰ *Id.* at 255:2–15 (emphasis added).

³¹ *Id.* at 256:11–19.

unclear how PSE intends to select DERs using the results of the Request for Proposals (RFP), how CBIs will be used in the process, and how the Company intends to select resources while meeting the requirement³² to achieve its targets at the lowest reasonable cost.

18. Public Counsel maintains that it is inappropriate to leave the flawed DER selection process in PSE's CEIP. PSE itself asserts that the selection process and resulting portfolio are merely illustrative and the definitive portfolio and programs will be determined later. The information is premature and presents a confusing and misleading picture of what types of DERs will provide meaningful benefits to PSE customers. Public Counsel therefore continues to recommend that the DER portfolio selection process be removed from the CEIP.
19. Given the lack of clarity regarding PSE's DER portfolio selection methodology, Public Counsel also recommends that PSE be required in the 2023 Biennial CEIP Update to clarify how it actually intends to select DER programs including information regarding how it intends to use the RFP results to craft a portfolio of DER programs, how it will use CBIs to select resources, and how the resource selection process adheres to the requirement to achieve targets at the lowest reasonable cost.
20. Public Counsel has modified its previous conditions regarding the DER selection process and added a new condition as follows:
- Within three months of a Commission Order, PSE must remove the DER preferred portfolio selection process and results from its 2021 CEIP. PSE must clarify that the DER portfolio of programs and specific actions will be determined after finalizing its assessment of the DER RFP proposals and consulting with stakeholders by the 2023 Biennial Update. (Condition 6 in Appendix A)

³² RCW 19.405.040(6)(a)(i).

- In the 2023 Biennial Update, PSE must provide a summary of its assessment of the DER RFP proposals. (Condition 7 in Appendix A)
- In the 2023 Biennial Update, PSE must provide an updated DER portfolio selection process including information on how it will use the results of the RFP to build a portfolio of DER programs, how it will use CBIs to select resources, and how the resource selection process adheres to the requirement to achieve targets at the lowest reasonable cost. (Condition 8 in Appendix A).

21. Public Counsel continues to propose Conditions 9 through 12 in Appendix A regarding DERs and Distribution Planning. In Condition 9, Public Counsel recommends the Commission require PSE to adequately consult with advisory groups regarding the selection of DER programs.³³ PSE generally supports the concept of consulting with relevant advisory groups regarding DERs³⁴ but does not commit to offering detailed explanations for instances where PSE’s program selection diverges from advisory group recommendation. Public Counsel therefore continues to recommend Condition 9 in Appendix A.

22. Condition 10 requires PSE to develop DER programs for named communities for inclusion in the 2023 Biennial CEIP Update.³⁵ Condition 12 requires that PSE conduct a Distribution System Planning process to identify ways in which connected customer-side resources can provide system value for all customers and achieve an equitable distribution of benefits and burdens to named communities.³⁶ PSE did not appear to respond to either of these conditions in its rebuttal testimony, and Public Counsel therefore continues to recommend Conditions 10 and 12 in Appendix A.

³³ See Appendix A, Condition 9; *see also* Dahl & Tam, Exh. CDAT-1T at 16:14–18:4; *see also* Dahl & Tam, Exh. CDAT-4 at 34–35.

³⁴ See Durbin, Exh. KKD-6T at 12:1–13:7.

³⁵ See Appendix A, Condition 10; *see also* Dahl & Tam, Exh. CDAT-1T at 16:14–18:4.

³⁶ See Appendix A, Condition 12; *see also* Dahl & Tam, Exh. CDAT-1T at 16:14–18:4.

23. Finally, Public Counsel specifically identified concerns regarding PSE’s proposed Residential Rooftop Solar Leasing program and requested additional information be included in the CEIP regarding the program.³⁷ PSE generally responded by explaining why the program was included in the 2021 CEIP, but did not clarify details about the program.³⁸ Public Counsel therefore continues to recommend Condition 11 in Appendix A.

2. Demand Response

24. In its March 2022 comments and response testimony, Public Counsel raised concerns around terminology distinguishing DERs and DR products,³⁹ the failure to include commercial and industrial DR programs in the CEIP,⁴⁰ and the lack of information regarding anticipated impacts on customer benefits and burdens from DR programs as required by WAC 480-100-640(6).⁴¹ Public Counsel withdraws its condition related to the lack of clarity regarding terminology, but urges PSE to provide additional clarity regarding the differences between PSE’s identification, selection, and treatment of DERs and DR programs in future CEIP updates and iterations of the CEIP. Public Counsel continues to recommend conditions regarding commercial and industrial DR programs and additional information regarding the impact of DR programs on customer benefits and burdens.

25. PSE stated that it is considering DR programs for commercial and industrial customers⁴² and plans to engage commercial and industrial customer to develop DR action plans.⁴³ While

³⁷ See Dahl & Tam, Exh. CDAT-4 at 24; see also Dahl & Tam, Exh. CDAT-1 at 17:29–30.

³⁸ See Einstein, Exh. WTE-1T at 24:6–16.

³⁹ See Dahl & Tam, Exh. CDAT-4 at 22.

⁴⁰ See *id.* at 22–23.

⁴¹ See Dahl & Tam, Exh. CDAT-1T at 19:3–20:6.

⁴² Rebuttal Testimony of Gilbert Archuleta, Exh. GA-1T at 22:8–10.

⁴³ *Id.* at 23:10–13.

PSE’s testimony alleviates Public Counsel’s concern that DR programs for commercial and industrial customers were being overlooked, PSE should include information regarding these DR programs in its 2023 Biennial CEIP Update. Public Counsel therefore modifies its condition regarding commercial and industrial DR programs as follows:

- In the 2023 Biennial CEIP Update, PSE will include information regarding any planned DR programs for commercial and industrial customers as required by WAC 480-100-640(5) and (6) as well as information regarding the expected the cost-effectiveness of these programs. (Condition 13 in Appendix A)

26. PSE did not respond to Public Counsel’s concerns that the CEIP lacked information regarding the impact of specific DR programs on customer benefits and burdens. Public Counsel identified PSE’s failure to provide this information for all specific actions included in the CEIP, but the concern is particularly warranted for DR programs given the potential for these programs to increase burdens on customers (e.g., changes to home heating and cooling, impacts of modifying behavior, etc.) and participants’ variable ability to respond when DR programs are triggered.⁴⁴ Public Counsel therefore continues to recommend Condition 14 in Appendix A.

3. Time Varying Rates

27. PSE’s Time Varying Rate (TVR) Pilot Project was approved in Final Order 24 of PSE’s 2022 GRC, modified to include additional terms related to participation in the program by low-income customers.⁴⁵ In the context of the 2021 CEIP, however, it will be necessary for PSE to evaluate the effects of TVR on highly impacted communities and vulnerable populations. Since TVR, if fully implemented, would be considered a Specific Action for CETA compliance, it is

⁴⁴ See Dahl & Tam, Exh. CDAT-4 at 23; see also Dahl & Tam, Exh. CDAT-1T at 20:1–6.

⁴⁵ *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-220066, UG-220067 and UG-210918 (*consol.*), Final Order 24/10, ¶ 296 (Dec. 22, 2022).

necessary for PSE to describe the benefits and burdens of the program in relation to named communities. Public Counsel therefore continues to recommend Condition 15 of Appendix A.

4. Non-Wire Alternatives

28. In its March 2022 comments and response testimony, Public Counsel raised three concerns related to non-wire alternatives. First, PSE's CEIP was unclear about the distinction between DERs and non-wire alternatives and between the selections processes used for these resources.⁴⁶ Second, PSE inappropriately included non-wires alternative projects planned prior to CETA in the CEIP. Third, PSE included the development of a Non-Wires Alternatives Evaluation Tool as a specific action in this CEIP as well as the costs associated with the development of this tool with insufficient explanation regarding the necessity for the tool given PSE's existing selection process for non-wires alternatives.⁴⁷ PSE did not adequately address any of Public Counsel's concerns regarding non-wires alternatives. Public Counsel therefore continues to recommend Conditions 16 and 17 in Appendix A.

5. Distributional Equity Analysis

29. Public Counsel and other parties raised multiple concerns regarding the CEIP's lack of information regarding the impact of specific actions on the distribution of benefits and burdens on named communities.⁴⁸ PSE has not provided additional information regarding the distribution of benefits and burdens in this CEIP but "believes the equitable distribution of benefits standard is an element that will benefit from further development next year through the distributional

⁴⁶ See Dahl & Tam, Exh. CDAT-4 at 25; see also Dahl & Tam, Exh. CDAT-1T at 20:7-16.

⁴⁷ See Dahl & Tam, Exh. CDAT-4 at 25-26; see also Dahl & Tam, Exh. CDAT-1T at 21:5-9.

⁴⁸ See Dahl & Tam, Exh. CDAT-1T at 24:9-19.

equity analysis that will be conducted as part of the proposed 2022 GRC settlement.”⁴⁹ Public Counsel agrees with PSE, but notes that the Final Order in PSE’s GRC did not address PSE’s CEIP or how the analysis would be incorporated into the CEIP. Public Counsel therefore continues to recommend the Commission require Conditions 19 through 22 in Appendix A regarding the use of the distributional equity analysis in the CEIP process. Additionally, Public Counsel specifically recommends that the results of the distributional equity analysis be incorporated into the selection of non-wires alternatives, as described in Condition 18 in Appendix A.

6. Public Participation Process

30. In the March 2022 comments and response testimony, Public Counsel generally supported PSE’s public participation efforts, but expressed concern over the number of public comments and recommendations that were not incorporated into PSE’s Final CEIP, particularly with respect to the selection and use of CBIs.⁵⁰ In response, PSE asserted that it “remains committed to meaningful, inclusive engagement” and states that it will file an updated public participation plan to provide more details on engagement during CEIP implementation.⁵¹ PSE neither provided a specific timeline for the development of an updated public participation plan nor addressed party concerns regarding the failure to incorporate public feedback in the CEIP in testimony.

31. During the evidentiary hearing, PSE witness Durbin was asked by Commissioner Doumit,

⁴⁹ Durbin, Exh. KKD-6T at 15:14–16; *see also Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-220066, UG-220067 and UG-210918 (*consol.*), Final Order 24/10, ¶¶ 232–236 (Dec. 22, 2022).

⁵⁰ *See* Dahl & Tam, Exh. CDAT-1T at 26:8–17; *see also* Dahl & Tam, Exh. CDAT-4 at 34–35.

I'm going to paraphrase some of the testimony in the docket here from others. And because we read over and over again that the way the company engages the advisory groups -- and I'm paraphrasing here -- is "to be selective with information, strategic with the timing of information, and gives very little time for responsive feedback or even conversation." What's your perspective on how this is working and how are you planning to change this?⁵²

Durbin disagreed with the characterization.⁵³ Chairman Danner asked additional questions regarding testimony from Front and Centered's witness Mariel Thuraisingham who expressed frustration over the selected and curated nature of how information is shared preventing well-informed dialogue.⁵⁴ Durbin responded, "I have not experienced personally, the same critiques that you say in testimony expressed by the equity advisory groups when we have asked them directly ourselves over the last couple of months." Front and Centered, however, has been involved in the formation of CETA rules and supported the idea of Equity Advisory Groups,⁵⁵ and Thuraisingham has personally participated in PSE's EAG in its first year.⁵⁶ PSE disagrees with the public and communities whose voices CETA and the Commission's rules are intended to amplify over their own impressions of the public participation process.

32. PSE's responses do not decrease Public Counsel's concern with PSE's approaches to obtaining and incorporating public input. Public Counsel therefore continues to recommend the Commission require PSE to develop a community outreach plan specifically intended to ensure more meaningful public participation, in consultation with the Equity Advisory Group and other

⁵¹ Durbin, Exh. KKD-6T at 33:9-13.

⁵² Commissioner Doumit, TR. 196:18-197:1.

⁵³ Durbin, TR. 197:2-4.

⁵⁴ Chairman Danner, TR. 198:22-200:11; *see also* Response Testimony of Mariel Thuraisingham, Exh. MFT-1T at 11:15-22 ("Members and former members of PSE's Equity Advisory Group have noted that the selective and curated nature of how information is shared with the group and with the public is challenging for well-informed dialogue and group work on advisory responsibilities.").

⁵⁵ *See* Thuraisingham, Exh. MFT-1T at 2:7-3:3.

⁵⁶ *Id.* at 16:12-14.

interested parties, and include the plan in the 2023 Biennial CEIP Update. Condition 23 in Appendix A includes specific components that PSE should include in the outreach plan.

D. Customer Benefit Indicators

1. Remove directionality from metrics

33. Public Counsel recommended that PSE remove directionality language from its CBI metrics in the 2021 CEIP and only retain desired directionality in the CBI.⁵⁷ PSE supported this recommendation and stated that it is willing to make that change for the 2023 Biennial CEIP Update or the next CEIP.⁵⁸ Removing directionality from CBI metrics clearly distinguishes *what* is being measured, versus assessing a measurement against a desired goal or outcome. Given the iterative nature of the CBIs, Public Counsel’s recommended changes could be incorporated into the 2023 Biennial CEIP Update rather than requiring PSE to modify and refile its 2021 CEIP, but PSE must ensure that it is tracking metrics without regard to directionality in the interim before the language is modified in the Update. Currently, PSE includes CBIs such as “Improved home comfort” with the metric “Increased dollar in net present value (NPV) in NEI for EE programs.” As written, the metric would only track increases in NPV rather than the actual NPV of the programs. While it may sound pedantic to identify this distinction, it is vitally important to use clear and consistent language regarding CBIs and metrics to ensure all parties and interested persons have a full understanding of the impacts of PSE’s resource planning decisions on ratepayers as a whole and specifically on named communities. Additionally, clear language is important to ensure PSE and the other utilities are indeed tracking the relevant data necessary to

⁵⁷ See Dahl & Tam, Exh. CDAT-1T at 32:29–33:21.

⁵⁸ Durbin, Exh. KKD-6T at 26:6–13.

meet CETA standards and requirements. Public Counsel therefore modifies its condition regarding directionality in metrics as follows in Condition 24 in Appendix A:

- In the 2023 Biennial CEIP Update, PSE must remove directionality language from any discussion about metrics and distinctly separate the language suggesting a goal or directionality from the metrics. The directionality language may be included in the CBI or may be developed into a specific target. PSE must track metrics without regard to directionality and must immediately modify its data collection of any metrics that currently include directionality language to meet this requirement.

34. PSE also indicated that it would be willing to consider the inclusion of goals or targets for CBIs in its 2025 CEIP⁵⁹ in response to Public Counsel’s recommendation⁶⁰ to separate the current directionality included in PSE’s metrics and instead include that directionality as a goal for the CBI. To clarify, Public Counsel’s recommendation differed from Commission Staff’s recommendation to develop interim targets for CBIs. Public Counsel intended to remove the directionality language but enable PSE to continue to indicate a desired overall direction for certain CBIs. For example, for the CBI of “Improved outdoor air quality” in Table 7-5 of the CEIP, PSE currently includes the metric “Reduce regulated pollutant emissions.”⁶¹ Under Public Counsel’s proposal PSE would modify the metric to “Regulated pollutant emissions” and would indicate that the goal of the CBI is to reduce those emissions in a separate column in Table 7-5. In addition Public Counsel recommended that PSE include a separate column in Table 7-5 that lists the specific actions that are relevant or directly intended to achieve the desired directionality indicated for a CBI, if any are indicated. As mentioned, above, this recommendation is distinct from Commission Staff’s recommendation to develop specific targets for each CBI, and PSE

⁵⁹ *Id.* at 26:6–13.

⁶⁰ *See* Dahl & Tam, Exh. CDAT-1T at 32:29–33:21.

should be able to make these modifications in its 2023 Biennial CEIP Update. Public Counsel therefore modifies the existing condition regarding directionality in metrics and recommends new Condition 25 in Appendix A:

- In the 2023 Biennial CEIP Update, PSE must update Table 7-5 to remove directionality from metrics and create a separate column that indicates the desired directionality for each CBI (e.g., “increase” or “reduce”, etc.) or specific target (if available). PSE must also add a new column to the table that lists specific actions that are relevant to or directly intended to achieve the desired directionality for each CBI that indicates a directionality.

2. Need for additional CBIs and metrics

35. Public Counsel recommended PSE include additional CBIs and associated metrics regarding energy burden and energy security, and additional metrics for the CBI of improved participation in clean energy programs from highly impacted communities and vulnerable populations.⁶² PSE argued that these CBIs do not belong in a clean energy implementation plan and are outside the resource planning process and that the CEIP is a resource planning document.⁶³ PSE’s argument disregards the fact CETA requires utilities meet clean energy targets while ensuring

that all customers are benefiting from the transition to clean energy: Through the equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency.⁶⁴

PSE must henceforth consider the impacts of its resources planning activities on energy burdens for named communities and energy security and ensure that named communities can participate

⁶¹ Puget Sound Energy’s Corrected Final Clean Energy Implementation Plan, at 228 (Table 7-5) (filed Feb 1, 2022) (hereinafter “PSE Final CEIP”).

⁶² See Dahl & Tam, Exh. CDAT-1T at 28:10–30:8.

⁶³ Durbin, Exh. KKD-6T at 22:8–14.

in and benefit from planned clean energy programs. While PSE's prior resource planning processes may not have consider these impacts, to suggest that these CBIs have nothing to do with PSE's current and future resource planning processes and do not belong in the CEIP is a serious misunderstanding of one of the underlying pillars of CETA.

36. Under the approved Revenue Requirement Settlement in PSE's 2021 GRC, PSE agreed to track a number of metrics associated with different categories of utility performance.⁶⁵ The CBIs and metrics Public Counsel recommends that PSE should add to the CEIP mirror several of the metrics PSE agreed to track in the PSE and should not be a significant burden. Public Counsel therefore continues to recommend that the following CBIs and metrics should be incorporated into PSE's Final CEIP, and PSE should begin tracking these metrics immediately. Due to the approaching deadline for PSE's 2023 Biennial CEIP Update, Public Counsel acknowledges that it may be more constructive to require PSE to include the new CBIs and metrics in the update rather than refile the 2021 CEIP. Therefore, at a minimum, PSE should begin tracking these CBIs and metrics now and incorporate them into its 2023 Biennial CEIP Update and modifies the previously recommended condition to include this change. These CBIs and metrics are described with greater detail in Condition 26 of Appendix A.

- MODIFIED: PSE must track and report the following CBIs and metrics in its 2021 CEIP. PSE commits to work to expand data availability during this CEIP period. The Company does not have to duplicate data collection efforts if it is collecting the same data in other dockets, but it may use that data for CBI and metric reporting. At a minimum, PSE must begin tracking this data immediately and incorporate the CBIs and metrics into its 2023 Biennial CEIP Update.

⁶⁴ RCW 19.405.040(8).

⁶⁵ See *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-220066, UG-220067 and UG-210918 (*consol.*), Final Order 24/10, Appendix A at 32–34 (Dec. 22, 2022).

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

3. Additional concerns regarding the use and reporting of CBIs

37. Public Counsel raised significant concerns with PSE’s use of CBIs and metrics in its DER preferred portfolio selection process in both the March 2022 comments⁶⁶ and response testimony,⁶⁷ and discussed aspects of its concerns, above. PSE’s methodology for using CBIs to select resources creates an unfair bias toward expensive, customer-facing programs. Additionally, not all of the CBIs and metrics are appropriate for resource selection. Some CBIs and metrics are more appropriate for measuring program results and outcomes, siting resources, or project development, while others are useful for tracking PSE’s activities required to deliver project goals. PSE has indicated that it would update its methods for selecting DER portfolios⁶⁸

⁶⁶ See Dahl & Tam, Exh. CDAT-4 at 11–20.

⁶⁷ See Dahl & Tam, Exh. CDAT-1T at 15:14–18:4; *see also* Dahl & Tam, Exh. CDAT-1T at 30:9–32:28.

⁶⁸ Durbin, TR. 166:23–167:11.

and improve how it thinks about and applies CBIs to select resources.⁶⁹ Public Counsel continues to recommend that PSE acknowledge that not all CBIs and metrics are relevant or applicable to resources selection and must develop a transparent methodology for applying CBIs and metrics with relevant advisory groups. PSE must also address interested parties' major concerns regarding the selection, prioritization, and application of CBIs and metrics. Finally, Public Counsel recommends that PSE compile a comprehensive report card of all CBIs and metrics the Company currently reports or has been ordered to report and file it in the CEIP docket within 10 days of a Commission order in the CEIP. These conditions are described in greater detail in Conditions 27 through 29 in Appendix A and work in conjunction with Condition 8.

4. CBI Framework and uniform list of CBIs

38. CBIs are critical to utility compliance with CETA's equity mandates. Thus far, all utilities have selected different CBIs and have applied them differently throughout the planning process. Varying applications of CBIs, including resource selection, program design, program implementation, and performance tracking have been discussed in the different CEIPs. To ensure all utilities comply with the requirement to equitably distribute the benefits and burdens of the clean energy transition to named communities, Public Counsel requests that the Commission provide a uniform framework for utilities to apply CBIs and their associated metrics and produce a uniform list of CETA-relevant CBIs. Public Counsel envisions a uniform list as the common set of CBIs and metrics that all utilities should be tracking that would not limit utilities from adding CBIs and metrics specific to each utility's circumstances. The Commission has indicated

⁶⁹ *Id.* at 167:12–18.

that it will establish a broad, Commission-led collaborative process to establish methods and standards for distributional equity analysis in which PSE would be required to participate along with all Washington investor-owned utilities.⁷⁰ The development of a distributional equity analysis methodology and the resulting data would help inform the creation of a uniform CBI framework and list of CBIs. PSE supports Public Counsel’s recommendation, and stated, “Utilities would benefit from having a common set of CBIs that are tracked over time, and utilities would especially benefit from a uniform framework for applying them.”⁷¹

E. Incremental Cost

39. Under WAC 480-100-660(4), PSE is required to file projected incremental cost estimates in each CEIP and support its projections with workpapers, models and associated calculations. Additionally, PSE must demonstrate that the costs are directly attributable to actions necessary to comply with or make progress towards the CETA standards. Public Counsel raised a number of concerns regarding PSE’s incremental cost calculation in its March 2022 comments⁷² and in response testimony.⁷³ As a general matter, Public Counsel believes additional guidance is needed regarding incremental cost calculations for each of the utilities. It is critical that the incremental cost accurately capture costs that otherwise would not have been incurred, if not for CETA. Our concern is that specific actions that a utility would have taken regardless of CETA implementation are attributed to CETA. This issue may become more critical as utilities move closer to full compliance with the CETA mandates, and it becomes more difficult to discern

⁷⁰ *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-220066, UG-220067 and UG-210918 (*consol.*), Final Order 24/10, ¶ 235 (Dec. 22, 2022).

⁷¹ Durbin, Exh. KKD-6T at 23:7–15.

⁷² See Dahl & Tam, Exh. CDAT-4 at 29–30.

⁷³ See Dahl & Tam, Exh. CDAT-1T at 34:1–37:23.

which actions may or may not have been taken in the absence of CETA. While the resolution of this issue may not be critical for PSE's first CEIP filing, we request the Commission commence additional stakeholder discussions regarding the incremental cost calculations. Public Counsel continues to recommend the removal of certain DER enablement and grid modernization costs not directly attributable to CETA actions. Public Counsel also recommends PSE remove inappropriate Communication and Educations costs related to advertising and promotional partnerships that lack sufficient detail. The Company must indicate how the costs are tied to specific actions that result in PSE attaining its renewable energy targets, reducing energy burdens for customers, or ensuring the equitable distribution of energy benefits for all customers. Public Counsel includes these conditions as Conditions 30 through 33 of Appendix A.

F. Cost Recovery

40. In PSE's CEIP, the Company requested, "WUTC approval that our investment in DERs and the DER enabling costs associated with these investments is reasonable and prudent at the level proposed in this plan."⁷⁴ PSE continued to advocate for the pre-approval of investments in rebuttal testimony.⁷⁵ Public Counsel emphatically opposes this request. A CEIP docket is not the appropriate proceeding for utilities to request prudence determinations or pre-approval for cost recovery. The purpose of the CEIP is to establish the intended actions the electric utilities will take to meet clean energy targets and other CETA requirements, with specific emphasis on how the utilities will meet the CETA standards at the lowest reasonable cost while equitably distributing the benefits and burdens of the transition to clean energy.⁷⁶ Upon review, the

⁷⁴ Final PSE CEIP at 28.

⁷⁵ See Durbin, Exh. KKD-6T at 37:17-39:2.

⁷⁶ See WAC 480-100-640.

Commission has the ability to approve, reject, or modify the Company's plan to meet legal mandates,⁷⁷ but it is not intended to be a venue to reach prudence decisions, pre-approve cost recovery, or supplant the purpose of GRCs. The Commission has already determined that CEIPs are one among several factors used in prudence determinations and cost recovery, though approval of a CEIP does not exclusively grant prudence.⁷⁸ Public Counsel continues to recommend Conditions 34 through 36.

III. CONCLUSION

41. As filed, PSE's CEIP does not meet the requirements of CETA and the Commission's rules. Although the CEIP process is new and evolving, the Commission must ensure PSE meets its statutory and regulatory obligations. For the reasons stated above and in filed comments and testimony, Public Counsel recommends that the Commission either require PSE to follow the conditions set forth in Appendix A or reject PSE's CEIP.

DATED this 22nd day of February, 2023.

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⁷⁷ See WAC 480-100-645.

⁷⁸ *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-220066, UG-220067 and UG-210918 (consol.), Order 10/01, ¶ 24 (Apr. 18, 2022).