

**BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

In the Matter of

PUGET SOUND ENERGY, INC.

2021 Clean Energy Implementation Plan

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DOCKET NO. UE-210795

**FRONT AND CENTERED AND  
NW ENERGY COALITION'S  
POST-HEARING BRIEF**

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## INTRODUCTION

1           The Clean Energy Transformation Act (CETA) contains two core mandates, directing electric utilities to transition to 100% clean energy and to ensure that all customers equitably benefit from this transition. *See* RCW Ch. 19.405. CETA requires utilities to prepare Clean Energy Implementation Plans (CEIPs) that include interim targets and the specific steps the utility will take over four years to make progress on these two core mandates. RCW 19.405.060.

2           PSE's first CEIP falls far short of CETA's minimum requirements. The CEIP does include robust clean energy targets that commit PSE to a significant first step toward CETA's 100% clean energy mandate, though PSE's demand response target is too low and its incremental cost calculation is flawed. But CETA's equity mandate is where the CEIP falls woefully short: PSE's CEIP does not include any specific actions, interim targets, or any other concrete measures to ensure an equitable distribution of the benefits of this significant first step in PSE's clean energy transition.

3           The Commission must impose conditions on its approval of PSE's CEIP to ensure an equitable distribution of benefits. The record contains evidence of many viable means of achieving this end, including changes to PSE's Vulnerable Population designations, additional CBIs and associated interim targets, selecting specific actions to promote equity, minimum designations of distributed energy resources for named communities, pilot programs to reduce named communities' vulnerability and prioritize customers with the deepest needs, and improved public participation processes. While PSE objects to implementing these proposals in this first four-year CEIP period, CETA's equity mandate should be acted on with urgency.

4           CETA's language is both clear and mandatory: utilities must "ensure" the equitable distribution of benefits and burdens to all customers, and especially to vulnerable populations and highly impacted communities. RCW 19.405.040(8). The Commission must condition its

approval of PSE’s CEIP on the inclusion of specific provisions that ensure the benefits of PSE’s actions over the next four years are distributed equitably. RCW 19.405.060(1)(c).

## BACKGROUND

### I. CLEAN ENERGY TRANSFORMATION ACT

#### A. Clean Energy Mandate

5 CETA requires that, by 2045, utilities must use non-emitting electric generation and electricity from renewable resources to “supply one hundred percent of all sales of electricity” to Washington customers. RCW 19.405.050(1). As an interim step, by 2030, utilities must ensure that all retail sales of electricity to Washington customers are “greenhouse gas neutral,” RCW 19.405.040(1), and that clean energy supplies at least eighty percent of their sales of electricity to Washington customers. RCW 19.405.040(1)(b).

6 CETA also establishes priority resources for the transition to clean energy. Utilities must plan to reduce loads and peaks as much as possible, and then acquire the necessary conservation, demand response, and renewable and non-emitting resources to meet CETA’s clean energy targets. RCW 19.405.050(3). In making new investments, CETA requires that utilities “[a]chieve targets at the lowest reasonable cost, considering risk; [c]onsider acquisition of existing renewable resources; and [i]n the acquisition of new resources . . . , rely on renewable resources and energy storage[.]” RCW 19.405.050(3)(a)–(c).

#### B. Equity Mandate

7 CETA requires utilities to ensure that the transition to clean energy is a just transition that does not leave the most vulnerable behind. Specifically, CETA requires that each utility “ensure 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[.]” RCW 19.405.040(8); WAC 480-100-610(4)(c)(i).

8 “Equitable distribution” means “a fair and just, but not necessarily equal, allocation of benefits and burdens from the utility’s transition to clean energy.” WAC 480-100-605. Equitable distribution is measured by “disparities in current conditions,” *id.*, as well as “cumulative and legacy conditions.”<sup>1</sup> “[T]he purpose of equitable distribution in the statute is to prioritize vulnerable populations and highly impacted communities that experience the greatest inequities and disproportionate impacts, and that have the greatest unmet needs.”<sup>2</sup>

9 In addition to CETA’s equity mandate, the Commission is guided by the principles of equity set out in the law creating the Washington Office of Equity.<sup>3</sup> Those principles state that equity requires “developing, strengthening, and supporting policies and procedures that distribute and prioritize resources to those who have been historically and currently marginalized, including tribes,” “the elimination of systemic barriers that have been deeply entrenched in systems of inequality and oppression,” and achieving “procedural and outcome fairness, promoting dignity, honor, and respect for all people.” RCW 43.06D.020(3)(a). The Commission has adopted those principles and committed “to ensuring that systemic harm is reduced rather than perpetuated by our processes, practices, and procedures.” Cascade GRC Order, ¶ 55. As the Commission recently held:

10 Recognizing that no action is equity-neutral, regulated companies should inquire whether each proposed modification to their rates, practices, or operations corrects or perpetuates inequities. Companies likewise should be prepared to provide testimony and evidence to support their position. Meeting this expectation will require a comprehensive understanding of the ways in which systemic racism and other inequities are self-perpetuating in the existing regulatory framework absent corrective intervention.

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<sup>1</sup> *In re Adopting Rules Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act*, Dockets UE-191023 & UE-190698 (*consol.*), General Order R-601 (Dec. 28, 2020) (hereinafter “CETA Rulemaking Order R-601”), ¶ 47.

<sup>2</sup> *Id.*

<sup>3</sup> *Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corp.*, Docket UG-210755, Final Order 09 (Aug. 23, 2022) (hereinafter “Cascade GRC Order”), ¶ 55.

Cascade GRC Order, ¶ 58.

C. Clean Energy Implementation Plans (CEIPs)

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A Clean Energy Implementation Plan (“CEIP”) is the utility’s four-year action plan for CETA’s clean energy and equity mandates. RCW 19.405.060(1)(a). A CEIP must include:

- an identification of highly impacted communities and vulnerable populations (together, “named communities”) in the utility’s service territory<sup>4</sup>;
- customer benefit indicators and metrics that comprehensively measure the impact of the utility’s actions on its customers including named communities<sup>5</sup>;
- specific targets for energy efficiency, demand response, and renewable energy<sup>6</sup>;
- the utility’s planned specific actions<sup>7</sup> and an analysis of how those actions demonstrate progress towards meeting CETA’s clean energy and equity mandates<sup>8</sup>;
- a plan for public participation, including outreach and education serving named communities;<sup>9</sup> and
- the projected incremental cost of the utility’s plan based on portfolio modeling.<sup>10</sup>

D. Remedies for a Deficient CEIP

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If a utility’s CEIP fails to meet CETA’s requirements, the Commission may either reject the CEIP altogether or impose conditions on its approval. WAC 480-100-645(2). The Commission can also take enforcement action against the utility, which can result in

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<sup>4</sup> WAC 480-100-640(4)(a) (citing RCW 19.405.140); RCW 19.405.020(23) (defining “highly impacted community”); WAC 480-100-640(4)(b); RCW 19.405.020(40) (defining “vulnerable population”).

<sup>5</sup> WAC 480-100-640(4)(c).

<sup>6</sup> RCW 19.405.060(1)(a)(i); WAC 480-100-640(3).

<sup>7</sup> RCW 19.405.060(1)(b)(iii); WAC 480-100-640(5).

<sup>8</sup> WAC 480-100-640(6)(b)(i), (ii) (citing WAC 480-100-610(4)).

<sup>9</sup> WAC 480-100-640(8); WAC 480-100-655.

<sup>10</sup> WAC 480-100-640(7) (citing WAC 480-100-660(4)).



administrative penalties or an order directing a utility to take specific actions necessary to comply with CETA. WAC 480-100-665(1), (3).

## II. PSE’S CEIP

13 On October 15, 2021, PSE filed its draft CEIP with the Commission in Docket UE-210795. In comments, Front and Centered and the NW Energy Coalition (NWECC) raised significant concerns with PSE’s draft, including that PSE’s plan failed to ensure an equitable distribution of benefits and reduction of burdens to named communities. PSE filed its final CEIP on December 17, 2021.<sup>11</sup> In comments on the final CEIP, Front and Centered, NWECC, and others reiterated many of the same concerns. Front and Centered requested that the Commission initiate an adjudication to address the shortcomings in PSE’s CEIP, particularly regarding PSE’s failure to comply with CETA’s equity mandate. *See* WAC 480-100-645(2).

## ARGUMENT

### I. VULNERABLE POPULATIONS DESIGNATION METHODOLOGY

14 CETA directs utilities to ensure the equitable distribution of benefits to named communities—but this task becomes virtually impossible if utilities do not first accurately identify the named communities in their service territory.<sup>12</sup> The record shows that PSE’s methodology for designating vulnerable populations is deeply flawed in many important respects.<sup>13</sup> The Commission should condition its approval of the CEIP on changes to PSE’s methodology going forward and additions to the vulnerable population designations in this CEIP.

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<sup>11</sup> PSE, 2021 PSE Clean Energy Implementation Plan, Corrected, Feb. 1, 2022, Docket UE-210795 (“CEIP”).

<sup>12</sup> Highly impacted communities are designated based on disparate air quality as established by analysis by the Department of Health, and by census tracts fully or partially in Indian country. RCW 19.405.020(23).

<sup>13</sup> The record contains extensive testimony about the many problems with PSE’s Vulnerable Population designation methodology. *See, e.g.*, RDC-1Tr at 6:22–17:5; JES-1T at 30:2–34:8; Hr’g Tr. at 272:3–278:25; 300:4–302:16. Rather than reiterating all of the problems, this section will focus on explaining the most significant problems and clarifying NWECC and Front and Centered’s recommendations for improving the methodology in this and future CEIPs.

A. Problems with PSE’s Vulnerable Population Designation Methodology

15 Chief among the flaws in PSE’s methodology is that PSE’s aggregate scoring system combines vulnerability “scores” for all vulnerability factors, treating vulnerability as a single vector. This approach makes PSE’s designations useless as a tool for complying with CETA’s requirement to plan actions to reduce the particular disparities that rendered those populations vulnerable.<sup>14</sup> PSE’s list of “highly Vulnerable Populations” cannot help it determine which communities or customers it should target for actions that could reduce energy burden, or for actions that reduce air pollution, or for actions that increase grid reliability, because PSE’s designations reflect an averaging of scores for a range of unrelated vulnerability factors, rather than reflecting a particular kind of vulnerability.

16 In addition, PSE’s re-scaling of data—which distributes scores for each vulnerability factor across five equal-sized tranches (scores 1–5), and divides all census blocks into three equal-sized tranches of high, medium, and low vulnerability—is likely to obscure, rather than illuminate, realities of vulnerability. JES-1T at 31:2–18; RDC-1Tr at 7:6–11, 8:17–9:3, 11:6–7.

B. Conditions Required to Comply With CETA

1. *Vulnerable Population Designations in Future CEIPs*

17 The Commission should direct PSE to substantially overhaul its Vulnerable Population designation methodology for future CEIPs to address at least the following four major shortcomings. RDC-1Tr at 17:6–18:22.

18 First: the Commission should clarify that Vulnerable Population designations need not be made on a geographic level (census block group, or census tract) and should be made at the most

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<sup>14</sup> JES-1T at 32:10–33:8, 34:6–8; RDC-1Tr at 10:4–11:10; *see also* RCW 19.405.040(8) (utilities must “ensure” that all customers are benefitting from the transition to clean energy through the reduction of burdens to named communities); WAC 480-100-610(4)(c)(i) (same); Cascade GRC Order, ¶ 58 (CETA requires utilities to develop “a comprehensive understanding of the ways in which systemic racism and other inequities are self-perpetuating in the existing regulatory framework absent corrective intervention” and to plan specific actions to reduce disparities).

granular level possible, given the available data.<sup>15</sup> Some designations can be made on the individual customer level. The record shows that PSE already has “a trustworthy, publicly available source of customer-level data to quantify a vulnerability factor” available for “some key vulnerability factors” such as low-income status and disconnection history,<sup>16</sup> as well as high energy burden, which the CEIP acknowledges “may be a helpful lead indicator to engage multiple dimensions of vulnerability in PSE’s Service Area.”<sup>17</sup> PSE should use its customer-level data to designate all customers who share a particular vulnerability attribute as Vulnerable Populations, no matter what neighborhood they live in, rather than using customer-level data to identify census block groups for designation. *Cf.* CEIP at 54 (Table 3-2); AJP-27X.

19 Other designations can be made on a “population level” that designates a group of similarly situated vulnerable customers. Hr’g Tr. at 300:4–302:16. Population-level designations make it easy to hone in on synergistic impacts of some vulnerability factors that render people with multiple vulnerabilities significantly worse off than people with just one. *See* RDC-1Tr at 10:9–15. For example, PSE could designate “customers over 65 who do not have air conditioning” as a Vulnerable Population, which would capture a group of customers who are more susceptible to heat-related illness and death than either elderly customers with air conditioning or non-elderly customers without air conditioning. *See* Hr’g Tr. at 300:4–302:16. For another example, PSE can designate as a highly vulnerable population all customers with household incomes less than 200% of the federal poverty level **and** average home energy burdens exceeding 6%, rather than separately scoring vulnerability based on income and on

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<sup>15</sup> RDC-1Tr at 63:19–64:16; JES-1T at 34:13–14 (PSE should “identify vulnerable populations through more specific characteristics that may not correlate with Census-tract-level mapping”).

<sup>16</sup> AJP-1T at 6:4–6, 6:15–16; AJP-27X; AJP-28X.

<sup>17</sup> CEIP at 55; GA-1T at 12:6–7 (identifying high energy burden as a “customer priority need”); GA-12X; AJP-28X (listing types of customer information PSE purchased from Experian).

energy burden, which may measure the same underlying attribute. *See* RDC-1Tr at 18:7–9. If PSE does not know which of its individual customers fall into a population-level designation or which geographic areas have the highest concentrations of people with those characteristics, PSE can nonetheless conduct outreach to the designated population by partnering with community-based organizations that serve people with those characteristics. For example, PSE might target customers over 65 who do not have air conditioning by conducting outreach in partnership with senior centers that offer cooling shelters in the summer.

20           Second: the Commission should direct PSE to abandon its aggregate scoring system. Instead, PSE should designate highly vulnerable populations for each vulnerability factor on either a geographic, individual, or population basis. Designations that reflect just one kind of vulnerability will be more transparent and actionable than designations that reflect an averaging of scores across unrelated vulnerability factors. *See* RDC-1Tr at 8:5–11:10.

21           Third: the Commission should instruct PSE not to arbitrarily confer “highly vulnerable” status on the top one-third of customers with a given vulnerability factor. Instead, PSE should designate as a Vulnerable Population whatever size population warrants the label. RDC-1Tr at 18:15–18. For example, PSE should designate as vulnerable all of its customers facing energy burdens above a certain threshold, rather than the one-third of customers with the highest energy burdens. Abandoning the aggregate scoring methodology and the practice of designating the top one-third of scores as “highly vulnerable” will make it easier to give appropriate weight to factors that are leading indicators of vulnerability—like energy burden—and to prioritize groups of customers with the highest scores for commonly grouped vulnerability factors.

22           Fourth: the Commission should direct PSE to expand the vulnerability factors that go into Vulnerable Population designations to include deep poverty, poor housing quality, and high

susceptibility to death and illness from extreme heat. RDC-1Tr at 64:6–7. Identifying customers burdened by each of these vulnerability factors would enable PSE to develop specific actions designed to reduce those burdens.

## 2. *Vulnerable Population Designations in This CEIP*

23 A complete overhaul of PSE’s vulnerable population methodology will take time, and must involve consultation with advisory groups and other stakeholders. But there are some improvements that PSE can and should implement now. To ensure that this CEIP meets CETA’s requirements to identify vulnerable populations, the Commission should condition approval of this CEIP upon PSE adding “highly vulnerable” designations to a number of additional census block groups with indicia of significant vulnerability who are excluded from PSE’s named community designations, as identified in Mr. Colton’s testimony. *See* RDC-1Tr at 64:17–65:20.

## II. CUSTOMER BENEFIT INDICATORS

24 A CEIP must include customer benefit indicators (“CBIs”) and associated metrics to measure the customer benefits and burdens associated with the transition to clean energy.<sup>18</sup> These CBIs and metrics are the primary mechanism for utilities to define, measure, and make progress on CETA’s equity mandate.<sup>19</sup> LCM-7T at 1:22–2:20. When properly implemented, CBIs should enable utilities to: assess the disparities facing their customers,<sup>20</sup> evaluate and select

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<sup>18</sup> RCW 19.405.040(8) (requiring equitable distribution of specific customer benefits); WAC 480-100-640(4)(c) (requiring one or more CBIs associated with each statutory customer benefit).

<sup>19</sup> Just last month, PSE conceded that its understanding of CBIs and metrics and the role they play is “still evolving.” KKD-37X (PSE’s Jan. 18, 2023 Response to DR 186(a)). The record indicates that, although PSE agrees that CETA requires it to assess and reduce disparities in the burdens borne by different communities, PSE does not believe that CBIs and metrics must necessarily play any role in the assessment of those disparities or in the fulfillment of CETA’s mandates to reduce burdens to named communities and to ensure that all customers are benefitting from the clean energy transition. *Id.* (PSE’s Response to DR 186(b)). The Commission should clarify the role that CBIs and metrics should play in fulfilling CETA’s equity mandates.

<sup>20</sup> WAC 480-100-640(6)(b)(i) (CEIP must contain “an assessment of current benefits and burdens on customers, by location and population”); *see also* Cascade GRC Order, ¶ 58 (utilities must develop “a comprehensive understanding of the ways in which systemic racism and other inequities are self-perpetuating in the existing regulatory framework absent corrective intervention”).

specific actions that reduce burdens to named communities,<sup>21</sup> and measure progress to ensure that customers are benefitting from the clean energy transition.<sup>22</sup> PSE’s CBIs are plainly inadequate to these tasks in at least four ways.

25           First, PSE’s CBIs and metrics are incomplete because they fail to measure key ways that named communities stand to benefit from, or be harmed by, PSE’s clean energy transition.

26           Second, the CEIP does not contain baseline data reflecting the current distribution of benefits and burdens measured by PSE’s CBIs and metrics, nor any plan for conducting a distributional equity analysis or making any baseline data or equity analysis public.

27           Third, the CEIP contains an unreliable and subjective scoring system for applying CBIs to specific actions, and outsources the application of this subjective scoring system to bidders.

28           Fourth, the CEIP contains no targets or plans for reducing disparities, so PSE’s CBIs and metrics have no associated accountability mechanism. Below, we explain each of these four failings and recommend conditions necessary to ensure that PSE’s CEIP meets the equity requirements of CETA.

A.     Incomplete CBIs and Metrics

29           PSE’s CBIs and metrics must be sufficiently comprehensive to capture all of the primary ways in which PSE’s actions and programs further (or hinder) an equitable distribution of benefits—otherwise, progress on the CBIs may not correlate to progress on CETA’s underlying requirement that PSE ensure an equitable distribution of benefits. Unfortunately, PSE’s CBIs and metrics omit important impacts that PSE’s actions can have on its most vulnerable customers.

*E.g.*, LCM-7T at 2:3–10. The gaps in PSE’s CBIs are particularly acute in three areas:

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<sup>21</sup> WAC 480-100-640(6)(b)(ii) (CEIP must describe “how the specific actions in the CEIP mitigate risks to highly impacted communities and vulnerable populations”).

<sup>22</sup> WAC 480-100-640(6)(b)(i) (CEIP must describe “the projected impact of specific actions on the distribution of customer benefits and burdens during the implementation period”).

(1) “energy benefits” to measure the extent to which named communities benefit from PSE’s DER (Distributed Energy Resource) and DR (demand response) programs; (2) “public health” to measure reduced pollution burden and exposure; and (3) “reduction in cost” and “energy security” to measure reductions in residential disconnections and arrearages.

30 PSE failed to address these gaps in its CBIs and metrics despite specific recommendations from parties and stakeholders. In early summer 2021, a group of “Joint Advocates”<sup>23</sup> prepared a set of CBIs and metrics that are more focused, specific, and detailed than PSE’s proposed CBIs. LCM-1T at 17:10–18. Though the Joint Advocate CBIs would more fully reflect the impact of PSE’s actions, PSE chose not to adopt them. PSE subsequently agreed as part of a settlement in its General Rate Case to adopt additional metrics, but also declined to incorporate any of those metrics into the CEIP. *See* LCM-3; LCM-1T at 17:20–18:2.

31 The Commission should direct PSE to adopt additional CBIs and metrics so that PSE can accurately analyze the impact of its actions. *See* LCM-8, ¶ 12.<sup>24</sup> Below, we discuss some of the most significant gaps in PSE’s CBIs and metrics.

1. *Energy Benefits to Named Communities*

32 PSE’s CBI for energy benefits, which measures “improved participation” in clean energy programs from named communities, is inadequate because it does not measure the magnitude or quality of the energy benefit associated with participation. If named community participation in energy programs increased slightly but the energy benefit each named community member received from that participation decreased dramatically, PSE’s CBI would indicate progress

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<sup>23</sup> The “Joint Advocates” include NWEC, The Energy Project, Front and Centered, and the Public Counsel Unit of the Attorney General’s Office. LCM-1T at 17:12–14.

<sup>24</sup> As Lauren McCloy noted at the hearing, it is not necessary for CBIs and metrics to contain language that reflects directionality if the CEIP is updated to include targets associated with each CBI and metric. Hr’g Tr. at 292:9–22. Accordingly, this brief omits the directionality language from NWEC and Front and Centered’s recommended CBIs and metrics.

toward an equitable distribution of energy benefits, despite the fact that named communities' energy savings were moving in the wrong direction. LCM-1T at 18:10–19; Hr'g Tr. at 175:8–19.

33 Additional CBIs and metrics in the category of energy benefits are necessary for a complete picture of how PSE's actions impact the equitable distribution of energy benefits in named communities, ranging from average energy savings to participation in the most beneficial programs (*e.g.* appliance conversions), and capturing resource control and ownership as well as distribution of benefits by vulnerability factor where available. *E.g.*, LCM-7T at 2:19–3:10; LCM-1T at 18:6–20:21. The Commission should direct PSE to adopt an additional energy benefit CBI, “Named Community Clean Energy,” and associated metrics, to measure the distribution of the substantial benefits that DER programs could offer participants. *See* LCM-8, ¶ 12.

## 2. *Public Health*

34 PSE's CBIs for public health, “improved outdoor air quality” and “improved community health,” are inadequate by themselves to capture the impact of PSE's actions on pollution burden and pollution exposure.

35 First, PSE's CBIs do not capture impacts on indoor air quality. Indoor and outdoor air pollution can have different causes and can be reduced through different actions. LCM-1T at 21:6–7. For example, PSE's CBIs are unlikely to capture the public health benefits associated with upgrading in-home gas appliances to high-efficiency electric options. *Id.* at 21:8–12. Climate change has increased the importance of indoor air quality, as more extreme temperatures and wildfires lead people to take shelter indoors more frequently. RDC-1Tr at 29:14–19. The Commission should direct PSE to adopt an additional CBI, “indoor air quality.”

36 Second, PSE's metric associated with its “improved outdoor air quality” CBI—“reduce regulated pollutant emissions (SO<sub>2</sub>, NO<sub>x</sub>, PM<sub>2.5</sub>)”—is not specific enough to capture the



impacts of PSE’s selection of utility-owned electric generation resources. The Commission should direct PSE to adopt three new metrics that track paragraphs 62(c), (d), and (e) of PSE’s General Rate Case Settlement: “annual SO<sub>2</sub> emissions in named communities from utility-owned electric generation resources, by census tract;” “annual NO<sub>x</sub> emissions in named communities from utility-owned electric generation resources, by census tract;” and “annual PM<sub>2.5</sub> emissions in named communities from utility-owned electric generation resources, by census tract.”

37           Third, PSE’s proposed CBIs would not capture the public health benefits associated with programs that improve housing quality through deep investment in low-income weatherization, which can involve remediation of health hazards like lead paint, mold, and structural problems that threaten the health of the people who live there, service providers and guests who enter the home, and neighbors who would be harmed by collapse or fire. *See* RDC-1Tr at 27:14–28:12, 42:14–43:5. The Commission should direct PSE to adopt an additional CBI, “housing quality.”

38           Fourth, PSE’s public health CBIs and metrics do not capture illness and death from extreme heat—two of the most commonly tracked indicators of health vulnerability to climate change impacts. RDC-1Tr at 28:13–29:22. Illness and death from extreme heat are often directly associated with home energy burdens. *Id.* at 28:15–29:4. Low-income and energy-burdened customers are less likely to have air conditioning and less likely to operate their air conditioning than higher-income customers due to concerns over the unaffordability of their bills. *Id.* at 29:4–8. During extreme heat events, having limited or no access to air conditioning can cause serious illness, hospitalization, and even death. *Id.* at 29:8–10. PSE’s CBIs and metrics should measure these devastating impacts. The Commission should direct PSE to adopt an additional metric, “health impacts from extreme heat.”

### 3. Residential Arrearages and Disconnections

39 The Commission should direct PSE to adopt an additional CBI, “residential arrearages and disconnections for nonpayment,” and associated metrics.<sup>25</sup> In this adjudication, UTC staff, NWEC, Front and Centered, The Energy Project, and Public Counsel have all advocated for this addition. Avista’s approved CEIP includes CBIs and metrics related to arrearages and disconnections, and PacifiCorp’s CEIP includes a company-proposed CBI and metric on residential disconnections. *See* LAS-1T at 9:17–10:1 & nn.11–12.

40 PSE’s principal objection to CBIs and metrics addressing arrearages and disconnections is that these are “non-resource topics” that “do not belong in a clean energy implementation plan,” and that it would be “more appropriate” for the Commission to develop a “separate proceeding” and reporting structure to reflect PSE’s progress in these areas. KKD-6T at 22:8–23:6; KKD-42X. But the CEIP is meant to be a comprehensive action plan for PSE’s clean energy transition, and as such must address a great range of topics that are also addressed in other dockets. PSE also concedes that there is no statute, regulation, or order that directs it to exclude “non-resource topics” from its CEIP. RDC-1Tr at 22:13–16; RDC-11; RDC-12.

41 PSE’s argument also ignores the significant and numerous ways in which PSE’s CETA implementation could either exacerbate or ameliorate vulnerabilities associated with arrearages and disconnections. *See generally* RDC-1Tr at 22:8–26:6. Arrearages and disconnections can have a devastating impact on customers, as they lose access to essential electric services, including home heat, hot water, lights, refrigeration, cooking appliances, device charging capabilities, and WiFi. Accordingly, arrearages and disconnections should have a direct bearing

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<sup>25</sup> *See* LCM-8, ¶ 12 (list of recommended additional CBIs and metrics in the categories of “reduction in cost” and “energy security”); n.24, *supra* (explaining that CBIs and metrics need not contain language indicating directionality if the CEIP is updated to include targets associated with each CBI and metric).

on resource selection, such as the type and extent of energy efficiency investments PSE makes.  
RDC-1Tr at 23:15–19.

42           The Commission has acknowledged that “ensuring that individuals have access to energy that is affordable, safe, sustainable, and affords them the ability to sustain a decent lifestyle” is an important energy justice principle that should inform the CETA regulatory framework. Cascade GRC Order, ¶ 56. While PSE does propose a metric that looks at reductions in electric bills for energy-burdened customers, this metric does not reflect the full costs, burdens, and risks of bill unaffordability. An action that reduces electric bills for energy-burdened customers might nonetheless leave burdens at an unaffordable level, with customers facing arrearages and disconnections. RDC-1Tr at 22:17–23:1. The Commission should direct PSE to adopt an additional CBI, “residential arrearages and disconnections for nonpayment.”

B.     Baseline Equity Data and Distributional Equity Analysis

43           PSE’s CEIP lacks baseline data for most CBIs and metrics, and the little baseline data that is available is often confusing<sup>26</sup> or incomplete.<sup>27</sup> Without baseline data reflecting the current distribution of benefits and burdens across PSE’s customer base, the Commission and the public will be unable to assess the extent to which PSE has complied with CETA’s requirement to reduce disparities in the distribution of benefits and burdens.

44           To facilitate the collection and analysis of equity data, the Commission should direct PSE to undertake a distributional equity analysis across its service territory that analyzes and

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<sup>26</sup> See Section IV(D), *infra* (noting that Table 3-8 of the CEIP with baseline participation rates lumps together all energy efficiency programs). See also CEIP at 73 n.33 (stating that PSE “took the Total Measure Count . . . and divided it by Total Savings kWh” to calculate EE participation, without explaining how using “Total Savings kWh” as a baseline could produce any measure of participation). *But see* KKD-29X (showing that PSE likely did not use “Total Savings kWh” as the baseline for EE participation calculation). Additionally, PSE appears to have calculated baseline data for DER programs and EE programs inconsistently by comparing the number of participating customers in each vulnerability group to very different baselines (all customers in a given vulnerability group for DER versus all participating customers from all vulnerability groups for EE). Compare KKD-29X with KKD-28X.

<sup>27</sup> See KKD-39X (citing CEIP at 64); KKD-40X (“Some CBIs in the 2021 CEIP do not have baseline data yet”).

describes the current benefits and burdens on customers by location and population, and assesses the projected impact of specific actions on the distribution of customer benefits and burdens during the CEIP implementation period. PSE should begin this analysis within three months of a final Commission order in this docket and complete this analysis in time to incorporate the results into the draft and final 2025 CEIP. LCM-7T at 8:10–13; LCM-8, ¶ 25.<sup>28</sup>

C. Application of CBIs to Specific Actions

45 Utilities should be able to use their CBIs to accurately evaluate the likely customer benefits of different potential resource actions and programs, allowing them to select a set of actions and programs that leads to an equitable distribution of benefits.<sup>29</sup> PSE’s CEIP, however, sets forth a “rudimentary and subjective”<sup>30</sup> system for scoring customer impacts, in which each CBI is scored as a 0, 1, or 2 for each action. PSE compounded the problems inherent in its highly subjective CBI scoring system by outsourcing to external bidders the task of applying CBI scores to DER proposals. When a subjective scoring system is applied by many different entities working independently from one another, it is a near certainty that the system will be applied unevenly, leading to arbitrary results and undermining the purpose of a scoring system. *See* LCM-1T at 16:7–20. In addition, PSE has refused to disclose its bidders’ CBI analysis, KKD-46X (subpart c), depriving the public of any opportunity to understand or provide feedback on how PSE is using CBIs to evaluate and choose specific actions.<sup>31</sup>

46 Because PSE’s CBI scoring system is rudimentary, outsourced, and confidential, the CEIP does not meet CETA’s requirement to analyze the customer benefits of each specific action

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<sup>28</sup> The Commission has already approved PSE’s GRC settlement, which includes a pilot distributional equity analysis. *See* LCM-3 (Term L); *see also* UE-220066 and UG-220067 (consolidated), Final Order 24 (Dec. 22, 2022).

<sup>29</sup> *See* CETA Rulemaking Order R-601, ¶¶64–67.

<sup>30</sup> LCM-1T at 16:14.

<sup>31</sup> In addition to the flaws in the scoring system, PSE did not score or otherwise analyze the customer benefits of the actual specific actions it plans to take, as discussed in detail in Section IV(A), *infra*.

under consideration.<sup>32</sup> Indeed, PSE acknowledged “the need to revise this process” for applying CBIs to specific actions. KKD-6T at 20:17–19.

47           The Commission should direct PSE to develop, in conjunction with relevant advisory groups and stakeholders, a transparent and consistent methodology for applying CBIs and metrics to resource decisions and program evaluation. This methodology should include changes to PSE’s weighting and scoring processes that allow PSE to capture a more nuanced and complete spectrum of impacts than a simple 0, 1, or 2 score.<sup>33</sup>

D.     Accountability for Reducing Disparities (CBI Targets, Energy Justice Scorecard)

48           No part of PSE’s CEIP commits to making any quantifiable amount of progress in reducing disparities. Although PSE’s CBIs and metrics indicate the direction in which the indicator should be moving to reflect customer benefit,<sup>34</sup> nothing in the CEIP describes the quantum of progress that PSE hopes or expects to achieve during this four-year CETA implementation period.<sup>35</sup>

49           The Commission should direct PSE to develop clear targets for each CBI and metric reflecting the distribution of benefits and burdens associated with PSE’s CETA implementation plans.<sup>36</sup>

50           To allow communities to hold PSE accountable to its goals and advocate for different actions if necessary, the Commission should also require PSE to develop a publicly accessible energy justice scorecard that contains PSE’s CBI and metric baseline data and targets, and to

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<sup>32</sup> See WAC 480-100-640(5)(c) and (6)(b)(i), (ii).

<sup>33</sup> LCM-1T at 16:7–20, 26:14–27:12.

<sup>34</sup> See CEIP at 66–70 (Table 3-6, containing CBIs and metrics that contain terms indicating directionality such as “improved,” “increase,” “reduce,” “decrease,” “increase,” “reduced,” “reduce,” and “reduction”).

<sup>35</sup> The importance of CBIs and metrics as a tool to inform decisions about which specific actions to pursue to reduce disparities is heightened because PSE’s methodology for designating Vulnerable Populations is utterly unhelpful as a tool for this purpose, as discussed in Section I(A), *supra*.

<sup>36</sup> LCM-7T at 4:8–15. As Lauren McCloy clarified at the hearing, incorporating directionality language into all CBIs and metrics is not necessary if there are clear targets associated with each CBI and metric. Hr’g Tr. at 292:9–22.

regularly update that scorecard to reflect PSE’s progress towards those targets. LCM-8, ¶¶13, 16; LCM-1T at 15:5–12, 55:4–7. At a minimum, this scorecard must include all data that PSE reports to the Commission. *See* LCM-1T at 13:1–3, 14:3–15:12, 25:10–18.<sup>37</sup>

### III. INTERIM CLEAN ENERGY TARGETS

#### A. PSE’s Renewable Energy, Energy Efficiency, and DER Targets Are Reasonable

51 Utilities must adopt interim targets in a CEIP that demonstrate progress toward CETA’s clean energy standards. RCW 19.405.060(1)(a); WAC 480-100-640(2). PSE adopted an interim target in this CEIP of 63% renewable energy by 2025. CEIP at 24. This target sets PSE well on its way to achieving CETA’s 2030 clean energy standard, which requires utilities to rely on clean energy resources to supply at least 80% of all retail electric sales, with offsets required for up to 20% of load that may still be served by emitting resources. RCW 19.405.040(1). PSE appropriately adopted a slightly accelerated target relative to the minimum clean energy acquisitions PSE identified as necessary in its 2021 IRP to meet this 2030 target. CEIP at 24. This target both accelerates the significant customer benefits associated with a cleaner portfolio and reduces the risk and uncertainty inherent in delaying the acquisition of clean resources that will be necessary to meet the 2030 standard. *Id.* at 24–25.

52 Utilities must also include specific energy efficiency and demand response targets in their CEIPs. RCW 19.405.060(1)(a). PSE’s energy efficiency target, which is based on its most recent Biennial Conservation Plan, is aggressive but reasonable, though PSE should update this target in its Biennial CEIP Update. *See* LCM-1T at 31:16–19, 32:21–33:8; LCM-8, ¶ 5. PSE’s demand response target is unreasonably low, as discussed in Section III(B), *infra*.

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<sup>37</sup> PSE’s allusions to “internal dashboards” and other equity analyses that it has not and will not make public, *see* AJP-30X, cannot substitute for a public scorecard that provides a tool for public accountability.

53 PSE’s adoption of a DER sub-target of 80 MW of distributed solar and 25 MW of distributed storage is also reasonable. CEIP at 25–26. As PSE recognizes, distributed resources will play a key role in the clean energy transition both because of the customer benefits they provide and because they do not rely on regional transmission availability. *Id.* at 25. Integrating distributed resources can pose challenges, as PSE recognizes. *Id.* PSE’s plan to begin to integrate these resources now, and to start building the systems and technologies that support substantial distributed resource integration going forward, are an important forward-looking commitment to the role distributed resources will play in an equitable, customer-centered, and 100% clean resource portfolio. *Id.*; *see also* LCM-1T at 31:16–19.

54 While PSE’s interim clean energy target, energy efficiency target, and DER sub-target were reasonable at the time they were proposed, the passage of the federal Inflation Reduction Act may significantly lower the cost of some clean resources. LCM-1T at 32:21–33:8. PSE should incorporate these reduced costs in its resource planning going forward, and adjust its interim targets upwards in the 2023 Biennial CEIP Update if warranted. *Id.* at 33:4–15.

B. The Commission Should Increase PSE’s Demand Response Target

55 CETA identifies demand response as a priority resource: utilities must first pursue demand response before considering new resources and must include specific demand response targets in the CEIP. RCW 19.405.040(6); RCW 19.405.060(1)(a)(i). PSE’s demand response target in its CEIP is far too low, and flies in the face of both this statutory prioritization and the evidence that PSE could meet a far higher target. LCM-1T at 41:12–44:7. The Commission should condition its approval of PSE’s CEIP on an increased demand response target of ten percent of summer and winter peak demand. This target is reasonable based on regional and national experts’ predictions that demand response programs should be able to reach peak demand reductions of around ten percent. LCM-5 at 36–37.

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PSE’s demand response target of 23.7 MW by 2025 is far below the amount regional experts predict should be achievable. LCM-5 at 35:7–37:13 (testimony of Josh B. Keeling in UE-220066 at 32:7–34:13). As Mr. Keeling notes, “based on benchmarking studies of DR impact as a percentage of winter peak demand, PSE demand response capacity could be in the range of 267 MW to 424 MW by 2025, signaling just how alarmingly low the current target in the CEIP (23.7 MW) is.” *Id.* at 37:8–11 (Keeling at 34:8–11). In other words, PSE’s demand response target is too low by an order of magnitude or more.<sup>38</sup>

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In rebuttal testimony, PSE acknowledges that it should be able to acquire “at least 60 MW” of demand response by 2025. KKD-6T at 11:5–7. But 60 MW is still significantly lower than the 160 MW of demand response identified in PSE’s recent RFP. *See* LCM-1T at 43:13–15.

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More importantly, even 60 MW of demand response is still likely lower than what is cost-effective and consistent with a lowest reasonable cost resource portfolio. The Northwest Power and Conservation Council, in its 2021 Northwest Power Plan, estimates at least 2,500 MW of additional cost-effective winter load reduction potential and 3,500 MW of summer load reduction potential in the region this decade. *See* LCM-5 at 36 (Keeling at 33:18–20). This equates to about ten percent of regional peak demand—the amount experts predict should be generally achievable, *id.* (Keeling at 33:15–17). PSE should value demand response as a major opportunity to improve reliability and system flexibility; minimize costs; accelerate the uptake of wind, solar, and battery storage; and expand transportation and building electrification. It can do so by pursuing its pro rata share of regional cost-effective demand response. *See* LCM-5 at 37 (Keeling at 34:9–10).

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<sup>38</sup> PSE’s low target is likely attributable at least in part to the fact that PSE assigned a much lower effective load carrying capability value to demand response, and a lower avoided cost, than other utilities in the region. LCM-5 at 21:17–23:9 (Keeling at 18:17–20:9). “The result is an artificially low target for demand response, which leaves significant system benefits on the table.” LCM-1T at 43:4–8 (quoting Keeling at 20:6–9).



59           The Commission should require PSE to update its demand response target to ten percent of summer and winter peak demand and then seek resources to meet that target.<sup>39</sup> Allowing PSE to rely on an “alarmingly low” target in the CEIP and then adjust it upward only as PSE acquires actual resources defeats the purpose of setting a target—instead the target functionally becomes whatever the utility happens to acquire.

60           PSE argues that it should not be required to include even its new 60 MW demand response target until the 2023 Biennial CEIP Update because the “best known information” at the time PSE developed its original 23.7 MW target indicates that it was reasonable. KKD-6T at 10:11–11:4. This is simply wrong. PSE overlooks the fact that multiple parties identified flaws with PSE’s analysis and called for the utility to update its assumptions and ultimate target long before PSE finalized its CEIP.<sup>40</sup> Additionally, several of the studies of regional capacity that highlight the inadequacy of PSE’s target were available before PSE filed its final CEIP. LCM-5 at 36:12–37:7 (Keeling at 33:12–34:7). PSE cannot pretend that this information was unknown simply because PSE refused to heed calls to consider it.

61           Moreover, PSE’s own 2018 All Source and DR RFP received demand response bids totaling 154 MW. LCM-5 at 35:12–14 (Keeling at 32:12–14). Surely PSE could have inferred from its own RFP results that a demand response target of only 23.7 MW was too low. Even considering PSE’s target only in the context of PSE’s own assessment conducted for its IRP, PSE’s target is still unreasonably low: PSE predicts a DR potential for winter peak of 226.4 MW by 2045, and PSE did not offer a compelling explanation for why it could achieve so little of the

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<sup>39</sup> Recommending a specific demand response target has been challenging due to PSE’s failure to provide relevant information. *See* LCM-1T at 44:8–45:3. Regardless of whether the Commission directs PSE to adopt a target of ten percent of summer and winter peak demand, *see* LCM-5 at 36-37, or a target of all cost-effective DR bids PSE received in response to its RFP, *see* LCM-8, ¶ 3, the Commission should increase the target significantly above both the 23.7 MW target PSE included in the CEIP and the 60 MW target PSE proposes in rebuttal testimony.

<sup>40</sup> KKD-49X at 7–9; KKD-52X at 11–12; KKD-53X at 25–26, 28-30; KKD-54X at 9–10, 27–29.

potential it identified by 2025. LCM-5 at 35:8–12 (Keeling at 32:8–12); *see also* CEIP at 23; KKD-1T at 21:16–22:2. PSE’s most recent Electric Progress Report indicates that PSE should be able to achieve more demand response more quickly than the CEIP predicts, and that there is a significant amount of cost-effective summer DR, contrary to PSE’s findings in its 2021 IRP.<sup>41</sup>

62 Under these circumstances—where PSE’s demand response target was unreasonably low at the time it finalized the CEIP—the appropriate remedy is for the Commission to increase the target as a condition of approval of the CEIP itself. *See* RCW 19.405.060(1)(c).

63 In addition, PSE must update its projected demand response programs in the CEIP to include the important types of demand response programs it failed to consider, such as programs for commercial and industrial customers and co-deployment of demand response with energy efficiency programs.<sup>42</sup> In rebuttal testimony, PSE lists additional demand response resources it now intends to pursue, GA-1T at 22:8–23:13, but none of these plans were included in the CEIP itself, GA-14X, nor was PSE able to provide a description of any of these additional programs in response to discovery requests, GA-20X.<sup>43</sup> The Commission should condition its approval on the requirement that PSE revise its proposed demand response programs to include a co-deployment strategy and any additional programs—such as commercial and industrial programs—that are cost-effective using corrected analysis. LCM-8, ¶ 4.

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<sup>41</sup> KKD-44X (Electric IRP Progress Report slide deck at 32–33, predicting 186 MW winter peak capacity contribution and 238 MW summer peak capacity contribution of demand response in 2029); KKD-25X (stating that PSE engaged E3 as part of its 2023 IRP Electric Progress Report to develop updated ELCC values, including demand response resource contribution to peak capacity reduction); Hr’g Tr. at 179:9–182:15 (describing development of and context for KKD-44X). *But see* KKD-6T at 9:13–18 (asserting PSE reasonably considered only winter DR capacity).

<sup>42</sup> *See* LCM-5 at 18:14–19:6, 38:17–39:4 (Keeling at 15:14–16:6, 35:17–36:4); SR-1T at 16:15–18:22, 20:9–25:16 (PSE under-scoped smart thermostat DLC).

<sup>43</sup> *See also* GA-1T at 14:9–1, 25:12–22 (claiming PSE “has considered” co-deployment). *But see* GA-13X (subpart a, stating that PSE did not have any documents where PSE “considered” co-deployment); GA-1T at 14:12–17.

#### IV. SPECIFIC ACTIONS

64 A CEIP must include the specific actions a utility will take in the four-year period to meet CETA’s clean energy targets, including an analysis of how each specific action contributes to the equitable distribution of benefits and reduction of burdens. RCW 19.405.060(1)(b)(iii); WAC 480-100-640(5)-(6). As the Commission has noted, “the benefits and burdens that must be equitably distributed are the specific actions a utility takes to comply with RCW 19.405.040.” CETA Rulemaking Order R-601, ¶ 47. In many ways, a utility’s choice of specific actions is the core of the CEIP, because the actions the utility does or does not take will determine how much and what kind of progress it makes on CETA’s clean energy and equity mandates.

##### A. PSE Failed to Include Specific Actions in its CEIP

65 PSE’s CEIP sets forth virtually no specific actions, making any analysis of the equitable distribution of these actions impossible. As PSE concedes, “[t]his CEIP does not contain the specific projects and resources that PSE intends to pursue over the four-year implementation period.” KKD-6T at 35:16–17. Instead, the only “known” actions PSE included are “execution of its All-Source and DER RFPs” and the energy efficiency measures in the most recent Biennial Conservation Plan. KKD-1T at 26:6–9. PSE also included an “estimate of future DER actions PSE might take,” *id.* at 26:11, but as PSE acknowledges, this portfolio will likely change. KKD-6T at 14:14–15. And while PSE includes some information on potential customer benefits, PSE acknowledges that “[i]t is difficult to forecast the distribution of energy and non-energy benefits without knowing the specific resources or programs PSE will implement.” CEIP at 25.

66 CETA requires PSE’s CEIP to do more than gesture toward the types of resources it may consider. *See* RCW 19.405.060(1)(b)(iii); WAC 480-100-640(5)-(6). PSE simply cannot “ensure” that the benefits and burdens of its specific actions are equitably distributed without

choosing those actions.<sup>44</sup> The Commission should condition its approval on the requirement that PSE file an update immediately following a final order that includes the specific resource and program actions PSE will take, along with an analysis of the equitable distribution of customer benefits. *See* LCM-8, ¶¶8, 9.

1. *PSE's CEIP Does Not Include Specific Resource or Program Actions or Analysis of Customer Benefits*

67 PSE's CEIP includes an "illustrative" DER portfolio, including distributed solar, storage, energy efficiency, and demand response. CEIP at 105–71; KKD-6T at 14:14–15. But CETA requires more than an illustrative portfolio. CETA's rules require the CEIP to provide detailed information for each specific action including "[t]he general location, if applicable, proposed timing, and estimated cost . . . including whether the resource will be located in [named communities], [and] will be governed by, serve, or otherwise benefit [named communities]." WAC 480-100-640(5). These requirements presume more specificity than a hypothetical portfolio.

68 Moreover, utilities must identify "which specific actions provide customer benefits" so that the Commission can determine "on a portfolio level" whether benefits are equitably distributed. CETA Rulemaking Order R-601, ¶ 64; *see also id.*, ¶¶64–67 (Commission will evaluate adequacy of the equitable distribution of benefits based on the benefits of specific actions). But it is not possible to meaningfully analyze the customer benefits of a proposal that is only "illustrative." *See* LCM-7T at 6:15–22.

69 For example, PSE includes a projection of the types of demand response programs it considered to develop its demand response target, but notes that the programs and targets may change based on RFP results. CEIP at 109–10. PSE offers no concrete analysis of the equitable

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<sup>44</sup> RCW 19.405.040(8); CETA Rulemaking Order R-601, ¶ 47; Cascade GRC Order, ¶ 58.

distribution of customer benefits of these potential demand response programs, instead noting that PSE has asked respondents to the DER RFP to include information in bids on customer benefits including benefits to named communities. *Id.* at 112. PSE has not disclosed and does not plan to disclose this bidder analysis of customer benefits. KKD-46X (subparts b and c).

70 PSE’s distributed solar portfolio includes six different distributed solar “preferred program concepts,” CEIP at 122–28, as well as its community solar program that has already launched, *id.* at 128–30. While PSE includes more detail on its distributed solar “program concepts” than on its demand response programs, PSE again notes the caveat that it will establish actual program plans based on the results of its RFP. *Id.* at 122. PSE notes that its preferred program concepts would offer customer benefits, including to named communities. *Id.* at 123–24. But PSE has not and cannot evaluate the actual distribution of benefits without a more concrete commitment to specific programs. PSE’s battery storage portfolio likewise includes several possible programs, but little by way of concrete plans or analysis of the equitable distribution of customer benefits. *Id.* at 132–37.

71 PSE has provided even less information about the specific utility-scale resource actions it will take during this CEIP implementation period. PSE acknowledges that it plans to acquire “up to 1,506 MW” of renewable resources by 2027, and that it has issued an all-source RFP to meet this need. *Id.* at 118. But PSE does not even offer a hypothetical portfolio of this tremendous build-out of its clean energy resources, beyond a chart that simply gestures at wind and solar acquisitions before noting that neither the timing nor the type of resource is indicative of PSE’s plans. *Id.* at 119 (Table 4-3). Instead, PSE simply notes that it will “consider any electric generation, storage, or other resource type or technology that can meet all or part of the resource

need, provided that the resource complies with all laws and regulations and meets the minimum qualification requirements of the RFP.” *Id.* at 118.

72           Perhaps unsurprisingly given this lack of information, PSE’s analysis of the customer benefits of its utility-scale specific actions is nonexistent. PSE acknowledges that the customer benefits of this large utility-scale resource build-out could be substantial, but then simply notes that its All-Source RFP directs bidders to submit a “customer benefits plan” and that this plan will be part of PSE’s criteria for evaluating bids. *Id.* at 118–19. But here too, PSE has not disclosed and does not plan to disclose this bidder analysis of customer benefits. KKD-46X (subparts b and c). PSE reports that it has “internal subject matter experts (SME)” who have “insight into the community impacts of each project,” *Id.* (subparts d and e), but neither the contents of this internal “expert” analysis nor the source of their alleged community insight are in the record. Nor can community members reasonably comment on or hold PSE accountable to benefits articulated only in confidential bids, or internal analyses by a “dedicated SME.” *Id.* (subpart e).

73           Without any description of the specific resource and program actions PSE will take during this CEIP implementation period, and without any analysis of the distribution of customer benefits, PSE’s plan falls far short of the minimum statutory and regulatory requirements for a CEIP. RCW 19.405.060(1)(b)(iii); WAC 480-100-640(4)–(6).

74           This is no minor failure. PSE’s interim clean energy target—to serve 63% of load with clean resources by the end of 2025—represents a huge increase over the 33% of load that PSE served with clean resources in 2020. CEIP at 15. CETA requires that PSE serve 100% of load with clean resources by 2045, and PSE is proposing to make nearly as much progress toward that goal in this first CEIP period as it will in the subsequent two decades, measured by percent of

load. PSE's proposed DER portfolio also represents a significant increase in these offerings and will establish systems to incorporate even more distributed resources going forward. *Id.* at 25.

75 In short, PSE is proposing to take a major step toward achieving CETA's clean energy standards during this first CEIP implementation period. The magnitude of this first step underscores the need to ensure that this round of resource acquisitions and programs are carefully selected to ensure an equitable distribution of benefits. PSE's failure to include specific actions in this CEIP makes that important task impossible.

76 The Commission should condition its approval on the requirement that PSE update its CEIP with the specific actions PSE will take in this implementation period, along with the required analysis of equity and other impacts. LCM-7T at 7:3–12. While it may be appropriate to include some changes to specific actions in a Biennial CEIP Update, here PSE has failed to meet the minimum requirements for a CEIP by failing to include any specific actions and associated equity and other analyses. *Id.* The Commission should not approve a CEIP that does not include this foundational analysis; instead, the appropriate remedy is to condition approval of this CEIP upon the filing of this necessary information. LCM-8, ¶¶8, 9.

## 2. *PSE Has No Plan to Include Specific Actions in Future CEIPs*

77 PSE's failure to include specific actions in this CEIP is alarming, but it is equally concerning that PSE believes it may not be able to include specific actions in future CEIPs either. KKD-6T at 36:14–16. The Commission should clarify the level of detail required for specific actions, and direct utilities to ensure their planning processes align in the future to provide that level of detail. LCM-7T at 7:13–8:9.

78 PSE suggests that the Commission develop a pre-approval process to allow for the inclusion of more detailed actions in the CEIP, KKD-6T at 37:9–20, but such a process is unnecessary. PSE acknowledged that it could include a level of detail for specific actions that is

comparable to the level of detail included in PSE’s Transportation Electrification Plan. KKD-45X. This includes a summary of planned programs, a draft budget, and spending targets for serving disadvantaged communities. *Id.* The Commission should clarify that a CEIP must include at least this level of detail going forward.

79 PSE acknowledges that its failure to include specific actions in this CEIP stems in part from its failure to “align the timing of resource acquisition processes with the schedule for filing and seeking approval of a CEIP.” CEIP at 27. As PSE acknowledges, its process for selecting specific resource and program actions stretched over many years. KKD-43X (Gantt chart showing multi-year process of PSE development of specific actions). PSE also requested and received multiple extensions for its IRP, RFP, and CEIP, which “contributed to the problems of timing and data availability that resulted in the lack of specific actions in this CEIP.” LCM-7T at 7:19–20. The Commission should direct PSE to align the timing between various planning and procurement dockets in order to include specific actions in its 2025 CEIP. *Id.* at 7:20–8:9.

B. PSE Must Include Minimum Designations for Named Communities to Ensure an Equitable Distribution of Benefits from PSE’s DER Specific Actions

80 In this CEIP, PSE has proposed a DER sub-target and a suite of potential DER specific actions that represent a significant increase in the company’s DER portfolio. As PSE recognizes, these DER programs typically offer significant benefits to participating customers. *E.g.* CEIP at 25. It is incumbent on PSE to provide evidence demonstrating that the benefits of these new programs will be equitably distributed to named communities.<sup>45</sup>

81 PSE’s CEIP fails to meet this obligation. Instead, the evidence shows that named communities will likely experience barriers to access going forward,<sup>46</sup> and that PSE lacks a

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<sup>45</sup> RCW 19.405.040(8); WAC 480-100-610(4)(c); WAC 480-100-640(2)(a)(ii); Cascade GRC Order, ¶¶47, 58.

<sup>46</sup> See CEIP at 72; WTE-1T at 15:16–21; see also RDC-1Tr at 36:1–43:5 & n.25.



concrete strategy to ensure that an equitable share of the benefits of its DER products flow to named communities.<sup>47</sup>

82 PSE must do more than measure existing disparities and hope its proposed DER products will improve these disparities by an unspecified amount. Instead, PSE needs concrete provisions in the CEIP to show that its DER products will “ensure” an equitable distribution of benefits. The Commission should condition its approval of PSE’s CEIP on the requirement that PSE allocate minimum designated portions of its DER products to support and enable equitable participation from named communities. *See* LCM-8, ¶ 23.

1. *PSE’s DER Designations Are Inadequate to Ensure Equitable Distribution*

83 In both the CEIP and supporting testimony, PSE recognizes that customers in named communities experience barriers to participation in PSE’s DER programs. *See* CEIP at 72; WTE-1T at 15:16–21; *see also* RDC-1Tr at 36:1–43:5 & n.25. These barriers create a substantial risk that PSE’s new DER programs will not be equitably enrolled absent concrete targets and strategies to remove barriers to their participation. As PSE looks to substantially expand its DER offerings in this CEIP implementation period and beyond, PSE must designate minimum shares of these new DER products for named communities to ensure that their benefits are equitably distributed. *See* LCM-1T at 48:6–49:23.

84 PSE has designated a small portion of some DER products for low-income and multi-family customers in this CEIP, but these designations are inadequate to comply with CETA’s equity mandate. Out of 80 MW of proposed new DER solar, for example, PSE commits to designating 4.00 MW to income-eligible community solar, 0.68 MW to income-eligible

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<sup>47</sup> *E.g.*, KKD-35X (PSE possesses no documents reflecting plans for short-term or long-term participation in DR or DER programs by named communities or customers in general); KKD-39X (acknowledging that PSE lacks goals for reducing disparities). *See also* Sections II(D), IV(A), *supra*.

residential rooftop solar leasing, 5.2 MW to multi-family community solar, and 1.99 MW to other multi-family solar.<sup>48</sup> PSE does not have any concrete plans to use any other criteria to designate additional MW. WTE-4X.

85           A customer’s income level is an important indicator of need, but it is not the only indicator—indeed, the reason highly impacted communities and vulnerable populations are defined using a broad range of additional criteria is because these other criteria, individually and especially in combination, are indicators of need and past exclusion. PSE should designate shares of its DER products for income-eligible customers, but PSE cannot rely solely on these designations to show that named communities will equitably benefit from its DER products.

86           With respect to the multi-family solar allocations, nothing in the CEIP specifies that these designations will apply only to multi-family customers in named communities or to low-income multi-family customers; instead, residents of luxury condominiums would presumably be eligible. *See* SR-1T at 45:15–46:4; 52:5–53:6.

87           Even if PSE prioritized named communities to receive all of the income-eligible and multi-family solar,<sup>49</sup> these allocations represent less than 15% of the 80 MW of distributed solar products that are explicitly allocated. In contrast, PSE reports that 27% of PSE’s customers are in highly impacted communities and 37% are in highly vulnerable populations,<sup>50</sup> with likely well over 40% of PSE customers in named communities taken together.<sup>51</sup> It is simply not equitable to

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<sup>48</sup> CEIP App’x D-1 at 10 (Table D-4); *see also* WTE-7X (subpart g).

<sup>49</sup> In some parts of the record, PSE appears to be claiming that the income-eligible and multi-family solar products will be “focused on” named communities in part. *E.g.*, CEIP at 129 (5.4 MW of community solar in 2024 will be “focused on highly impacted communities and multi-family customers”); *id.* at 130 (same, in 2025); WTE-7X (subpart g). But none of PSE’s witnesses suggested that PSE had committed to any DER designations for named communities.

<sup>50</sup> CEIP at 63 (Figures 3-6 and 3-7).

<sup>51</sup> CEIP at 62 (Figure 3-5, showing some but not complete overlap between highly impacted communities and highly vulnerable populations).

designate something less than 15% of PSE’s new distributed solar products to the more than 40% of PSE customers who live in named communities.

88 PSE’s expansion of DER products in this CEIP is meant to both provide customer benefits and help PSE develop its systems to incorporate even more distributed resources going forward. CEIP at 25. PSE must build these new systems and products equitably from the start by demonstrating that its new distributed solar products ensure an equitable distribution of benefits and correct rather than perpetuate past inequitable enrollment and barriers. RCW 19.405.040(8); CETA Rulemaking Order R-601, ¶ 47; Cascade GRC Order, ¶ 58. PSE has not made that showing here.

89 In addition to 80 MW of distributed solar resources, PSE also plans to acquire 25 MW of distributed energy storage. CEIP at 26, 132–34. Here too, PSE has allocated a very small share of its anticipated storage products to income-eligible customers. WTE-7X (subparts d and e). Specifically, PSE explicitly allocated 7% (0.3 MW of its anticipated 3.8 MW) of its Battery Leasing program for income-eligible customers. *Id.* PSE also projects offering 14.7 MW of customer-sited solar plus storage, with no specific amounts allocated. *Id.*

90 As with its solar products, these limited storage allocations do not represent an equitable share, nor are they reserved for named communities. PSE cannot rely solely on income-qualified designations to demonstrate that the benefits of its storage programs equitably flow to named communities. And designating 7% of one product, and none of another, is not enough to show that the large percentage of PSE customers in named communities will equitably benefit from PSE’s distributed storage programs.<sup>52</sup>

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<sup>52</sup> RCW 19.405.040(8); CETA Rulemaking Order R-601, ¶ 47; Cascade GRC Order, ¶ 58; *see also* SR-1T at 50:3–51:13.

91 Finally, the CEIP does not designate any share of its anticipated demand response products to named communities, despite the fact that targeted demand response could offer localized benefits for named communities ranging from increased reliability and avoided new infrastructure to free equipment and financial incentives. SR-1T at 14:5–16:14. PSE asserts in rebuttal testimony that it plans to target some demand response products to named communities,<sup>53</sup> but these commitments are neither in the CEIP nor described in any detail elsewhere in the record. GA-15X; GA-21X. Vague plans offered in rebuttal testimony and subsequent discovery are no substitute for commitments in the CEIP itself.

92 Minimum designations for named communities, in addition to (or in combination with) designations for income-qualified customers, offer a significant opportunity for PSE to target benefits to the vulnerable populations that need them most. PSE recognizes, for example, that medically vulnerable residents may especially benefit from the increased resiliency that backup power can provide by reducing the risk that unplanned outages leave them without access to medically necessary equipment. CEIP at 134. For this reason, California’s Public Utilities Commission created a program to ensure that lower-income, medically vulnerable, and at-risk-for-fire communities have priority access to incentives for customer-sited storage.<sup>54</sup>

93 Similarly, targeting subsidized community solar subscriptions to the customers with the highest energy burden, along with other socioeconomic factors that could increase the impact of disconnections for nonpayment (such as customers with disabilities or seniors on a fixed income), could provide a greater reduction of burdens to PSE’s most vulnerable customers than designations that only consider income. *See* SR-1T at 40:2–3 (“community solar provides the biggest potential impact on customer energy burden relative to other energy products”). By

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<sup>53</sup> GA-1T at 23:16–24:7. *See also* WTE-1T at 29:8–14 (PSE will consider locational targeting).

<sup>54</sup> SR-1T at 50:23–51:13.

including only income-qualified and multi-family designations in this CEIP, PSE missed the opportunity to target benefits and reduced burdens to especially vulnerable communities. *See also* Section IV(C), *infra* (recommending conditions to promote this targeting going forward).

2. *Spending Targets and Other Protections Should Supplement But Not Replace Minimum Designations*

94 PSE does not dispute that its CEIP does not include minimum designations for named communities for its DER products or specific plans for how it will target DER products to named communities. Instead, PSE’s rebuttal testimony points to other measures that PSE argues will help deliver benefits to named communities, ranging from spending designations (similar to the equity-focused spending targets PSE established for its transportation electrification products) to targeted product development. *E.g.*, WTE-1T at 28:12, 30:12–31:2. As an initial matter, the Commission should require PSE to formalize commitments it made in rebuttal testimony by conditioning approval of this CEIP on the addition of equity-focused spending targets for DER products. While PSE proposes to add spending targets in the 2023 Biennial CEIP Update,<sup>55</sup> the Commission should include them as a condition of approval of the CEIP itself. PSE has not offered any reason why the first two years of DER spending should not incorporate these targets. If necessary, PSE may calculate these targets on a four-year average basis, rather than an annual basis, to ensure PSE has time to fully implement them.

95 In addition, spending targets and other strategies should supplement, but not replace, minimum designations. *See* LCM-8, ¶ 24 (recommending spending targets and other strategies to implement minimum MW designations); SR-1T at 7:16–9:13.

96 CETA requires PSE to deliver an equitable distribution of benefits, not an equitable distribution of spending. RCW 19.405.040(8). As Roger Colton explained, delivering benefits to

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<sup>55</sup> WTE-1T at 28:9–12.

low-income customers often requires a higher investment than delivering benefits to higher-income customers. RDC-1Tr at 50:13–57:18. At the end of the day, benefits must be measured by the products and services that named communities actually receive, not by PSE’s expenditures.

97           Similarly, PSE’s allusions in rebuttal testimony to engaging named communities in the design process for future products<sup>56</sup> do not abrogate the need for minimum designations. PSE should of course engage with named communities as it develops its specific actions. But PSE must also designate a minimum fair share of these specific actions to ensure that named communities receive an equitable share of the benefits of the products they have helped design.

98           Additionally, for both the equity spending targets and the minimum designations discussed above, these designations should apply across a tranche of resources rather than to each individual product. *See* LCM-8, ¶ 23. Applying these designations across each tranche of resources will allow PSE to ensure that an equitable portion of its DER programs, taken as a whole, flow to named communities, while choosing to target some products more than others to increase benefits and reduce market barriers. *See* CETA Rulemaking Order R-601, ¶ 64 (Commission will assess equitable distribution of benefits “on a portfolio level”).

99           For example, PSE notes that community solar may provide a far greater market potential to named communities than other DER solar products. CEIP at 128. Applying minimum designations across the tranche of solar resources would allow PSE to significantly increase its community solar capacity and targeting to named communities to offset disparities in any other solar products where it is more challenging to achieve equitable enrollment. *See* Section IV(B)(1), *supra* (noting barriers to named community participation in DER programs). Similarly,

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<sup>56</sup> WTE-1T at 12:15–19.

PSE notes that the market potential of some storage products for named communities may be limited, *see, e.g.*, WTE-7X (subpart d), but applying minimum designations across the tranche of distributed storage resources should allow PSE to focus on the resources it can best target to named community participants, while still ensuring a portfolio-level equitable distribution of benefits. *See* CETA Rulemaking Order R-601, ¶ 64.

C. PSE Must Target DER Products to Named Communities and Customers with Deepest Need

100 The Commission should require PSE to take concrete steps to target DER products to reduce burdens faced by particular named communities. *See* RDC-1Tr at 43:7–50:12. The Commission should also require PSE to develop a methodology to target the named community customers with deepest need to ensure the most vulnerable customers equitably benefit from PSE’s DER programs. *See* LCM-8, ¶ 21.

101 First, the Commission should direct PSE to undertake a Geo-Targeting Pilot to develop targeting strategies and protocols for tailoring 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. RDC-1Tr at 43:7–46:2. The Pilot could be based on the Michigan CECo Geo-Targeting Pilot described in the testimony of Roger Colton, in which CECo agreed to conduct research on historic participation rates, develop a geo-targeting protocol, and spend \$1 million for income-qualified programs directed toward six zip codes with a high penetration of deep-need customers, and then study the impact of the program on vulnerable customers. RDC-1Tr at 44:6–46:2; RDC-17. This Geo-Targeting Pilot should be an addition to, not a replacement for, minimum designations for tranches of DER programs.

102 Second, the Commission should require PSE to update its CEIP with concrete plans for how it will target benefits to named communities for each of its DER products, once PSE selects

the specific actions it will pursue in this implementation period. LCM-8, ¶ 24. For these targeting plans, PSE should consider measures such as program eligibility criteria beyond income; offering higher incentives for named communities and deepest-need customers; and sideboards to ensure benefits flow to tenants in affordable multifamily housing. *See generally* SR-1T. While a CEIP may not need to describe every component of every product PSE will implement in the four-year CEIP period, it must identify basic elements of program design to ensure that PSE's DER portfolio benefits named communities. RCW 19.405.040(8); CETA Rulemaking Order R-601, ¶ 47; Cascade GRC Order, ¶ 58.

103           Finally, PSE should develop criteria to define, and minimum designations to serve, the subset of named community customers with the deepest need for each DER product. *See* LCM-8, ¶ 23. Minimum designations for named community customers with the deepest need are particularly important in light of PSE's vulnerable population designation methodology in this CEIP. *See* Section I(A), *supra*. Because PSE decided to designate vulnerable populations geographically, rather than on an individual or population basis, and to aggregate scores for each census block group across all vulnerability factors, the level of need may vary substantially among customers within these designated census block groups (especially, for example, in areas experiencing gentrification, or in rural areas that include both primary residences and vacation homes). PSE must ensure that it is prioritizing the individual customers and communities with the deepest need within these census block groups to ensure an equitable distribution of benefits and reduction of burdens. CETA Rulemaking Order R-601, ¶ 47.

104           PSE has adopted criteria to target specific communities and customers with the highest unmet need in its Low-Income Weatherization program, by considering both income and other factors that indicate customer vulnerability. GA-4 & Appx. A. But PSE did not incorporate this



kind of targeting into its CEIP. GA-12X. The Commission should condition its approval of PSE’s CEIP on the requirement that PSE develop and implement a method for identifying the named community customers with deepest need, and adopt minimum designations and other targeting strategies for these “deepest need” customers, to ensure that the benefits of PSE’s DER programs do not flow disproportionately to the least-vulnerable customers living in designated census block groups. LCM-1T at 49:13–50:5; SR-1T at 45:15–46:4.<sup>57</sup>

D. PSE Must Modify its Distributed Solar Portfolio to Benefit Named Communities

105 To ensure that its distributed resource portfolio equitably benefits named communities,<sup>58</sup> the Commission should require PSE to amend its preferred portfolio to prioritize resources that are most likely to benefit named communities, such as community solar. LCM-8, ¶¶1, 2.

106 As PSE acknowledges, community solar offers one of the best opportunities to make the benefits of PSE’s distributed solar portfolio available to named communities:

Given the limited market potential of other DER concepts focused on highly impacted communities, the expansion of community solar enables PSE to provide an option for customers who may not have the ability to install solar at their home or business. This expansion is further supported by regional and national benchmarking, which identifies community solar programs as a primary option for addressing the specific needs and barriers of highly impacted communities and multi-family customers.

CEIP at 128; *see also* SR-1T at 40:9–12 (“Increasing the total [community solar] program target and the percentage of the total that is designated for named communities are among the most significant changes PSE can make to more broadly distribute these substantial benefits to named community customers.”).

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<sup>57</sup> In addition, as described in Section IV(E)(2), *infra*, the Commission should require PSE to adopt a Payment-Troubled Targeting Program to intentionally target its energy efficiency investments to customers who would benefit most from them.

<sup>58</sup> RCW 19.405.040(8); CETA Rulemaking Order R-601, ¶ 47; Cascade GRC Order, ¶ 58.

107 While PSE’s commitment to expand its community solar program during the four-year CEIP period<sup>59</sup> represents an important first step toward making distributed resources equitably available, the evidence shows that PSE should adopt a higher community solar target to provide greater benefits to named communities. SR-1T at 34:3–41:2.

108 Specifically, the Commission should condition approval of the CEIP upon PSE’s inclusion of 50 MW of community solar by 2025 in its revised DER preferred portfolio. LCM-8, ¶ 1; SR-1T at 35:15–17. This target is appropriate based on what other similarly-situated utilities have been able to achieve—for example, Xcel in Minnesota (a similarly-sized utility to PSE) was able to achieve 390 MW of community solar within the first five years of its program, and then doubled its capacity to reach 784 MW of community solar in its sixth year. SR-1T at 36:9–11. In Oregon, in the first year of its community solar program, Portland General Electric put 9 MW of community solar fully in operation and had 51 MW of capacity in queue (meaning those projects are fully approved with third-party installation pending). *Id.* at 39:1–3. Based on these examples, PSE should be able to achieve more than 25 MW of community solar in the first four years of its program. *Id.* at 39:4–5.

109 In rebuttal testimony, PSE states that it is “currently evaluating the most appropriate size for the Community Solar product.” WTE-1T at 23:16–24:5. PSE notes that it will decide whether to increase this target once PSE approaches the “current 20 MW Community Solar Project Services target” based on factors that “may include” “customer demand, site availability, and cost-effectiveness.” WTE-5X (subpart b). The Commission should not allow PSE to wait to assess whether it can adopt a more aggressive target until this first round is approaching capacity, especially given the long lead time for PSE to develop additional products. *E.g.*, WTE-1T at 4:1–

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<sup>59</sup> In addition to the 20 MW of community solar already approved, PSE plans to add roughly 5 MW of additional community solar in 2025. CEIP at 128–30.

2 (Figure 1, Product Development Process). Moreover, the factors upon which PSE intends to base its decision do not comport with CETA; equitable distribution of customer benefits must be a primary consideration in assessing whether to increase the target.

110 The Commission should also require PSE to eliminate its proposed Residential Rooftop Solar Leasing Program and replace it with another distributed solar program that offers more substantial benefits to named communities. LCM-8, ¶ 2. Leasing programs do not allow customers to realize direct bill savings from the renewable energy generated on their homes. SR-1T at 46:17–19. They do not provide a pathway for accumulation of wealth and increased property values. *Id.* at 47:13–48:7. And they do not provide an avenue for self-governance.<sup>60</sup> PSE’s residential battery leasing program poses similar concerns.<sup>61</sup>

111 PSE notes in the CEIP that it considered a rent-to-own solar program, which was preferred by stakeholders and had “a similar market potential as the rooftop solar leasing program” but PSE concluded that it “had lower returns for customers.” CEIP at 32. The CEIP does not appear to offer an explanation for this conclusion, SR-1T at 47:15–17, nor is PSE’s conclusion defensible in light of either stakeholder preferences or the limited benefits that leasing programs offer.

112 In rebuttal testimony, PSE states that it will “reevaluate a rent-to-own solar program” and will consider such a program in the 2025 CEIP. WTE-1T at 25:8–15; WTE-6X. But PSE should not be permitted to move forward with a leasing program during this implementation period that its stakeholders did not prioritize and that is unlikely to provide meaningful customer benefits. The Commission should condition approval of this CEIP upon PSE’s elimination of the

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<sup>60</sup> See WAC 480-100-640(5) (CEIP must specify whether a resource “will be governed by” named communities); CETA Rulemaking Order R-601, ¶ 65 (“highly impacted communities and vulnerable populations may benefit from a specific action if it is governed by those communities.”); LCM-1T at 47:21–48:2.

<sup>61</sup> See LCM-7T at 6:6–11; LAS-1T at 7:1–17.

Residential Rooftop Solar Leasing Program from its preferred DER portfolio, and its replacement with a rent-to-own option, increased community solar, or another distributed solar program that offers more substantial benefits to named communities. LCM-8, ¶ 2.

E. PSE Must Modify its Energy Efficiency Portfolio to Benefit Named Communities

113 The Commission should direct PSE to develop additional energy efficiency programs targeted towards named communities and customers with the deepest need.<sup>62</sup> As explained at length in Roger Colton’s testimony, energy efficiency programs are extraordinarily promising as tools for reducing disparities and ensuring that all customers benefit equitably from the transition to clean energy. *See* RDC-1Tr at 30:20–61:16.

114 To analyze the potential benefits of energy efficiency to named communities, it is important to disaggregate different types of energy efficiency programs, rather than lumping all energy efficiency programs together, as PSE did in the portion of its CEIP setting out baseline participation rates.<sup>63</sup> Energy efficiency programs offer wildly varying benefits: receiving a free LED lightbulb does not offer the same magnitude or range of benefits as receiving free or subsidized home weatherization or high-efficiency major appliances. *See* CEIP at 73 n.33.

115 PSE should prioritize investments in high-benefit energy efficiency programs for both named communities and low-income customers with the deepest need, whether or not they live in neighborhoods currently designated as named communities.<sup>64</sup>

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<sup>62</sup> The CEIP does not contain nearly enough information about PSE’s energy efficiency programs to give the general public a clear understanding of these programs and how PSE’s energy efficiency target was developed. The Commission should direct PSE to include more energy efficiency information from the Biennial Conservation Plan in the 2023 Biennial CEIP update and in future CEIPs. LCM-8 at 1.

<sup>63</sup> *See* CEIP at 73 (Table 3-8); KKD-11X; KKD-27X – KKD-30X.

<sup>64</sup> In light of the pervasive problems with PSE’s vulnerable population designation methodology (*see* Section I(A), *supra*), it is particularly important that the UTC condition approval of this CEIP on a requirement that PSE dedicate resources to serving its most vulnerable customers, regardless of whether their neighborhood is classified as high, medium, or low vulnerability under PSE’s current methodology. *See also* Section IV(C), *supra*.

1. *Low-Income Weatherization*

116 Although the CEIP's only mention of Low-Income Weatherization is in the incremental cost spreadsheet, how PSE funds Low-Income Weatherization has tremendous equity implications and potential benefits for low-income customers and for ratepayers.

117 To make progress towards CETA's equity goals and avoid perpetuating or exacerbating inequality, PSE must focus on the benefits each participant received rather than per-customer spending. RDC-1Tr at 54:18–55:13; MFT-1T at 3:15–4:13. As Roger Colton explained, it is necessary to spend more on weatherization for low-income customers because weatherization typically costs more for low-income customers, and because market barriers prevent low-income customers from investing in weatherization—despite the tremendous benefits they would receive—unless the program is fully subsidized. RDC-1Tr at 36:1–41:5, 51:21–52:12.

118 PSE proposes to spend 15.9% of its total energy efficiency budget on low-income weatherization, but low-income customers constitute 21% of all customers. In other words, PSE proposes to invest less than pro rata dollars into Low-Income Weatherization when it should be investing more than pro rata dollars. *Id.* at 52:13–53:2. Furthermore, PSE's proposed budget does not maximize energy savings; it increases Low-Income Weatherization spending but without achieving an equitable proportion of energy savings for these customers. *Id.* at 55:14–57:18.

119 To maximize energy savings for participants in the Low-Income Weatherization program and ensure that low-income customers are receiving an equitable proportion of the benefits of energy efficiency, PSE must increase the budget for Low-Income Weatherization to at least \$8,615,626.56 in 2023; \$9,094,272.48 in 2024; and \$10,051,564.32 in 2025. *Id.* at 52:13–57:18, 66:20–23. Deep investment in Low-Income Weatherization will benefit not only the participants, but also ratepayers, due to the associated cost reductions such as reduced arrears, reduced

working capital, and reduced bad debt and associated credit and collections expenses. *Id.* at 54:9–17. PSE has conceded that it can increase funding for its Low-Income Weatherization program. GA-16X.

### 2. *Payment-Troubled Targeting Program*

120 To ensure that customers in deepest need are prioritized for energy efficiency investments, the Commission should direct PSE to incorporate into the 2023 Biennial CEIP Update an income-qualified Payment-Troubled Targeting Program to intentionally target energy efficiency investments to customers in arrears who would benefit most from them (whether or not they live in named communities). RDC-1Tr at 46:3–50:12. The eligibility criteria for the Pilot should match the eligibility criteria for Low-Income Weatherization, but PSE should employ targeting criteria such as high energy usage and intensity, high arrearages, broken or defaulted deferred payment arrangements, and disconnection for nonpayment. *Id.* at 46:15–48:12, 49:15–50:12; RDC-18. Michigan’s largest utility, DTE, agreed as part of a settlement to spend \$5 million in 2018 and 2019 on income-qualified energy efficiency programs targeted to payment-troubled customers. RDC-18; RDC-1Tr at 48:13–49:5. For PSE’s 2023 Biennial CEIP Update, a funding level of \$1 million above and beyond the Low-Income Weatherization budget would be appropriate for the Payment-Troubled Targeting Pilot. RDC-1Tr at 50:11–12.

### 3. *Workforce Development Initiative*

121 The Commission should also direct PSE to incorporate a workforce development initiative into its Low-Income Weatherization and energy efficiency programs in the 2023 Biennial CEIP Update to help meet the increasing demand for energy efficiency services, to diversity the workforce, and to cultivate ambassadors from named communities. RDC-1Tr at 31:13–16. Despite PSE’s adoption of a CBI measuring “Increase in quality and quantity of clean energy jobs,” the CEIP is devoid of any specific actions that would achieve such an increase.

122 Specifically, the Commission should direct PSE to identify and support training programs such as internships and apprenticeships offered by minority-owned firms delivering energy efficiency programs; partner with community-based workforce development organizations to develop curricula to integrate clean energy technologies into existing education programs; provide financial support to students who participate in training and education programs; co-deliver training for energy efficiency and renewable technologies; and partner with local unions either to develop new apprenticeship programs or add clean energy content to existing programs. *Id.* at 60:11–61:5.

123 The Commission should also direct PSE to promote its workforce development initiative to people living in named communities, and seek to match people from named communities who are trained through the initiative with opportunities to develop services in their own communities, building a corps of trusted messengers who may be able to deliver services more effectively in underserved areas. *Id.* at 61:6–16.<sup>65</sup>

## V. PUBLIC PARTICIPATION

124 As the Commission has acknowledged, “providing the opportunity to participate in and have a meaningful impact on decision-making processes” is a central component of energy justice. Cascade GRC Order, ¶ 56; RCW 43.06D.020(3)(a). The record shows that PSE’s public participation plan fails to ensure that public input will have any impact at all on PSE’s decision-making processes, let alone create the structures necessary to allow communities furthest away from justice to have a “meaningful impact.”

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<sup>65</sup> It appears that PSE has no objection to undertaking a workforce development initiative. *See* GA-1T at 15:5–10.

A. CETA's Public Participation Requirements

125 CETA requires utilities to involve the public in the creation of CEIPs to a greater extent than in other utility planning processes. In addition to requiring engagement with advisory groups<sup>66</sup> and opportunities for the public to comment on and request adjudication of CEIPs,<sup>67</sup> CETA requires utilities to conduct analysis, education, and outreach to ensure that the public is actually able to participate in the development of a CEIP, and that the utility's engagement is both "meaningful" and "inclusive." WAC 480-100-655(2). Utilities must give due consideration to the appropriate schedule and timing of seeking input from advisory groups, named communities, and all customers. WAC 480-100-655(2)(a), (d). Utilities must analyze and identify the barriers to public participation, including language, cultural, economic, and other barriers, and must devise and present strategies for reducing these barriers. WAC 480-100-655(2)(b). And utilities must create plans for "meaningful participant education" and must provide information and data that can be "broadly understood." WAC 480-100-655(2)(c).

B. Deficiencies in PSE's Public Participation Plan

126 The record shows that PSE failed to comply with CETA's requirements to ensure that the public and named communities have access to the information necessary to understand and comment on options for complying with CETA, and a meaningful opportunity to influence the utility's decisions.

127 PSE's CEIP is highly inaccessible. Rather than serving as a clear, transparent, and comprehensive explanation of PSE's four-year plans for complying with CETA, PSE's CEIP is confusing and vague, and both unnecessarily long and woefully incomplete.<sup>68</sup> PSE gave the

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<sup>66</sup> WAC 480-100-655(1)(b).

<sup>67</sup> WAC 480-100-645(1); WAC 480-100-655(3); WAC 480-100-645(2).

<sup>68</sup> LCM-1T at 30:5-15; KKD-49X at 2 (NWECC comments on draft CEIP); KKD-51X at 3 (NWECC comments on final CEIP).



public no opportunity to comment on the utility’s planned specific actions or plans for complying with CETA’s equity mandate because these components are entirely missing from the CEIP.

LCM-1T at 7:17–21; Section IV(A) (PSE Failed to Include Specific Actions in its CEIP), *supra*.

128           The EAG process provided no better access to information. Mariel Thuraisingham testified that the information PSE shared with EAG members was “selective and curated,” making it challenging for the EAG to engage in “well-informed dialogue and group work[.]” MFT-1T at 11:19–22. She noted the “dearth of basic information available for public consumption” about aspects of PSE’s plans and operations that are “critical to day-to-day life,” and observed that PSE does not share information publicly unless it has been specifically “directed through the statutory and regulatory order to do so.” *Id.* at 11:5–14. She pointed out that PSE made available to parties to this adjudication a wealth of non-confidential information about PSE’s operational impacts on customers in response to Data Requests, confirming that much more information could be made publicly available. *Id.* at 11:15–19.

129           PSE also failed to give the public or named communities a meaningful opportunity to influence its decision-making. The record shows that PSE’s approach to public engagement has not changed meaningfully since the enactment of CETA. Mr. Einstein testified that PSE’s “standard process” (and current process) for gathering customer and community feedback on PSE “products” was developed in 2018, before the enactment of CETA.<sup>69</sup>

130           Although PSE met with its Equity Advisory Group about the CEIP, the unrebutted testimony of Mariel Thuraisingham is that the EAG was “largely shut out of the ongoing development [of the CEIP] after PSE filed a draft of the plan.” MFT-1T at 10:19–21.

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<sup>69</sup> WTE-1T at 2:10–12, 3:14–18, 4:3–11.

131 PSE's implementation of its Public Participation Plan would represent an improvement on PSE's past efforts at public engagement, but it is still insufficient to bring about the paradigm shift required for PSE's public engagement processes to comply with CETA. Most importantly, the Plan lacks any accountability mechanisms to ensure that PSE actually listens to feedback from stakeholders and changes its planned actions in response to that feedback to meet community needs and priorities. LCM-1T at 28:11–22.

C. Conditions to Bring Public Participation Plan Into Compliance with CETA

1. *Improved Timeline*

132 Public participation can never be meaningful if the timeline for soliciting input from advisory groups and the public does not align with PSE's decision-making timeline. To prevent the process problems that have plagued this CEIP, for future CEIPs, the Commission should ensure that PSE files a draft CEIP on a timeline that enables PSE to make public a substantially complete overview of its proposed plans, and that allows PSE to incorporate stakeholder and public feedback on the draft CEIP into the final CEIP.<sup>70</sup>

2. *Improved Community Outreach*

133 The Commission should also require PSE to integrate better mechanisms for outreach to communities and Tribes into its public participation plan to ensure more meaningful public participation in future CEIPs, and to include this plan for improved community outreach in the 2023 Biennial CEIP Update. The outreach mechanisms should: (1) facilitate ongoing opportunities for direct interaction between the company, communities, and Tribes; (2) allocate funding for staff positions trained and dedicated to community outreach and facilitating collaborations; (3) choose arrangements for community interactions to maximize effective

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<sup>70</sup> LCM-7T at 7:13–8:9; *see also* MFT-1T at 10:4–12:4.

participation, accounting for factors such as meeting times, locations, and translation needs; (4) ensure that affected individuals and communities have access to sufficient information and resources, including compensation, to enable meaningful participation in activities; (5) ensure sufficient time for meaningful interaction before decisions are made or unalterable commitments are agreed to; and (6) ensure transparency in decision-making.<sup>71</sup>

### 3. *DER Public Engagement Pilot*

134 PSE must find better ways to learn from, and work with, the customers and community members impacted by PSE's actions.<sup>72</sup> PSE must also commit to more than just listening: PSE must act on the feedback received through public engagement processes. A just and equitable transition requires deeper partnerships with named communities in particular, by removing barriers to participation and empowering them to have a meaningful impact on utility decision-making. LCM-1T at 6:18–21; MFT-1T at 6:14–20, 12:13–14.

135 To ensure that PSE takes steps to bring about the transformation towards the new equity-centered mode of engagement that CETA requires, the Commission should condition approval of PSE's CEIP on PSE beginning work on the design of the Public Engagement Pilot proposed by NWECC and Front and Centered within three months of a final Commission order and implementing the pilot after the 2023 Biennial CEIP Update.

136 As described in the testimony of Lauren McCloy and Roger Colton, the International Association for Public Participation's Public Participation Spectrum provides a useful vocabulary to describe and compare different modes of public engagement.<sup>73</sup> The proposed Public Engagement Pilot would engage named community members at the "Empowerment"

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<sup>71</sup> LCM-8, ¶ 30; LCM-1T at 28:12–22, 29:14–30:4; *see also* MFT-1T at 7:17–20, 9:15–13:12, 16:5–18:10.

<sup>72</sup> MFT-1T at 6:14–7:5, 12:5–13:12, 15:10–18:10; LCM-1T at 28:11–22.

<sup>73</sup> International Association for Public Participation, IAP2 Spectrum, <https://iap2usa.org/cvs>; LCM-1T at 29:1–13 & n.7; RDC-1Tr at 44:18–45:2 & n.31.

level of the IAP2 spectrum, which places “final decision-making in the hands of the public” and commits to “implement what [the public] decides.”<sup>74</sup>

137 In light of the CEIP’s omission of any specific actions or plans for reducing disparities, the pilot should focus on developing DER offerings specifically for named communities. Through the pilot program, PSE would partner with the EAG, community-based organizations, and customers with lived experience to identify priorities for the energy transition, placing significant decision-making authority with respect to PSE’s DER offerings for named communities in the hands of the participating members. LCM-1T at 14:12–18, 28:1–9.

138 Rather than offer a meaningful response to this proposed condition, PSE’s rebuttal testimony on this topic treats PSE’s proposed public engagement processes—which PSE admits reflect engagement at the “consult,” “involve,” or “collaborate” level<sup>75</sup>—as equivalent to the empowerment-level community engagement recommended by Ms. McCloy and Ms. Thuraisingham.<sup>76</sup> They are not equivalent, and the Commission should require implementation of the proposed pilot program as a condition of approval of the CEIP.

#### 4. *Readability Guidelines and EAG Technical Advisor*

139 The Commission should only approve PSE’s CEIP upon the addition of conditions to improve the accessibility of future CEIPs to ensure that customers and community members are better able to understand PSE’s plans. First, the Commission should require PSE to adopt Readability Guidelines to ensure that future CEIPs include only relevant information and are comprehensible to the general public. *See* LCM-1T at 30:16–31:6. Second, the Commission

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<sup>74</sup> International Association for Public Participation, IAP2 Spectrum, <https://iap2usa.org/cvs>.

<sup>75</sup> LCM-4; LCM-1T at 29:10–13; WTE-1T at 15:1–6.

<sup>76</sup> WTE-1T at 19:9–12.

should require PSE to hire an independent technical advisor to support the Equity Advisory Group. LCM-7T at 8:14–19; *see also* MFT-1T at 16:21–17:6.

## VI. INCREMENTAL COST AND MODELING

### A. PSE's Projected Incremental Cost of Compliance Erroneously Includes Costs that Are Not Attributable to the Need to Meet CETA's Clean Energy Standards

140 CETA includes a narrow exception to the timeline it establishes for the transition to clean energy: utilities may delay this necessary transition if the incremental cost of complying with the clean energy standards exceeds two percent of the utility's sales revenue. RCW 19.405.060(3)(a). Critically, these incremental costs cannot include actions the utility would have taken irrespective of the need to comply with CETA's clean energy standards. WAC 480-100-605; WAC 480-100-660(1). Utilities must include the projected incremental cost of complying with the clean energy standards in each CEIP, WAC 480-100-640(7); WAC 480-100-660(4), although utilities do not calculate the actual incremental cost (and request to use the cost compliance pathway if applicable) until their compliance filing following the four-year CEIP implementation period. WAC 480-100-660(5)–(6); WAC 480-100-650(1).

141 PSE's projected incremental cost calculation in the final CEIP is flawed because it attributes to CETA substantial grid modernization and DER enablement expenses that PSE would have incurred even without the obligation to meet CETA's clean energy standards. LCM-5 at 24:8–31:17 (Keeling at 21:8–28:17).<sup>77</sup> Specifically, PSE erroneously attributed 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

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<sup>77</sup> PSE requested to include these costs in revenue requirement in its recently filed general rate case, Docket UE-220066, and also attributed them to CETA in its projected incremental cost of compliance in its CEIP. Mr. Keeling's testimony, originally filed in the GRC and filed as an exhibit in this docket, discusses both the reasonableness of these costs and whether they are incremental to CETA.

SCADA – Accelerated (\$41.36m attributed to CETA), and Circuit Enablement-DER and Microgrid (\$57.5m attributed to CETA).<sup>78</sup>

142           These expenses are all typical for a modern utility, even one not subject to CETA. For example, many of the grid modernization and DER enablement investments PSE attributed in whole or in part to CETA are investments that Portland General Electric (a similarly sized investor-owned utility in the region) has already implemented or is in the process of implementing, despite the fact that Portland General Electric is not subject to CETA. LCM-5 at 26:10–16 (Keeling at 23:10–16). As Mr. Keeling explained, investments in modern distribution planning or those that prioritize security and resiliency are “simply good planning” for a modern utility. LCM-5 at 27:7–16 (Keeling at 24:7–16).

143           PSE notes that these grid modernization and DER enablement costs are “reasonable” and will need to be recovered in customer rates in future proceedings. KKD-6T at 30:5, 30:12–15. But “reasonableness” is not the test for whether costs are incremental to CETA compliance—instead, PSE must show that it would not have incurred these costs were it not for the need to meet the clean energy standards. WAC 480-100-605. And cost recovery is not at issue here.

144           PSE also claims that it will need to make these investments in order to incorporate increased DER and DR. KKD-6T at 30:5–9. But the fact that these investments “also happen to meet a CEIP need” does not change the fact that they are primarily investments that would make sense for the business and its customers even without CETA’s clean energy requirements. LCM-5 at 29:6–10 (Keeling at 26:6–10).

145           Fundamentally, PSE should not be allowed to attribute investments to CETA that “simply provide cost savings and reliability improvements to all ratepayers.” LCM-5 at 26:14–16

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<sup>78</sup> LCM-1T at 35:23–37:20; LCM-5 at 11:18–12:10, 24:8–31:17 (Keeling at 8:18–9:10, 21:8–28:17).

(Keeling at 23:14–16). PSE has not demonstrated that these grid modernization and DER enablement expenses are solely attributable to the need to meet CETA’s clean energy standards, and significant evidence demonstrates that these are ordinary business expenses for a modern utility. The Commission should condition its approval on the requirement that PSE not attribute to CETA the grid modernization and DER enablement costs listed above.<sup>79</sup> *See* LCM-8, ¶ 21.

B. PSE Should Not Use the 2% Cost Threshold as a Planning Constraint

146 CETA’s incremental cost of compliance provision offers an alternative compliance pathway to meeting the clean energy standards. RCW 19.405.060(3)(a). PSE, however, used this two-percent threshold as a planning constraint. KKD-1T at 13:6–9. Nothing in CETA directs utilities to use the two-percent cost threshold as a guide in planning. As Staff Witness Nightingale notes, the incremental cost of compliance is neither a floor nor a cap and should not be used as a limitation in portfolio development. JBN-1T at 21:7–23:9. The Commission’s statements to this effect are already clear. *See id.* (quoting CETA Rulemaking Order R-601). To the extent any additional guidance is needed, the Commission should clarify that utilities should not use the incremental cost of compliance as a planning constraint, and that utilities may spend more or less than the 2% threshold so long as they are pursuing the lowest reasonable cost portfolio to meet CETA’s clean energy and equity standards. *See* LCM-8, ¶ 22.

C. PSE Must Fully Account for the SCGHG in its Portfolio Modeling

147 CETA requires electric utilities to incorporate the social cost of greenhouse gas emissions (SCGHG) as a cost adder in resource plans and decisions, including in their portfolio modeling in the CEIP and IRP.<sup>80</sup> The SCGHG represents the monetized damages associated with an

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<sup>79</sup> Specifically, PSE should include these costs in the alternative lowest reasonable cost portfolio as well as the CETA portfolio, and then recalculate the projected incremental cost of compliance.

<sup>80</sup> RCW 19.280.030(3)(a); WAC 480-100-620(11)(j), (12)(i); CETA Rulemaking Order R-601, ¶ 131 (rules require that SCGHG be included in all CETA portfolios); *see also* RCW 80.28.405; WAC 480-100-605.

incremental increase in greenhouse gas emissions, including “changes in net agricultural productivity, human health, property damages from increased flood risk, and the value of ecosystem services due to climate change.”<sup>81</sup>

148 Including the true social cost of greenhouse gas emissions in resource planning and acquisition decisions helps utilities choose the resource portfolio that is lowest cost from a societal perspective. This is only the case, however, if the SCGHG is applied evenhandedly, assigning equivalent cost to equivalent emissions from all emitting resources. This is precisely what PSE’s methodology in the CEIP fails to do. *See generally* EKH-1T. As a result, PSE failed to identify the portfolios that are lowest cost from a societal perspective.

149 The Commission should condition its approval of PSE’s CEIP on the requirement that PSE rerun its portfolio optimization models with updated methodology for incorporating the SCGHG, recalculate the projected incremental cost of compliance, and incorporate changes in its 2023 Biennial CEIP Update. LCM-8, ¶ 20. The Commission should also clarify that going forward, utilities must account for the full SCGHG in their portfolio models by using (or at least testing) a modeling approach that incorporates the variable SCGHG associated with dispatch. *See* EKH-1T at 26:16–27:7.

1. *PSE Must Include the SCGHG Associated with Dispatch*

150 PSE used a long-term capacity expansion (LTCE) model in AURORA to develop portfolios for the IRP and CEIP, including the CETA portfolio and the No CETA portfolio used to calculate incremental costs pursuant to WAC 480-100-660(1). PSE accounted for the SCGHG

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<sup>81</sup> Interagency Working Group on Social Cost of Greenhouse Gases, United States Government, “Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis – Under Executive Order 12866” at 3 (August 2016), available at [https://www.epa.gov/sites/default/files/2016-12/documents/sc\\_co2\\_tsd\\_august\\_2016.pdf](https://www.epa.gov/sites/default/files/2016-12/documents/sc_co2_tsd_august_2016.pdf).



within this model by applying a fixed cost adder to existing and new emitting resources and applying a penalty on market purchases (the “Fixed Cost Adder” approach).<sup>82</sup>

151           The problem with PSE’s approach is that modeling the SCGHG as a fixed cost adder tends to undervalue clean energy resources, resulting in suboptimal portfolios. When the SCGHG is applied as a fixed cost adder to emitting resources, the LTCE model does not see the potential SCGHG benefits of reducing dispatch of emitting generation by introducing additional clean energy into the portfolio. The LTCE model therefore underestimates the SCGHG benefits of clean energy resources and selects an amount of clean energy resources that does not minimize cost (measured as net present value of revenue requirement plus SCGHG). EKH-1T at 11:9–12:23.

152           A simplified example illustrates the value that PSE’s approach misses. In an hour when market prices are high and there is enough emitting generation in the portfolio to meet all of the load, under economic dispatch principles, all of the load would be met with emitting generation in this hour. If additional renewable energy or energy efficiency was added to the portfolio and that clean energy was available during this particular hour, then economic dispatch principles would dictate that a portion of load would be met with clean energy and less emitting generation would need to be dispatched to meet load during this hour. This would both reduce operating costs and reduce GHG emissions during that hour. PSE’s “fixed cost adder” approach in the LTCE recognizes the reduced operating costs associated with adding clean energy during this hour, but because the SCGHG associated with each emitting resource is fixed, the LTCE does not recognize the value of avoiding emissions by adding clean energy during this hour. In

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<sup>82</sup> PJP-26X (subparts a and b); PJP-1 Tr at 4:3–15.

contrast, applying the SCGHG to dispatch in the LTCE ensures that the LTCE recognizes this value as it searches for the optimal portfolio.

153 PSE’s modeling demonstrates that its fixed cost adder approach did in fact miss value and fail to identify the least cost portfolio, relative to a modeling approach that applies the SCGHG as a variable dispatch cost (the “SCGHG in Dispatch” approach).<sup>83</sup> PSE found that using the SCGHG in Dispatch approach resulted in lower cost portfolios than the Fixed Cost Adder approach, when portfolio cost was measured in a manner consistent with PSE’s methodology in the IRP: the 20-year net present value of the revenue requirement plus the SCGHG.<sup>84</sup>

Portfolio	20-yr NPV of Revenue Requirement + SCGHG		
	SCGHG as Fixed Cost Adder Approach [A]	SCGHG in Dispatch Approach [B]	Difference [B-A]
No CETA	\$16.06 billion <sup>85</sup>	\$15.45 billion <sup>86</sup>	-\$0.61 billion
CETA	\$16.71 billion <sup>87</sup>	\$16.43 billion <sup>88</sup>	-\$0.28 billion

154 In its order adopting rules implementing CETA, the Commission declined to dictate the methodology for applying the SCGHG in portfolio models. CETA Rulemaking Order R-601, ¶ 38. The Commission noted, however, that utilities should model both a fixed cost and a dispatch approach for at least one scenario to determine the optimal portfolio and to help inform the best approach to incorporating the SCGHG going forward. *Id.*, ¶ 38. As the results of PSE’s models in this CEIP demonstrate, going forward the Commission should clarify that utilities must use (or at least test) a dispatch approach for incorporating the SCGHG to establish that they have identified the least cost portfolios.

<sup>83</sup> At the suggestion of NWEA and Front and Centered, PSE tested an alternative approach to developing portfolios in which the SCGHG was applied as a variable dispatch cost to the dispatch of existing and new emitting resources and as a penalty on market purchases in the LTCE model. PJP-1Tr at 7:4–18. PSE used this approach to develop alternative CETA and No CETA portfolios. *Id.* at 8:3–9:14.

<sup>84</sup> PJP-22X – 25X.

<sup>85</sup> PJP-22X.

<sup>86</sup> PJP-23X.

<sup>87</sup> PJP-24X.

<sup>88</sup> PJP-25X.

2. *PSE Must Recalculate the Projected Incremental Cost of Compliance*

155 As discussed above, utilities must include a projected incremental cost of compliance in the CEIP. *See* Section VI(A), *supra*. The SCGHG, however, is not an incremental cost—the Commission’s rules explicitly require utilities to apply the SCGHG to the baseline (No CETA) portfolio. WAC 480-100-605 (“The alternative lowest reasonable cost and reasonably available portfolio must include the social cost of greenhouse gases in the resource acquisition decision”).

156 Fully incorporating the SCGHG into the No CETA portfolio by using the “SCGHG in Dispatch” methodology reduces PSE’s projected incremental cost of compliance by \$97 million.<sup>89</sup> This substantial reduction in projected incremental cost makes it far less likely that costs would exceed the 2% threshold over this CEIP implementation period.<sup>90</sup>

157 This change in incremental cost is consistent with the fact that many of the renewable additions in PSE’s CETA portfolio appear to be driven by the SCGHG, not CETA’s standards, once the full SCGHG is included.<sup>91</sup> When PSE used the SCGHG in Dispatch approach, the No CETA portfolio incorporated the same amount of IRP wind and solar additions<sup>92</sup> through 2025 as the CETA portfolio. Among the remaining 346 MW of other non-emitting resource additions<sup>93</sup> between 2022 and 2025, only 155 MW were selected in the CETA portfolio, but not in the No CETA portfolio. This suggests that out of the 1,146 MW of total non-emitting resource additions in the CETA portfolio through 2025, only 155 MW of those additions were driven by the CETA constraint, while the remainder were driven by the SCGHG.

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<sup>89</sup> PJP-35X (subpart a).

<sup>90</sup> PSE confirmed that if the No CETA portfolio it developed using the SCGHG in Dispatch approach were to be used in the incremental cost calculation, forecasted incremental costs through 2025 would be \$73 million below PSE’s estimate of the 2% cost threshold over the same period. PJP-35X (subpart b).

<sup>91</sup> *See* PJP-1Tr at 8:3–9:14 (Tables 1 and 2, showing that the No CETA portfolio developed using the SCGHG in Dispatch approach incorporated 800 MW more clean energy additions over the 2022–2025 CEIP implementation period than the No CETA portfolio developed using the Fixed Cost Adder approach).

<sup>92</sup> “IRP wind and solar additions” include the candidate supply side wind and solar resources considered in the IRP.

<sup>93</sup> “Other non-emitting resources” include storage, DERs, DSM, “CEIP Solar,” and “CEIP Wind.”

	New non-emitting resources in “SCGHG in Dispatch” portfolios (2022-2025)		
	No CETA Portfolio [A]	CETA Portfolio [B]	Difference [B-A]
IRP Wind and Solar	800 MW <sup>94</sup>	800 MW <sup>95</sup>	0 MW
Other non-emitting resources	191 MW <sup>96</sup>	346 MW <sup>97</sup>	+155 MW
Total	991 MW	1,146 MW	+155 MW

158 As PSE’s own modeling shows, fully incorporating the SCGHG into the No CETA portfolio significantly changes PSE’s incremental cost calculation—by \$97 million—and makes it significantly less likely that PSE will incur costs above the 2% threshold, because the No CETA portfolio that fully accounts for the SCGHG incorporates almost as much clean energy as the CETA portfolio. Because the SCGHG is not attributable to CETA, the Commission should direct PSE to revise its projected incremental cost of compliance in the 2023 Biennial CEIP Update to reflect the portfolio costs established by the “SCGHG in Dispatch” modeling runs.

3. *Modeling the SCGHG in Dispatch More Closely Approximates Realistic Economic Dispatch than PSE’s Fixed Cost Adder Approach*

159 PSE does not dispute that the “SCGHG in Dispatch” methodology identifies lower cost portfolios than the “Fixed Cost Adder” approach. PSE argues, however, that it is nonetheless “reasonable” to use the fixed cost adder methodology because it is “more consistent with economic price signals that will drive dispatch decisions.” PJP-1Tr at 11:15–19. PSE is wrong.

160 PSE models dispatch both in developing portfolios (within the LTCE model) and in evaluating portfolios (within the hourly dispatch simulation). The LTCE model approximates dispatch decisions to help inform resource selection, but these dispatch decisions do not necessarily reflect realistic resource dispatch. For this reason, PSE runs a final hourly dispatch

<sup>94</sup> PJP-17X (Attach. A, ResourceAdditions tab, sum of cells D126:G138).

<sup>95</sup> PJP-17X (Attach. A, ResourceAdditions tab, sum of cells D87:G99).

<sup>96</sup> PJP-17X (Attach. A, ResourceAdditions tab, sum of cells D139:G157).

<sup>97</sup> PJP-17X (Attach. A, ResourceAdditions tab, sum of cells D100:G118).

simulation that aligns more closely with economic dispatch to determine portfolio costs and emissions. There is no dispute that PSE does not and should not include the SCGHG in this hourly dispatch run. PJP-1Tr at 7:21–8:2. Comparing the results of both the “SCGHG in Dispatch” LTCE runs and the “Fixed Cost Adder” LTCE runs to the hourly dispatch model, however, can indicate how well the LTCE runs estimate realistic economic dispatch.

161 PSE’s discovery responses demonstrate that neither approach (Fixed Cost Adder or SCGHG in Dispatch) closely estimated realistic economic dispatch. However, on average, the “Fixed Cost Adder” approach overestimated dispatch from natural gas resources and was incorrect by a much greater margin than the “SCGHG in Dispatch” approach.<sup>98</sup>

Portfolio	Total generation from new emitting resources (2022-2045)		
	Estimated Dispatch in LTCE Model [A]	Dispatch Model without SCGHG [B]	Difference [B-A]
No CETA (SCGHG as Fixed Cost Adder Approach)	42,585 GWh <sup>99</sup>	16,752 GWh <sup>100</sup>	+25,833 GWh (overestimate)
No CETA (SCGHG in Dispatch Approach)	847 GWh <sup>101</sup>	12,357 GWh <sup>102</sup>	-11,510 GWh (underestimate)

162 Moreover, the Fixed Cost Adder approach systematically overestimates and preferences PSE’s own fossil fuel resources. PSE acknowledges that its methodology tends to overestimate dispatch from its own emitting resources because the SCGHG is applied asymmetrically: it applies to market purchases, but not to the dispatch of emitting resources within the

<sup>98</sup> PJP-27X – PJP-34X.

<sup>99</sup> PJP-28X (New Natural Gas – Energy (LT) tab, sum of cells E6:AB12).

<sup>100</sup> PJP-28X (New Natural Gas – Energy (HR) tab, sum of cells E6:AB12).

<sup>101</sup> PJP-30X (New Natural Gas – Energy (LT) tab, sum of cells E6:AB13).

<sup>102</sup> PJP-30X (New Natural Gas – Energy (HR) tab, sum of cells E6:AB13).

optimization.<sup>103</sup> As PSE acknowledges, “[t]he result of this modeling imperfection is to dispatch existing gas resources in the LTCE run more than they would dispatch in reality.”<sup>104</sup>

163 In short, neither methodology for incorporating the SCGHG in the LTCE even comes close to accurately estimating realistic economic dispatch—which is not surprising, since the LTCE is not designed to estimate realistic hourly dispatch. Testing both approaches against the hourly dispatch model, however, shows that the Fixed Cost Adder approach is even more inaccurate than the SCGHG in Dispatch. PSE’s insistence that it must use the Fixed Cost Adder approach because it is “more consistent with economic price signals that will drive dispatch decisions” lacks support in the record. PJP-1Tr at 11:15–19.

164 Moreover, the SCGHG in Dispatch approach is consistent with CETA’s core purpose: to rapidly transform Washington’s energy supply to 100% clean. *See* RCW 19.405.010. Requiring utilities to incorporate the SCGHG associated with dispatch into planning and resource acquisition decisions will make clean resources more cost-competitive with fossil fuel resources, by recognizing the full value of avoided emissions that a cleaner portfolio provides. In contrast, PSE’s Fixed Cost Adder approach unreasonably preferences PSE’s own fossil resources by applying the SCGHG asymmetrically, and can result in portfolios that delay clean energy acquisitions.

165 PSE has not offered any explanation for why it is reasonable to rely on a methodology that fails to identify the lowest cost portfolio, is less accurate at predicting economic dispatch,

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<sup>103</sup> PJP-26X (subpart b, stating “Yes, in PSE’s long-term capacity expansion (“LTCE”) model, the [SCGHG] is applied dynamically to the market purchases and not applied dynamically to the dispatch of emitting resources.”); PJP-26X (subpart d, stating “Yes, in the LTCE model, applying the SCGHG as a dynamic adder to market and an externality cost in existing emitting resources would tend to increase the dispatch of existing emitting resources.”).

<sup>104</sup> PJP-26X (subpart e).

and is fundamentally inconsistent with CETA’s core purpose to rapidly transform Washington’s energy supply to 100% clean.

D. Storage ELCC

166 ELCC (effective load carrying capability) represents a resource’s contribution to meeting a resource adequacy constraint. EKH-1T at 31:16–17. PSE used a very low ELCC for energy storage resources in its portfolio optimization modeling—far lower than other regional utilities have used in recent planning studies. *Id.* at 33:6–9 (Table 5). These low values likely caused PSE’s portfolio optimization models to select more fossil fuel resources (gas peaker plants) and less battery storage than would be optimal. *Id.* at 35:12–37:16.

167 PSE has since incorporated several methodological updates into its ELCC analysis. *Id.* at 34:16–20. These changes have dramatically increased PSE’s ELCC for storage. *Id.* at 35:1–11. PSE notes that it will include these “changes to PSE’s resource adequacy modeling” in the 2023 Biennial CEIP Update. PJP-1T at 15:8–10. The Commission should condition its approval on the requirement that PSE do so. LCM-8, ¶ 20.

## CONCLUSION

168 PSE’s CEIP is the first to come before the Commission for formal adjudication. With the addition of a robust set of conditions, the Commission can set an important precedent for how utilities must comply with CETA’s equity mandate. Without additional conditions, PSE’s plan as written fails to meet CETA’s minimum requirements.

169 Specifically, the Commission must condition its approval of PSE’s CEIP on the addition of concrete provisions that will allow the Commission and the public to hold PSE accountable for making progress toward an equitable distribution of benefits. These conditions should include changes to PSE’s Vulnerable Population designations, additional CBIs and associated interim targets, selection of specific actions to promote equity, minimum designations of distributed

energy resources to benefit named communities, pilot programs to reduce named communities' vulnerability and prioritize customers with the deepest needs, and improved public participation processes, among others. *See* LCM-8 (complete list of recommended conditions). The Commission must also condition its approval on an increase in PSE's demand response target and changes to PSE's incremental cost calculation and SCGHG modeling. *Id.*

170 PSE plans to take a major step toward meeting CETA's 100% clean energy standard in this first implementation period. The Commission must include conditions in its approval to ensure that this major step in PSE's clean energy transition is equitable.

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