EXH. LCM-1HCT (R)
DOCKETS NOS. UE-260005 & UG-260006
2026 PSE GENERAL RATE CASE
WITNESS: LAUREN MCCLOY

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, Respondent.	DOCKET NOS. UE-260005 and UG-260006 (*Consolidated*)

RESPONSE TESTIMONY (HIGHLY CONFIDENTIAL)

OF LAUREN C. MCCLOY

ON BEHALF OF JOINT ENVIRONMENTAL ADVOCATES

REDACTED VERSION

July 28, 2026

JOINT ENVIRONMENTAL ADVOCATES

RESPONSE TESTIMONY (HIGHLY CONFIDENTIAL) OF LAUREN C. MCCLOY

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I. INTRODUCTION AND SUMMARY.

Q. Please state your name, job title, and business address.

A. My name is Lauren McCloy. I am the Utility & Regulatory Director of the NW Energy Coalition (NWEC), an alliance of over 100 environmental, civic, and human service organizations; utilities; businesses; and individuals in the Pacific Northwest. NWEC's mission is to advance clean, equitable, and affordable energy policies for Northwest communities.

Q. Please describe your employment and education background.

A. Prior to joining NWEC, I worked as Senior Policy Advisor to Washington State Governor Jay Inslee, where I managed a broad range of issues in support of the Governor's energy agenda. Before that, I served in several capacities at the Washington Utilities and Transportation Commission (UTC or Commission). I first worked as a Compliance Investigator in the UTC's Consumer Protection Division. Beginning in 2014, I was a policy advisor to Commissioners on energy policy and legislative issues. I then became the Legislative Director for the UTC, where I served as the Commission's liaison to the State Legislature and the Governor's office and was responsible for developing and coordinating the UTC's legislative activities. Besides these roles, I have experience working for the Washington State Senate Ways and Means Committee and several non-profit organizations focused on renewable energy, energy efficiency, and consumer advocacy. I hold a B.A. from the University of North Carolina at Chapel Hill and an M.S. in International Development from Tulane University Law School. My role with NWEC is currently part-time. I am also Commissioner for Okanogan County Public Utility District, where I have served since 2025. My testimony in this case is unrelated to my public role.

Q. Please state your experience with energy regulation and proceedings before public utility commissions.

A. I have approximately 15 years of experience reviewing, analyzing, and advocating for local, state, and federal energy and climate policies and regulations. My work has included analyzing how rate structures, in conjunction with state and local policies, encourage or discourage the adoption of energy efficiency and clean energy resources. I have participated in Commission proceedings both as UTC staff and as an advocate on behalf of nonprofit clean energy organizations. For more information, please see my resume attached as Exhibit LCM-2.

Of particular relevance to this proceeding:

- I have engaged in a number of Washington UTC proceedings, including intervening and providing testimony in UE-210795 (PSE Clean Energy Implementation Plan), UE-220066 / UG-220067 (2022 PSE General Rate Case), UE-240004 / UG-240005 (2024 PSE General Rate Case), UE-240729 (PSE coal cost recovery tariff), and submitting comments in U-230161 (Facilitation of a Commission-led workshop series on the Climate Commitment Act.) I have served as a member of PSE's Resource Planning Advisory Group (RPAG) since 2023.

- In Docket No. UE-210795, I provided testimony regarding PSE's first Clean Energy Implementation Plan under the Clean Energy Transformation Act (CETA), and recommended that PSE increase its targets for demand response, develop specific actions to comply with CETA, and adopt new customer benefit indicators to measure and track achievement of equity goals.

- In Docket No. UE-220066 / UG-220067, I provided testimony on CETA implementation issues, Climate Commitment Act (CCA) and Gas Decarbonization Issues, Distribution System Planning, Transportation Electrification, and Colstrip.

- In Docket No. UE-240004 / UG-240005, another general rate case for PSE, I provided testimony on CETA, the CCA, gas transition issues, and demand response.

- In Docket No. UE-240729, I provided testimony supporting an informed understanding of CETA as it pertains to the 2025 coal-fired electricity standard, and recommended that the Commission disallow PSE's life-extending investments at the Colstrip coal plant.

Q. What materials did you review in preparing this testimony?

A. I have reviewed the prefiled testimony filed by PSE in these dockets.

II. OVERVIEW OF JEA CASE AND THIS TESTIMONY.

Q. Please provide an overview of the JEA's Testimony and evidence in this matter.

A. The Joint Environmental Advocates' (JEAs) testimony in this case demonstrates that PSE is not on track to achieve climate and clean energy targets, and has made several decisions that increase costs and risk to customers. On the electric side, the Company has made resource decisions that were neither supported by an integrated resource plan nor selected through a competitive RFP process. PSE's lack of adherence to the Commission's standard practices for reviewing resource decisions has led the Company to proposed resource acquisitions that are expensive and fail to put the company on track to achieving CETA's clean energy targets. Further, resources that are not renewable or nonemitting incur additional compliance costs, which are not properly accounted for during the resource selection process. On the gas side, the Company continues to misconstrue the purpose and intent of the Climate Commitment Act by failing to assign reasonable risk-sharing to shareholders, failing to adequately invest in decarbonization, and saddling customers with long-term costs and risks associated with gas system expansion. The JEAs' case is supported as follows:

Aqsa Mengal and Charlee Thompson evaluate PSE's efforts to advance energy justice and affordability, and recommend that the Commission adopt the Company's proposals regarding its Time-Varying rates program, and reject its proposal to reinstate customer fees.

Elizabeth A. Stanton recommends that the Commission reject the TransAlta Gas Conversion tolling agreement, and the Gas Turbine Tranches 1 & 2, and reject PSE's request for recovery of Construction Work in Progress in this case.

Bradley E. Cebulko recommends that the Commission direct PSE to adopt a General Building Electrification Program designed to be a cost-effective CCA compliance strategy, adopt a non-pipe alternative (NPA) analysis framework that addresses serious problems with PSE's current evaluation of NPAs, and condition any accelerated depreciation of gas assets on demonstrated restraint with respect to new gas capital investments.

Megan E. Larkin addresses PSE's Climate Commitment Act obligations in the context of its gas system, and the continued importance of risk-sharing to achieve the purpose and intent of the Act.

Danielle A. Velez recommends the Commission adopt a service line non-pipeline alternatives proposal, reject PSE's Hydrogen blending proposal, and approve the Thermal Energy Network pilot.

Q. What is the purpose of your individual testimony?

A. In my testimony, I focus on the Company's overall efforts to meet state clean energy and climate goals, while maintaining reliability and balancing affordability concerns. PSE has made significant progress toward CETA targets, however, the Company is not on track, and does not appear to have a plan to get on track to meet the 2030 target. PSE has made resource decisions that are unsupported by processes that keep costs reasonable, like integrated resource planning, and competitive bidding processes that accurately reflect the total cost to dispatch and use the resource. Without appropriate mechanisms to control costs, the result will be higher costs to customers than could have otherwise been achieved with more long-term clean energy resources.

III. PSE IS NOT ON TRACK TO MEET CETA TARGETS.

Q. What targets or goals does CETA require PSE to achieve within the next thirty years?

A. CETA establishes three clean energy standards with which PSE must demonstrate compliance:

- PSE must remove coal power from rates by the end of 2025. It is my opinion that PSE has met this standard, however ongoing oversight is necessary to ensure that PSE is not serving customers with electricity generated from coal.

- PSE's electricity must be "greenhouse gas neutral" by 2030. As described in RCW 19.405.040, eighty percent of this standard must be achieved through the use of non-emitting electric generation and electricity from renewable resources, and twenty percent may be met through alternative compliance options.

- PSE's electricity must be 100 percent clean by 2045. As described in RCW 19.405.050, this standard must be met using a combination of non-emitting electric generation and electricity from renewable resources.

CETA also establishes resource prioritization that utilities must follow in planning and procurement decisions. First, utilities are required to pursue all cost-effective, reliable and feasible conservation and efficiency resources and demand response. If new investments are necessary, utilities must consider acquiring existing renewable resources, and then new renewable resources and energy storage, before considering other resources.[1]

CETA also prescribes a new public interest standard, which requires utilities to "...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; long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency."[2] This new standard is also expressed as a mandate for utilities in RCW 19.405.040(8):

> In complying with this section, an electric utility must ...ensure that all customers are benefiting from the transition to clean energy: Through the equitable distribution of energy and nonenergy benefits and reduction of

[1] RCW 19.405.040(6)(a)(ii) and (iii).
[2] *Id*. at 19.405.010(6).

burdens to vulnerable populations and highly impacted communities; long-term and short- term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency.

Q. How is CETA relevant to this general rate case?

A. As PSE witness Matt Steuerwalt testified in the 2024 GRC, the financial support sought by PSE is "critical."[3] Steuerwalt testified that, if PSE's requests for relief are not granted, "PSE will need to make difficult choices and defer investments, such as those supporting the clean energy transition in favor of investments in safety and reliability, thereby compromising PSE's ability to make early progress in achieving CETA's objectives and creating greater challenges in future years."[4] At the time, the JEA's assessment of PSE's situation supported the same conclusion. It was difficult to see how PSE could meet CETA's 2030 clean energy standard (and support decarbonization of the transportation and building sectors) without financial support to enable the Company to make the significant investments that were necessary. At the time, we agreed that PSE was making reasonable progress to implement CETA, but we highlighted that PSE's actions in the next few years were critical for meeting the 2030 clean energy standard. We envisioned that PSE would be in constant acquisition mode for the foreseeable future. We also observed that, absent diligent regulatory oversight and measures to support affordability, the need for new resources could put unprecedented pressure on customer rates. 2030 is now quickly approaching. As the outcomes from the company's 2024 RFP process attest and the resources included in this 2026 General Rate Case demonstrate, the outcome of this general rate case could determine how and whether PSE meets the 2030 standard and whether it supports achievement of CETA's equity mandate.

[3] UTC, Docket Nos. UE-240004 & UG-240005, PSE Exh. MS-1T (Matt Steuerwalt Opening Testimony) at 31, line 20.
[4] *Id*. at lines 11–16.

Q. In PSE's last general rate case, the JEAs concluded that PSE was making reasonable progress to meeting CETA's goals. What is different in this rate case?

A. PSE's progress toward meeting CETA's goals is discussed in more depth in JEA Witness Elizabeth A. Stanton's testimony. I believe the scope and scale of PSE's ongoing procurement efforts is unprecedented for the Company. PSE continues to stand out among Washington utilities as a leader in pursuing new clean resources to meet its CETA obligations, however its efforts since 2024 have fallen short of what is necessary to meet CETA's clean energy targets and equity goals. In this case, PSE proposes 2,730 MW of new long-term generation resources, over three quarters (76%) of which is renewable energy and energy storage.[5] This is a substantial amount of new clean energy, and we strongly support it. At the same time, it is not sufficient to meet PSE's CETA obligations at the lowest reasonable cost. One challenge that we face in reviewing the investments in this case is that it appears that PSE has not selected sufficient clean energy resources through its latest rounds of procurement, and the Company has not provided a satisfactory explanation for why that is the case. The Company has also not demonstrated how its resource decisions comply with RCW 19.405.040(6)(a)(ii) and (iii), which prioritize existing renewable resources, and new renewable resources and energy storage, in resource investment decisions. PSE's failure to secure sufficient long-term clean energy resources increases costs to customers beyond what could have been achieved with more long-term clean energy resources.

[5] *See* Exh. LCM-3 (PSE – New Long-Term Resources).

Q. How does PSE's level of investment in clean energy resources since 2021 compare to its proposed level of investment in natural gas generation in this case?

A. PSE proposes to spend almost twice as much money on building new gas generation capacity in the next three years than it spent on the incremental cost of complying with CETA over four years (from 2022–2025). On July 16, PSE released its 2026 Clean Energy Compliance Report. The report calculates the incremental cost of complying with Washington's clean energy requirements during the 2022–2025 period at approximately $820 million.[6] According to PSE's press release, "the company supplied more than 40 million megawatt hours of renewable and non-emitting energy, more clean energy than originally projected in its 2021 Clean Energy Implementation Plan. Clean energy resources supplied 50.6% of customer electric load during the period, up nearly 20 percentage points from the 30.7% average achieved during 2018–2021." By contrast, and as described in Witness Stanton's testimony, the company proposes to invest [redacted] in new gas peakers and associated transmission upgrades by 2029.[7] This sum doesn't even include the Centralia Tolling Agreement. The total cost of the Tolling Agreement does not appear in the materials that were presented to the PSE Board of Directors,[8] but public reports have valued the plant at $600 million.[9] At $[redacted] average cost per year, Witness Stanton calculates the total cost of the project at $[redacted]

[6] *See* PSE, *Puget Sound Energy reports strong progress toward Washington's clean energy goals*, available at https://www.pse.com/en/press-release/details/Puget-Sound-Energy-reports-strong-progress-toward-Washingtons-clean-energy-goals.
[7] PSE Exh. CJP-22HC (Firm Capacity Turbines Tranche 1 Prudency Documents) at 21.
[8] *See* PSE Exh. CJP-25HC (Centralia Energy Transition Prudency and Non-Baseload Resource Documents).
[9] *See* TransAlta, *TransAlta Signs Long-Term Agreement for 700 MW at Centralia Facility Enabling Coal to Natural Gas Conversion* (Dec. 9, 2025), available at https://transalta.com/newsroom/transalta-signs-long-term-agreement-for-700-mw-at-centralia-facility-enabling-coal-to-natural-gas-conversion.

Q. In your view, what does this say about the nature of cost drivers affecting customer rates, and the effects of the clean energy transition on rates?

A. In my view, this demonstrates that the clean energy transition has been a good deal for customers, as it has only cost $820 million over four years to avoid more than $[redacted] in expensive new gas generation.

IV. PSE IS OVER-INVESTING IN FOSSIL GENERATION AND UNDERINVESTING IN CLEAN GENERATION, IN A WAY THAT IS MAKING ENERGY UNAFFORDABLE FOR RATEPAYERS.

Q. What are your overall conclusions regarding the electricity investments in this case?

A. As discussed in detail in JEA Witness Stanton's testimony, PSE is overinvesting in fossil gas generation, when more cost-effective clean energy resources are available to serve customers and meet CETA requirements. Further, the gas generation resource decisions in this case bypassed traditional planning requirements and have not undergone an equity review. The result is a suboptimal portfolio of resources which does not deliver sufficient clean energy to meet CETA standards, and exposes customers to long-term costs and stranded asset risk associated with the purchase and build-out of new gas generation that the Company admits will be uneconomic in the future. This choice incurs additional costs for mitigation under CETA, and the obligation to secure allowances under the Climate Commitment Act. CETA is clear that utilities should follow resource prioritization in procurement and planning decisions. PSE has not demonstrated that it has adhered to that requirement for the resources presented in this case.

Q. Have you reviewed the projects from the 2021 All-source RFP for which PSE is seeking a prudency determination in this case?

A. Yes.

Q. Do you have a position on those projects?

A. Yes. The JEAs support a prudency determination for the Appaloosa solar project, Haymaker Wind PPA, Mount Vernon BESS tolling agreement, and the Greenwater BESS tolling agreement.

Q. Have you reviewed the projects from the 2024 All-source RFP for which PSE is seeking a prudency determination in this case?

A. Yes.

Q. Do you have a position on any of the renewable and storage projects?

A. Yes. The JEAs support a prudency determination for the Dry Falls Solar + BESS project, the Schnebly solar project, Snoqualmie BESS, and the Big Horn wind repowering project.

Q. Do you have a position on the Tranche 1 & 2 Firm Capacity Turbines?

A. Yes. In addition to the points raised in JEA Witness Stanton's testimony, the JEAs oppose the company's request for a prudency determination for Tranche 1 & 2 Firm Capacity Turbines because the Company has not completed a thorough equity review. These two peaker plants would be the first new fossil fuel generators to be built in Washington in decades, so it is essential that the Company apply the energy justice tenets during its selection of these resources.

Q. What did PSE consider with regard to Energy Justice for the [redacted] and the [redacted]

A. PSE's equity review of both of these projects is perfunctory at best. PSE's consideration of energy justice for the [redacted] is summarized on page 12 of PSE's Exhibit CJP-22HC. PSE's consideration of energy justice for the [redacted] is summarized on page 6 of CJP-22HC. Regarding recognition justice, PSE identifies six potentially interested tribes, and states that the Company will "undertake full engagement with potentially impacted tribes." Regarding procedural justice, PSE offers that, "the self-build team will develop a community engagement plan consistent with PSE values, but has not yet submitted a plan." With regards to distributive justice, PSE offers that the [redacted] will support system capacity needs, and create 200 construction jobs and 8 permanent jobs. These slides offer little more than a cursory review of a "plan to make a plan" to consider energy justice, while asking the board of directors for authorization to proceed with two of the most expensive resources in this case - major new capacity resources with a combined forecasted spend of [redacted][10] It is not reasonable nor prudent for the Company to make these investments before completing a thorough equity review of the projects.

Q. Did PSE evaluate the [redacted] peaker plants for cost-effectiveness?

A. Yes. As JEA Witness Stanton discusses in her testimony, the two peaker plants were some of the most expensive resources identified through the RFP process. Five cheaper renewable + storage and standalone storage projects were not selected. PSE's request for a prudency

[10] *See* PSE Exh. CJP-22HC (Firm Capacity Turbines Tranche 1 Prudency Documents) at 21.

determination for the [redacted] peaker plants simply states that they are "competitively priced," and that, "[b]efore the full investment decision for the project, where the turbines are ultimately installed, PSE will evaluate the project's overall customer benefits rather than those related to the purchase of the Firm Capacity Turbines Tranches 1 and 2."[11] Effectively, PSE is asking the Commission to determine that its decision to purchase the turbines is prudent, before it has even made a business case supporting the full investment for these projects to its own board or conducted an equity review or engaged affected communities and Tribes. It is hard to see how the Commission can grant this request, considering the turbines are two of the most expensive resources selected in this RFP, while cheaper renewable and nonemitting resources were not selected. Lastly, while these turbines may eventually run on non-GHG emitting fuel, PSE has not committed to running these turbines on renewable fuels.[12] Nor has PSE demonstrated that it can do so economically, considering the high cost of renewable fuels like renewable natural gas and green hydrogen.[13]

Q. Do you have a position on the TransAlta Tolling Agreement?

A. Yes. JEA Witness Stanton addresses the JEA's position on the TransAlta Tolling Agreement. In addition to the concerns raised in her testimony, I offer the following concerns as a matter of policy. First, as an unregulated energy corporation based in Canada, TransAlta is not subject to the same requirements as PSE for community engagement, equity, and energy justice under the Commission's regulatory purview. It is not clear who is responsible for conducting the equity review for this project, and when that work will take place. To my knowledge, no permits have

[11] PSE Exh. CJP (Craig J. Pospisil Opening Testimony) at 78.
[12] Exh. LCM-4 (PSE Response to JEA DR 57 (R)) ("Natural gas is the expected initial fuel for these sites.").
[13] *Id*. ("The ultimate fuel selection for the Firm Capacity Turbines will be evaluated as part of the full investment decision for the project where the turbines are deployed, which is separate from the turbine acquisition prudency determination PSE seeks in this proceeding.").

yet been issued for the Centralia gas conversion project. The State Environmental Policy Act (SEPA) application for the project has not yet been posted publicly on the Department of Ecology website, and no Notice of Public Comment opportunity has yet been issued. Second, I am concerned that PSE is underestimating the emissions from the project. As discussed in JEA Witness Stanton's testimony, PSE estimates that the Centralia power plant will emit between [redacted] and [redacted] each year from 2030 through 2039.[14] However, according to TransAlta's Prevention of Significant Deterioration Permit Application dated December 2025, worst-case scenario estimates for the emissions from the project (Unit 2 CTG conversion) are 2.3 million MTCO2e per year, or [redacted] *times higher* than PSE's estimate.[15] Further, the permit application states that the project will operate at a 59% capacity factor, while PSE's models are based on capacity factors much lower than that. An integrated resource plan that included this project could have shed some light on this issue, or at least provided a public venue in which to come to an agreement on an appropriate range of emissions and clear assumptions about how the plant will operate. However, given the absence of such a plan, these discrepancies are as yet unexplained, and are too large for the Commission to ignore, given the significant risk posed to customers by underestimating emissions costs.

Q. Under what circumstances would the JEAs support new gas generation resources?

A. The JEAs have reviewed the Company's testimony, participated in other relevant proceedings, and engaged in planning processes in Washington and regionally where new gas generation is a major focus of discussion. We recognize that there are scenarios in which gas generation may

[14] Exh. EAS-XX (PSE Revised Response to JEA DR 63 (C)).
[15] *Compare* Exh. LCM-5 (TransAlta, *Prevention of Significant Deterioration Permit Application*), *with* Exh. EAS-19C (PSE Revised Response to JEA DR 63 (C)).

be necessary in the near-term to support reliability and backfill for retiring coal generation as the state continues to decarbonize. However, in our view, ratepayer investment in expensive new gas generation should be treated a last resort option, which should only be adopted after cleaner and cheaper options have been exhausted. State policy is clear that cost effective reliable clean energy resources should be acquired **first**. While gas generation is an important peak demand resource, renewable energy coupled with storage can replace gas generation, and do so more cost effectively for ratepayers. PSE's own modeling and RFP results in this case showed this to be true. PSE must prioritize clean generation resources, implementation of demand management and conservation strategies, and careful management of peak events before procurement of new fossil generation. We believe that PSE has not met that standard based on the evidence it has presented in this case. PSE has not met its burden to demonstrate that it has prioritized clean energy sufficiently to determine that it is not overinvesting in gas generation – contrary to the directives of CETA - and that its gas generation investments are reasonable and prudent at this time.

Q. How else have PSE's clean energy procurement efforts fallen short?

A. It is not apparent that PSE pursued clean energy alternatives aggressively enough. For example, in March 2026, it was reported that Amazon made the winning bid for the 1.2GW Sunstone solar + storage project in Oregon for the rock-bottom price of $83 million.[16] This facility would have twice as much power at peak demand–given the 7.2GW of storage–than the proposed TransAlta Tolling Agreement. If PSE had submitted even a marginally better winning bid for this massive project, it would have been, by far, the largest and most cost-effective long-term clean energy resource in this general rate case. Instead, in this case, PSE

[16] Exh. LCM-6 (OBP, *Amazon buys site of Oregon's largest planned solar and energy storage project*), also available at https://www.opb.org/article/2026/03/11/oregon-amazon-solar-energy-storage-project/.

projects that the cost to run the new gas generating resource—TransAlta's Centralia plant—will cost $[redacted] over the seventeen years of the tolling agreement that PSE propose to acquire in this case, and out of those seventeen years the plant is uneconomic to run for five years.[17] To have lost that opportunity to acquire the project in bankruptcy because the company put in such a low bid on the resource, raises some serious questions about the sincerity of PSE's efforts.

Q. What has been your experience with PSE's resource planning?

A. Witness Liz Stanton's testimony reviews the procedural history of PSE's resource planning over the last several years. I have been involved in PSE's resource planning since I joined the NWEC staff in 2021. Since that time, PSE has not completed a full electric integrated resource planning cycle.

Q. What, in your opinion, is the purpose of resource planning?

A. The purpose of performing integrated resource planning is for a utility to develop a transparent and publicly accessible plan to meet resource needs that is supported by robust analysis and public engagement. Importantly, the 20-year plan should identify a portfolio of resources that the utility believes can reasonably be acquired in order to serve customers at the lowest reasonable cost, considering risk.

Q. What, in your opinion, are the implications of a large gap in resource planning?

A. Under Washington rules, IRPs are required to be conducted every four years, with an update in the intervening two years. The update is not a full reevaluation of the resource plan, but rather an opportunity to update cost assumptions and rerun the models to fine-tune the existing resource plan. In the case of PSE, we have experienced a six-year gap between 2021 and 2027,

[17] *See* Exh. EAS-1HCT (Elizabeth A. Stanton Opening Testimony) at 10.

where the utility did not develop a full electric integrated resource plan. In my view, PSE's decision to forego resource planning has had the following implications:

First, the company has missed an opportunity to build public awareness and acceptance of the trade-offs that it currently faces when making resource decisions. For many years, PSE had a very active and engaged group of customers who participated in its Integrated Resource Planning process. In 2023, the company created a new Resource Planning Advisory Group (RPAG) of which I am a member, made up of energy professionals to participate in meetings pertaining to their 2023 IRP update, 2024 gas IRP, and now the 2027 ISP. That process, while technically accessible to the public in webinar format, does not provide a forum for the kind of public engagement that PSE customers had grown accustomed to prior to the 2021 IRP. As a result, customers have not been very involved in the company's recent resource planning efforts.

Also during this time, the Commission made the decision to no longer acknowledge electric IRPs. While this decision appeared reasonable at the time (the Commission preferred to focus its limited resources on the Clean Energy Implementation Plans (CEIPs), which required Commission approval), the result has been that IRPs received less regulatory scrutiny and became less relevant as a decision-making tool compared to the CEIPs. Importantly, the CEIPs only address CETA compliance and do not include non-CETA compliant resources, like the gas generation proposed in this case.

Finally, and perhaps most pertinent to this case, we face a situation where the gap in resource planning has enabled PSE to bypass the planning process entirely for several expensive, and essentially unvetted gas plants. One of these gas plants, the TransAlta Tolling Agreement, is a quite large and inefficient single-cycle plant. These resource decisions are not

supported by the kind of robust modeling and portfolio optimization that we would expect, had they been included in an integrated resource plan for PSE's system.

Q. Does this concern you?

A. Yes. My main concern is that this sets a bad precedent for future resource decisions, and undermines the planning process as a whole. While I don't suggest that PSE should be prohibited from procuring resources outside of a comprehensive system planning process, I do think that the scale and cost of this specific tranche of resources bypassing the planning process entirely should not go unaddressed by the Commission. It is essential that the Commission continue to exercise its oversight role in resource planning, and PSE should be reminded that the outcome of this process is an important consideration in the Commission's prudency review.

V. PSE DOES IS NOT ON TRACK FOR A MANAGED TRANSITION FOR ITS GAS SYSTEM AND LACKS A PLAN.

Q. Is PSE on track to meet emissions reduction goals on its gas system?

A. No. The Company is subject to aggressive requirements for complying with the CCA and meeting the state's emissions reduction targets. In 2024 the Washington state legislature passed ESHB 1589, which was designed to specifically help PSE chart a course for transitioning both its electric and gas systems to a clean, affordable, and reliable energy future. The legislature was particularly focused on decarbonizing residential and commercial heating loads to high efficiency, non-emitting equipment. To aid in achieving these state policy goals, the legislature instructed PSE to file a single, integrated system plan and instructed the Commission to depreciate all gas plant in service by July 1, 2024, to a date no later than January 1, 2050. The legislature was sending a clear signal to PSE

and the Commission that building electrification would be a core component of the transition. As discussed in detail in the testimony of Witness Cebulko, in this case PSE wants the benefits of accelerated depreciation, but without the obligation to actually retire assets. This presents concerns for the company's long-term decarbonization trajectory, but also for affordability and equity.

Q. What is the role of the forthcoming 2027 Integrated System Plan (ISP)?

A. Our hope is that the 2027 ISP will provide a long-term actionable plan for PSE to support electrification through broad-based efforts to transition its residential and commercial heating load to efficient electric equipment, and to right-size its gas system investments for a shrinking system. PSE is currently in the process of developing that ISP in consultation with its RPAG, which makes it challenging to respond constructively to PSE's proposal for accelerating gas system depreciation in this case. Absent a plan and programs supporting proactive general electrification, customers will have little recourse as gas service becomes more expensive and rates more volatile. This raises concerns about affordability and equity, as it will be customers who do not have the means to electrify on their own who are left paying for a shrinking system.

Q. What do the JEAs propose to address this problem?

A. JEAs propose a suite of complementary programs that collectively address the main problems with PSE's approach to gas system investment and CCA compliance. First, PSE's request for accelerated depreciation only makes sense and benefits customers if gas capital investment decreases so that the accelerated assets aren't just replaced with new ones. PSE hasn't proposed any measures to rein in its gas capital spending. Witness Cebulko's proposed NPA framework and Witness Velez's Service Line NPA Program are designed to avoid unnecessary gas capital spending. Accordingly, any approval for accelerated depreciation should be

conditioned on gas capital restraint measures, including the NPA Framework and Service Line NPA Program. These programs should be approved even if PSE's accelerated depreciation request is not approved, because the savings they produce will benefit customers with or without accelerated depreciation.

Second, PSE's proposed CCA compliance strategy relies almost exclusively on allowance purchases, and its proposed gas system investments increase CCA compliance costs to the extent they support increased gas consumption. Because all allowance purchase costs are currently passed through to gas customers, the costs and risks of PSE's CCA compliance strategy are unfairly borne by its customers, as discussed by JEA Witness Larkin, who continues to highlight the need for a risk-sharing mechanism, and points to the lack of a risk-sharing mechanism as further support for Witness Cebulko and Velez's recommendations.. Witness Cebulko's proposed General Building Electrification Program is designed to reduce the risks, costs, and unfairness of PSE's current CCA compliance strategy by offering electrification incentives that are designed to be cost-effective compared to CCA allowance purchases. The Commission should approve the proposed Program as a condition of approval for PSE's requested cost recovery of gas system investments and for its approach of using allowance purchases to cover its remaining CCA compliance obligations for its gas system. Importantly, approving the Program now would not preclude PSE from developing a more detailed CCA compliance strategy in its upcoming ISP. Instead, it would establish a cost-effective floor for electrification investment that is consistent with any gas system decarbonization pathway (whether that pathway ends up looking more like PSE's Hybrid Heat Pump scenario or a more full-electrification Cold Climate Heat Pump scenario). PSE would have an opportunity to iterate on this no-regrets starting point in the ISP.

Because the NPA framework, Service Line NPA Program, and General Building Electrification Program all serve different roles (identifying opportunities for savings and reduced capital spending in the long-term, launching a no-regrets program to save money and avoid gas capital investments in the near-term, and cost-effectively meeting CCA requirements, respectively), the Commission should approve all three.

VI. THE JEAS SUPPORT MECHANISMS TO CONTAIN COSTS AS A MEANS OF SUPPORTING AFFORDABILITY DURING THE ENERGY TRANSITION.

Q. Are the JEAs concerned about affordability?

A. Yes. The JEAs very much want to see PSE achieve its clean energy transition in the most affordable way possible, while maintaining reliability. We do not perceive these goals as mutually exclusive. To the contrary, it is our view that over the long term affordability and clean energy go hand in hand.

Q. How does PSE's clean energy transition support affordability?

A. As discussed previously in my testimony, the evidence presented by PSE in this case demonstrates that the clean energy transition has been a good deal for customers. Clean energy resources have consistently emerged, and were selected more often than not, as the lowest cost resources in PSE's competitive RFP processes. The Company claims it has only cost $820 million over four years to avoid expensive investments in new gas generation, which the record in this case shows is much more costly than the incremental cost of CETA compliance. Further, while not directly addressed in this case, by removing coal from customer rates consistent with CETA in 2025 (Docket UE-240729), the Commission ensured that PSE customers will avoid paying for expensive long-lived investments and liabilities associated

with aging coal plants in the West, and cease paying above-market prices for coal transition power from the Centralia coal plant.

Q. Is PSE doing everything it can to contain costs and support affordability while achieving climate and clean energy targets?

A. No. As discussed broadly throughout the JEA witnesses' testimony, despite its unprecedented level of investment in clean energy in recent years, PSE has also chosen to invest in solutions which are not cost-effective compared to CETA-compliant alternatives, which are not expected to be cost-effective for their full useful life, and which are not aligned with the company's decarbonization obligations on both the electric and gas sides of the business. Further, PSE has not proposed or adopted any of the mechanisms explored by the Commission for the specific purpose of containing costs and supporting affordability. The Commission recently reviewed cost containment reforms in Docket U-23016, finding that cost containment can be supported in a variety of ways, including but not limited to:

- applying revenue caps in multi-year rate plans,
- employing differentiated return on equity (ROE),
- adopting broader reforms to the way authorized ROE is set,
- increasing utilization of distributed energy resources or non-wires alternatives,
- employing shared savings mechanisms, etc.

Q. What strategies do you recommend to contain costs in the near term?

A. While we do not have a specific proposal at this time, the JEAs continue to support the adoption of an externally-indexed revenue cap. In 2022, NWEC, Front & Centered, and Sierra Club (Joint Environmental Advocates) submitted expert witness testimony proposing a PBR framework that incorporates a rate cap as a cost containment mechanism in Puget Sound Energy's 2022 General Rate Case.[18] This testimony was also discussed in TEP's August 8,

[18] UTC, Docket Nos. UE-220066 & UG-220067, *Prefiled Response Testimony of Ronald J. Binz* (July 28, 2022).

2025 comments in Docket U-230161. We encourage the Commission to further consider how this model can support cost containment in the near term, even if applied to only certain categories of costs, and the appropriate use of external indices. NWEC continues to believe that a well-designed PBR framework within a MYRP can deliver more optimal outcomes through the regulatory process than has yet been achieved in Washington's MYRPs.

We also continue to be interested in the use of differential ROEs to align incentives with policy goals, including affordability. In 2024, JEAs filed expert witness testimony supporting differentiated ROE for Puget Sound Energy's gas system investments. Witness Cebulko proposed setting the ROE for customer request and capacity expansion projects 0.75% lower than PSE's approved ROE for all other gas capital investments. The intent and purpose of this proposal was to reduce the incentive for PSE to invest in expanding the gas system. In that case, we argued that this approach is within the scope of the Commission's PBR framework. We continue to support this tool as part of a comprehensive PBR, which could be designed to achieve a variety of clean energy and affordability goals.

NWEC also believes that there are lessons to be learned by taking a fresh look at the way ROE is set. I am not a financial expert, and do not take a position on the cost of capital issues in this case. However, my impression is that the current methods—which involve comparing utilities' ROE to their peer utilities—are plainly self-perpetuating and do not allow for much consideration of financial market data and investor behavior trends. A 2025 report by the American Economic Liberties Project hits close to home:

> [e]xcessive utility rates of return are the root of everything that's wrong with the US utility sector — capital bias, spiraling rates, unresponsiveness to consumer interests, and grudging compliance with public policy goals. Despite the clear nature of the problem, its persistence over decades suggests new approaches are needed. The costs of maintaining the status quo are self-evident: tens of billions of dollars in customer overcharges,

> every year, forever; continued upward-spiraling rates; no change in utility incentives or behavior; continued disregard of the public interest; and perhaps trillions of dollars of foregone investment in energy innovation, grid resilience, and safety measures.[19]

We encourage the Commission to seek advice from objective financial analysts outside of the standard pool of utility cost of capital expert witnesses, for example from academia, to gain a broader perspective on cost of capital issues.

The JEAs continue to emphasize the importance of increasing utilization of distributed energy resources or non-wires alternatives to support affordability for electric customers. Investments that avoid and delay expensive transmission and distribution investments are important part of a comprehensive approach to controlling costs in the long-term. In the short-term, we recommend a "no-regrets" approach to DERs. In the long-term, we believe that optimizing utility investment in these resources will require an examination of the UTC's frameworks for cost-effectiveness for major cost drivers. Similarly on the gas utility side, non-pipeline alternatives are effective ways of avoiding higher-cost gas system investments that will burden gas customers for decades and increase stranded asset risk as the decarbonization transition progresses. JEA Witness Cebulko proposes an NPA framework to ensure opportunities to avoid unnecessary spending and align gas system planning with decarbonization policy in the long-term. In the short-term, JEA Witness Velez proposes a "no regrets" service line NPA program that can start producing savings immediately and help lay a foundation for more large-scale NPAs in the future.

[19] Mark Ellis, *Rate of Return Equals Cost of Capital: A Simple, Fair Formula to Stop Investor-Owned Utilities From Overcharging the Public*, American Economic Liberties Project (Jan. 2025), available at https://www.economicliberties.us/wp-content/uploads/2025/01/20250102-aelp-ror-v5.pdf.

VII. CONCLUSION

Q. What are your recommendations to the Commission?

A. I recommend that the Commission adopt the JEAs' witnesses' recommendations in this case. My testimony summarizes and provides further support for those recommendations, which are contained in their individual witness testimonies.

Q. Does this conclude your direct testimony?

A. Yes.