

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of	DOCKET UE-210795
PUGET SOUND ENERGY	FINAL ORDER 08
Clean Energy Implementation Plan Pursuant to WAC 480-100-640	APPROVING CLEAN ENERGY IMPLEMENTATION PLAN SUBJECT TO CONDITIONS

BACKGROUND

- 1 In the face of immediate and significant threats posed by climate change, the Clean Energy Transformation Act (CETA)¹ envisions Washington state leading a transition to a clean energy economy.² Washington must transform its energy supply, modernize its electricity system, and, at the same time, ensure “that the benefits of this transition are broadly shared throughout the state.”³
- 2 CETA requires that electric utilities remove all coal-fired resources from rates by 2025.⁴ The law requires that all retail sales of electricity are greenhouse gas neutral by 2030,⁵ and that by January 1, 2045, 100 percent of all electricity sales to Washington customers are supplied by either non-emitting or renewable electricity generation resources.⁶
- 3 The Washington Utilities and Transportation Commission (Commission) is charged with implementing CETA as relates to investor-owned utilities. Pursuant to RCW 19.405.060(1), every four years investor-owned utilities must submit a Clean Energy Implementation Plan (CEIP) to the Commission.

¹ Laws of 2019, ch. 288 (subsequently codified as RCW chapter 19.405).

² RCW 19.405.010(1).

³ *Id.* See also RCW 19.405.010(6) (finding that the public interest includes, but is not limited to, “[t]he equitable distribution of energy benefits and reduction of burdens to Vulnerable Populations and Highly Impacted Communities.”)

⁴ RCW 19.405.030.

⁵ RCW 19.405.040(1).

⁶ RCW 19/405.050(1).

- 4 CEIPs must propose specific and interim targets for meeting CETA’s requirements and describe the “specific actions” that the utility will take to meet these clean energy targets.⁷ The Commission shall approve, reject, or approve with conditions a CEIP, considering factors such as safety, reliability, lowest reasonable cost, the equitable distribution of benefits, and the reduction of burdens to Vulnerable Populations and Highly Impacted Communities (Named Communities).⁸
- 5 On October 15, 2021, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) its Draft CEIP in Docket UE-210795.⁹
- 6 On October 25, 2021, the Commission received written comments from the Washington Clean Energy Coalition and the Vashon Climate Action Group. The Commission received additional written and oral comments in this proceeding over the following months, as noted later in this Order.
- 7 On November 1, 2021, the Alliance of Western Energy Consumers (AWEC) filed a Petition to Intervene in this proceeding.
- 8 On December 17, 2021, PSE filed its Final CEIP in this Docket.
- 9 On December 28, 2021, the Commission issued a Notice of Opportunity to File Written Comments, requiring any written comments on PSE’s CEIP to be submitted by March 2, 2022.
- 10 On February 1, 2022, PSE filed a Corrected Final CEIP in this Docket, correcting certain technical errors. PSE submitted that these corrections did not alter the targets, specific actions, or incremental costs in the CEIP period nor any other substantive portions of the CEIP.

⁷ *Id.*

⁸ RCW 19.405.060(1)(c).

⁹ In General Order R-601, the Commission required investor-owned utilities to file a draft of their first CEIP with the Commission by August 15, 2021. *In the Matter of Adopting Rules Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Implementation Act and In the Matter of Amending or Adopting rules relating to WAC 480-100-238 Relating to Integrated Resource Planning*, Dockets UE-191023 & UE-190698 (Consolidated), General Order R-601 ¶ 25 (Dec. 28, 2020). PSE later requested that it be allowed to file its Draft CEIP by October 15, 2021, and its Final CEIP by December 17, 2021, and the Commission granted this request. *In the Matter of the Petition of Puget Sound Energy*, Docket UE-210571, Order 01 ¶ 17 (Aug. 19, 2021).

- 11 On March 3, 2022, Front and Centered filed comments in this Docket requesting that the Commission initiate an adjudication of PSE’s CEIP.
- 12 On March 30, 2022, PSE filed a Motion to Consolidate Proceedings and a Motion for Exemption from WAC 480-100-645(2). PSE requested that the Commission consolidate this Docket with its pending general rate case in Dockets UE-220066 and UG-220067 and that the Commission grant an exemption from its rule, which would ostensibly require setting the CEIP for an open meeting. The Commission denied this motion.
- 13 On April 18, 2022, the Commission denied PSE’s request for consolidation, finding that the parties were grappling with “complex, novel issues” and that consolidation would unnecessarily constrain review of PSE’s CEIP.¹⁰ The Commission found it unnecessary to grant PSE’s requested exemption from WAC 480-100-645(2) because the Commission was already required to initiate an adjudication.¹¹
- 14 On April 19, 2022, the Commission issued a Notice of Prehearing Conference, formally initiating an adjudication in this Docket.¹²
- 15 On April 28, 2022, PSE filed a Petition for Administrative Review of Order 10/01, which denied its request for consolidation. The Commission subsequently denied this Petition.¹³
- 16 On May 3, 2022, NW Energy Coalition (NVEC) and Renewable Northwest filed petitions to intervene in this Docket.
- 17 On May 6, 2022, The Energy Project (TEP) filed a petition to intervene.
- 18 On May 9, 2022, the Commission held a prehearing conference before administrative law judge Michael Howard.
- 19 On May 12, 2022, the Commission entered Order 02, Protective Order, providing for the protection of confidential information.

¹⁰ *WUTC v. Puget Sound Energy*, Dockets UE-220066 & UG-220067, Order 10/01 ¶ 17 (Apr. 18, 2022).

¹¹ *Id.* ¶ 32.

¹² Pursuant to WAC 480-07-305(1), issuing a notice of a prehearing conference initiates an adjudication.

¹³ *See generally WUTC v. Puget Sound Energy*, Dockets UE-220066 & UG-220067, Order 15/03 (May 23, 2023).

- 20 On June 1, 2022, the Commission entered Order 04, Prehearing Conference Order and Notice of Hearing (Order 04). Among other points, Order 04 provided notice that the Commission would hold a discretionary settlement hearing on October 24, 2022, and October 25, 2022. Order 04 also noticed an evidentiary hearing for January 31, 2023, and February 1, 2023. The Commission granted petitions to intervene filed by AWEC, TEP, NWECC, Front and Centered, and Renewable Northwest. The Commission provided relevant deadlines for parties seeking participatory funding pursuant to the Interim Agreement in Docket U-210595.¹⁴
- 21 On July 11, 2022, PSE filed testimony and exhibits from its witness Kara Durbin.
- 22 On October 5, 2022, the Commission issued a Notice Cancelling Discretionary Settlement Hearing.
- 23 On October 7, 2022, TEP filed response testimony and exhibits.
- 24 On October 10, 2022, Staff, Public Counsel, and AWEC filed response testimony and exhibits. NWECC and Front and Centered filed joint response testimony the same day.
- 25 On December 8, 2022, Staff filed a letter indicating that it did not intend to submit cross-answering testimony.
- 26 On December 12, 2022, PSE filed rebuttal testimony, and NWECC and Front and Centered filed joint cross-answering testimony. That same day, Public Counsel and AWEC filed letters indicating that they did not intend to submit cross-answering testimony.
- 27 On December 20, 2022, the Commission issued a Notice of Public Comment Hearing, set for January 24, 2023.
- 28 On December 22, 2022, the Commission entered Final Order 24/10, in consolidated Dockets UE-220066, UG-220067, and UG-210918 (Final Order 24/10). This resolved all disputed issues in the Company's most recent general rate case (GRC).
- 29 On January 9, 2023, PSE filed a Motion for Leave to File Revised Testimony, seeking to correct errors in the prefiled testimony of its witness Phillip J. Popoff.

¹⁴ The parties' later filings related to participatory funding. The Commission's decisions on those requests are filed in the Docket but are not discussed at length in this Order.

- 30 On January 11, 2023, NWEAC and Front and Centered filed a Motion for Leave to File Revised Testimony, seeking to correct an error in the prefiled testimony of their witness Roger D. Colton.
- 31 On January 12, 2023, PSE filed a letter to this Docket. Final Order 24/10 required PSE to file a “cross-walk” reconciling any pertinent Commission findings from the final order in the general rate case with its filings in the CEIP proceeding. PSE submitted that it reviewed Final Order 24/10 and did not find the need to update any of its prefiled testimony, exhibits, or workpapers in this proceeding.
- 32 On January 23, 2023, the Commission entered Order 07, Granting Motions for Leave to File Revised Testimony. The Commission granted the earlier motions from both PSE and NWEAC and Front and Centered.
- 33 On January 24, 2023, the Commission held a virtual public comment hearing. The Commission received comments from more than 11 interested persons.¹⁵ That same day, the Commission received the parties’ proposed cross-exhibits, exhibit lists, and cross-examination time estimates.
- 34 The Commission held an evidentiary hearing in this matter on January 31, 2023. By stipulation of the parties, the Commission admitted all the prefiled testimony and exhibits, as well as cross-examination exhibits, with the exception of Exhibit KKD-10X.
- 35 On February 22, 2023, the Commission received post-hearing briefs from PSE, Staff, Public Counsel, AWEC, TEP, and NWEAC and Front and Centered.
- 36 On February 28, 2022, Public Counsel filed with the Commission Exhibit BR-1, public comments submitted in this proceeding. Public Counsel provided a total of 99 written comments, with 19 comments in favor of the CEIP, 20 undecided, and 60 opposed to the CEIP.
- 37 **PARTY REPRESENTATIVES.** Sheree Strom Carson and Donna Barnett, of Perkins Coie LLP, Seattle, Washington, represent PSE. Jeff Roberson and Nash Callaghan, Assistant Attorneys General, Tumwater, Washington, represent Commission staff (Staff).¹⁶ Lisa Gafken, Ann Paisner, and Nina Suetake, Assistant Attorneys General,

¹⁵ See generally TR Vol. II. (January 24, 2023).

¹⁶ In formal proceedings such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners’ policy and accounting advisors

Seattle, Washington, represent the Public Counsel Unit of the Attorney General’s Office (Public Counsel). Brent Coleman and Summer Moser of Davison Van Cleve, P.C., Portland, Oregon, represent the Alliance of Western Energy Consumers (AWEC). Yochanan Zakai of Shute, Mihaly & Weinberger LLP, represents The Energy Project (TEP). Amanda Goodin and Molly Tack-Hooper, of Earthjustice, represent the NW Energy Coalition (NVEC) and Front and Centered. Murial Thuraisingham, Clean Energy Policy Lead, also represents Front and Centered.

DISCUSSION

- 38 For some time, investor-owned utilities such as PSE have been required to provide the Commission and the public with detailed information about their long-range planning in the form of Integrated Resource Plans (IRPs).¹⁷ CETA expands on this long-standing practice by using IRPs as the basis for Clean Energy Action Plans (CEAPs) and subsequent CEIPs.¹⁸ In addition to traditional focuses on resource adequacy, reliability, and lowest reasonable cost, CETA requires a broader discussion of whether a utility is setting appropriate interim targets towards clean energy transformation standards, whether its investments in clean energy resources will tend to remedy societal inequities or worsen them, and whether the utility is adequately considering communities that experience a disproportionate, cumulative risk from environmental burdens.
- 39 PSE’s first CEIP has been subject to extensive public comment and scrutiny by other parties to the adjudication. To PSE’s credit, it sets aggressive but reasonable targets for achieving CETA’s clean energy standards, setting forth in broad terms how the Company plans to make significant investments in clean energy over the first four-year implementation period. PSE also sets a voluntary target for Distributed Energy Resources (DERs), such as community solar and solar leasing. The CEIP sets forth a detailed plan for how the Company will engage with the public during the first four-year implementation period.
- 40 The CEIP provides little detail, unfortunately, as to how these ambitious plans will be carried out. PSE explains that it will receive bids from pending Requests for Proposals (RFPs), and it offers an “illustrative” DER portfolio. It will not be clear *what* investments

do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

¹⁷ RCW 19.280.040.

¹⁸ *See* RCW 19.405.060(1)(b)(i), (iii) (requiring CEIPs to be informed by the utility’s CEAP and to identify specific actions consistent with the utility’s IRP).

the Company intends to make, *where* those investments might be, and *who* those investments might benefit until later, in November 2023, when the Company files its Biennial Update. In this respect, the CEIP fails to comply with Commission rules. The CEIP also fails to allow for meaningful public comment and fails to grapple with the equitable implications of planned investments, as envisioned by the legislature. In this Order, the Commission addresses numerous arguments raised by the parties regarding PSE's CEIP. We also provide detailed guidance so that future CEIP filings will adhere more closely to the plain language of our rules and CETA itself.

I. Interim Targets

41 We first address PSE's proposed Interim Targets. In its CEIP, PSE proposes a series of Interim Targets that culminate in the Company serving 80 percent of retail load with renewable, non-emitting resources by 2030 and serving 106 percent of retail load with renewable, non-emitting resources by 2045.¹⁹

42 Notably, this includes an Interim Target of supplying 63 percent of retail electric sales with renewable, non-emitting resources by 2025, the end of the current implementation period.²⁰ PSE explains its method of calculating its series of Interim Targets and its evaluation of resource adequacy.²¹

43 PSE witness Kara Durbin explains that PSE has eight years to increase its clean energy portfolio by 46 percent in order to meet the interim target of 63 percent by 2025.²² Durbin notes that 57 percent of retail sales by 2025 would be the actual mid-point, but interested parties urged the Company to move farther and faster in acquiring clean energy.²³ Durbin observes that by moving now to acquire additional renewable resources, the Company mitigates the risk of future price increases, demonstrates reasonable progress towards meeting CETA's requirements, and does not venture beyond the Legislature's guidance of the 2 percent incremental cost cap.²⁴

¹⁹ CEIP at 18 (Figures 2-2 and 2-3).

²⁰ *Id.* at 15.

²¹ *Id.* at 16-19.

²² Durbin, Exh. KKD-1T at 12:11-12.

²³ *Id.* at 12:12-16.

²⁴ *Id.* at 13:7-11.

- 44 AWEC argues that PSE’s Interim Targets represent a departure from the least-cost, least-risk plan identified in the Company’s 2021 IRP.²⁵ Lance D. Kaufman argues that the CEIP substituted more expensive solar resources for wind and accelerated the acquisition of renewable resources, increasing costs to customers by \$500 million over the life of the portfolio.²⁶ He notes that PSE testified that the driver for deviation from the IRP was related to commenters’ requests and an intent to spend up to the incremental cost cap, rather than achieve targets at “lowest reasonable cost, considering risk.” He contends that this is not a valid justification.²⁷
- 45 NWEC and Front and Centered generally support PSE’s Interim Targets, describing them as “aggressive but reasonable.”²⁸ However, Lauren McCloy testifies that PSE’s modeling considered the Social Cost of Greenhouse Gas (SCGHG) emissions incorrectly, undervaluing renewable, non-emitting resources and undervaluing the capacity contribution of energy storage.²⁹ NWEC and Front and Centered provide more detailed testimony on this issue from Elaine K. Hart, Ph.D., which is discussed below in Section V.
- 46 In its Brief, Public Counsel continues to support the proposed Interim Target of 63 percent by 2025, but raises concerns that inflationary pressures, supply chain disruption, and permitting issues may increase the Company’s costs.³⁰ Public Counsel therefore recommends that the Commission require the Company to provide an updated analysis of estimated costs in the 2023 Biennial CEIP Update, and, if necessary, an updated Interim Target.³¹
- 47 AWEC argues in its Brief that PSE errs by converting the 2 percent incremental cost cap into a “spending target for forecast costs.”³² Disagreeing with those who would push PSE

²⁵ Kaufman, Exh. LDK-1T at 3:20-21.

²⁶ *Id.* at 3:20-6:9.

²⁷ *Id.* at 7:15-19.

²⁸ McCloy, Exh. LCM-1T at 31:17-19. *Accord id.* at 32:1.

²⁹ *Id.* at 32:8-12.

³⁰ Public Counsel Brief ¶ 6.

³¹ *Id.* See also Public Counsel Brief App. A, Condition 3.

³² AWEC Brief ¶ 5.

“further, faster” towards clean energy goals, AWEC argues that the Legislature set the timeline for achieving greenhouse gas neutrality in 2030, not before.³³

48 *Commission Determination.* We approve the Company’s Interim Targets subject to conditions recommended by Public Counsel. As required by RCW 19.405.060(1)(a)(ii) and WAC 480-100-640(2)(a)(i), PSE’s Interim Targets demonstrate how the Company will make reasonable progress towards CETA’s clean energy requirements.

49 The Company’s Interim Targets appear reasonable in light of the forecasted costs. AWEC argues that the CEIP portfolio is more costly than the 2021 IRP portfolio, citing a Company presentation from February 2022.³⁴ But a later data request response from September 2022 indicates that the CEIP portfolio has a lower, total, levelized cost compared to the IRP portfolio.³⁵ Witness Durbin explains that the CEIP portfolio is expected to have a lower cost in the long term and that it is expected to garner additional benefits, such as mitigating supply chain risks and taking advantage of federal tax incentives.³⁶ According to PSE, the small difference in greenhouse gas emissions between the two portfolios are negligible and within the margin of error of the provided modeling assumptions.³⁷ Both Staff and Public Counsel support the CEIP portfolio as the lowest reasonable cost solution.³⁸ We find the positions of PSE, Staff, and Public Counsel persuasive. Although AWEC emphasizes an earlier Company presentation, it did not cross-examine Durbin, Staff, or Public Counsel or otherwise undermine their reliance on the later, September 2022 analysis. PSE also provides persuasive testimony that accelerating the acquisition of clean energy resources now may ameliorate risks of inflation and supply chain disruptions.

50 We emphasize, however, that we are only considering the estimated cost of future investments. As AWEC observes, the impacts of supply chain disruptions, inflationary

³³ *Id.* ¶¶ 8-9 (citing, *inter alia*, Durbin, Exh. KKD-1T at 12:15).

³⁴ AWEC Brief ¶ 14 (citing Kaufman, Exh. LDK-3 at 6).

³⁵ Kaufman, Exh. KKD-7 at 2.

³⁶ Durbin, Exh. KKD-6T at 7:18-8:18.

³⁷ Durbin, Exh. KKD-7 at 2.

³⁸ Public Counsel Brief ¶ 5; Nightingale, Exh. JBN-1T at 6:2-7; Dahl and Tam, Exh. CDAT-1T at 12:5-8 (“The CEIP Preferred Portfolio has a \$18.79 million 24-year levelized cost compared to a \$21 million 24-year levelized cost for the IRP preferred portfolio. Similar cost differentials exist in the 20-year levelized costs: \$16.54 million for the CEIP portfolio and \$18.21 million for the IRP portfolio.”) (internal citations omitted).

pressures, and federal tax incentives are difficult to quantify at this juncture.³⁹ It remains PSE's burden to show that it continues to act reasonably in the face of changing, uncertain conditions, demonstrating lowest reasonable cost of compliance, and PSE must continue to demonstrate the prudence of its actions.

51 The Company should also fully evaluate the impacts of federal legislation encouraging investment in renewable resources and maximizing the benefits of these federal resources for PSE's ratepayers.⁴⁰ The parties are still working to understand the implications and mechanics of these laws. This issue was addressed at greater length in the Company's last general rate case.⁴¹ We expect that PSE will provide more detailed evidence and explanation about the impacts of the IIJA and IRA in its 2023 Biennial CEIP Update and subsequent CEIPs.

52 We agree with Public Counsel that the Company should submit additional analysis in support of its 2023 Biennial CEIP Update and future CEIPs. The Company's Interim Targets are not merely numerical targets but must reflect a more transparent analysis of how the Company will make reasonable progress towards CETA's clean energy transformation standards.⁴² We therefore adopt the following conditions:

CONDITION 1. In its 2023 Biennial CEIP Update and in future CEIPs, PSE must include descriptions of quantitative (*i.e.*, cost based) and qualitative (*e.g.*, equity considerations) analyses that support interim targets to comply with the CETA 2030 and 2045 clean energy standards.

³⁹ AWEC Brief ¶ 16.

⁴⁰ On November 15, 2021, President Biden signed the Infrastructure Investment and Jobs Act of 2021 (IIJA) PL 117–58, 135 Stat 429, which seeks to upgrade the nation's energy infrastructure for a clean, resilient, and secure energy future. The IIJA funds over 350 programs to be overseen through more than a dozen federal departments and agencies. On August 16, 2022, President Biden signed the Inflation Reduction Act (IRA) PL 117–169, 136 Stat 1818, into law. The IRA is a fiscal policy instrument enacted by the federal government to counterbalance the effects of inflation in specific areas of the economy. It also represents the United States' single largest investment to date to modernize its energy system. Jessie Ciulla, Gennelle Wilson, and Rachel Gold, *What Utility Regulators Needs to Know about the Inflation Reduction Act: How to Ensure the Biggest Boon to the Energy System in US History Supports Affordable, Reliable Electric Service*, Rocky Mountain Institute, 2022, <https://rmi.org/insight/what-utility-regulators-need-know-about-ira/>.

⁴¹ *WUTC v. Puget Sound Energy*, Dockets UE-220066 & UG-220067 Final Order 24/10 ¶¶ 170-73, 240-43.

⁴² See WAC 480-100-640(2)(a)(i); WAC 480-100-610(4).

CONDITION 2. In its 2023 Biennial CEIP Update and in future CEIPs, PSE must include quantitative and qualitative risk analysis, if risk is used to justify deviating from the lowest reasonable cost solution that complies with CETA.

CONDITION 3. In the 2023 Biennial CEIP Update, PSE must include an update regarding the impact of inflation, supply chain, and permitting issues, if any, on the estimated costs of and likelihood of attaining the accelerated target. PSE should also include an updated target if the 63 percent target is no longer viable by 2025.⁴³

53 We find as well that PSE’s Interim Targets satisfy the remaining requirements of WAC 480-100-640(2). PSE explains that 33 percent of its retail sales were served by renewable and non-emitting resources in 2020.⁴⁴ PSE also explains how its Interim Targets were calculated in light of median water conditions.⁴⁵ These issues do not appear to be in dispute.

54 We therefore approve the Company’s Interim Targets subject to the conditions listed in paragraph 52 above. To the extent that the parties dispute whether the Interim Targets are consistent with an equitable energy transition, or other clean energy transformation standards,⁴⁶ these arguments are addressed in detail below.

II. Specific Targets

55 We next address the CEIP’s Specific Targets, which are subject to more extensive critique by the non-Company parties.

Table 1: Specific Targets

	2022	2023	2024	2025	Total by 2025
Energy Efficiency (MWh)	268,358.5	268,358.5	268,358.5	268,358.5	1,073,434
Demand Response (MW)	-	5	6	12.7	23.7
Renewable Energy (MW)	-	-	-	-	800

⁴³ Public Counsel Brief, App. A (internal citations omitted).

⁴⁴ PSE CEIP at 15.

⁴⁵ *Id.*

⁴⁶ *See* WAC 480-100-640(2)(a)(ii) (citing WAC 480-100-610(4)) (requiring Interim Targets to, among other points, ensure that all customers are benefiting from the transition to clean energy).

Distributed Energy Resources (MW)	7	23	25	25	80
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56 We address each Specific Target in turn.

Specific Target for Energy Efficiency

57 PSE proposes a total energy efficiency target of 1,073,434 MWh over the 2022-2025 implementation period, consistent with its Biennial Conservation Plan (BCP).⁴⁷ PSE describes developing this target in consultation with its Conservation Resource Advisory Group (CRAG) and conducting a Conservation Potential Assessment (CPA).⁴⁸

58 Staff generally recommends that the Commission approve PSE’s Specific Targets.⁴⁹ Joel Nightingale recommends that the Commission approve the energy efficiency target subject to the expectation that it will be updated in the 2023 Biennial CEIP Update.⁵⁰

59 NWEC and Front and Centered witness McCloy recommends that PSE update its energy efficiency target no later than the 2023 Biennial CEIP Update, and in its BCP.⁵¹ McCloy supports the energy efficiency target but argues that PSE has not planned to deliver its energy efficiency portfolio in the CEIP to achieve equitable outcomes and should instead target programs to the customers with the greatest need.⁵²

60 McCloy recommends that PSE increase funding for low-income weatherization programs to at least \$8.6 million in 2023; \$9.1 million in 2024; and \$10.1 million in 2025.⁵³ McCloy also contends that the Low-Income Weatherization Program budget needs a significant increase to overcome the economic barriers that prevent energy efficiency investments in low-income communities.⁵⁴

⁴⁷ CEIP at 20-21.

⁴⁸ *Id.* at 21.

⁴⁹ Nightingale, Exh. JBN-1T at 2: 16 and JBN-1T at 2: 17.

⁵⁰ *Id.* at 8:6-8.

⁵¹ McCloy, Exh. LCM-8 at 1:5.

⁵² McCloy, Exh. LCM-1T at 45:22-23; 46:1-2.

⁵³ McCloy, Exh. LCM-8 at 1:6.

⁵⁴ Colton, Exh. RDC-1T at 52:1-5.

- 61 McCloy submits that PSE should include more information from the BCP in the 2023 Biennial CEIP Update and in future CEIPs with the goal of ensuring that readers have a clear understanding of the energy efficiency target development.⁵⁵ Related to specific action selection and analysis, McCloy recommends PSE file an amended final CEIP with the Commission to identify the actual, specific resource and program actions it will take during the planning period.⁵⁶ McCloy also recommends that PSE include a narrative and quantitative evaluation of the specific actions it selects, including DER programs, utility scale resources, and other actions.⁵⁷
- 62 On rebuttal, PSE witness Gilbert Archuleta testifies that the Commission should view the BCP process as the primary method for establishing PSE's energy efficiency targets, including public engagement. Until statutory obligations change, PSE argues that energy efficiency policy and programs should continue to be established through the BCP process and simply be reflected in the CEIP.⁵⁸
- 63 PSE has also considered the "co-deployment" of energy efficiency and demand response resources with programs, such as the Low-Income Weatherization Program, as suggested by NWEAC and Front and Centered. Archuleta agrees there could be significant synergies if energy efficiency and demand reduction measures are coordinated in some way.⁵⁹ However, Archuleta submits that the specific measures and how they are coordinated with the Low-Income Weatherization Program are best addressed outside of this proceeding in the development of the next BCP.⁶⁰
- 64 To address concerns over the disproportionate relationship between spending on Low-Income Weatherization Program and savings, Archuleta proposes increasing spending on low-income weatherization to account for higher product, installation, and building repair costs.⁶¹ While costs for these inputs have increased, claimable energy savings have

⁵⁵ McCloy, Exh. LCM-8 at 1:7.

⁵⁶ *Id.* at 2:8.

⁵⁷ *Id.*

⁵⁸ Archuleta, Exh. GA-1T at 8: 1-8.

⁵⁹ *Id.* at 14: 9-12.

⁶⁰ Archuleta, Exh. GA-1T at 14: 14-15.

⁶¹ *Id.* at 13: 18-20.

remained the same or decreased.⁶² PSE states that it will continue to work with agencies and interested persons outside of this proceeding to address the disproportionality.⁶³

65 In its Brief, PSE argues that its energy efficiency Specific Target is not contested.⁶⁴

66 *Commission Determination.* We approve PSE’s Specific Target for energy efficiency. Pursuant to RCW 19.405.060(1)(a)(i) and WAC 480-100-640(3)(a), a CEIP must propose “specific targets for energy efficiency, demand response, and renewable energy.”

67 The Specific Target for energy efficiency must encompass all other energy efficiency and conservation targets and goals, and the utility must forecast the distribution of energy and nonenergy costs and benefits from its energy efficiency programs.⁶⁵ In this case, the Company’s Specific Target for energy efficiency is not extensively disputed in this proceeding, but the parties raise concerns about how these programs might be implemented and how they might benefit Named Communities.

68 We approve PSE’s Specific Target for energy efficiency subject to the expectation that this target will be updated in the 2023 Biennial CEIP Update.⁶⁶ To the extent that the parties are concerned with the equitable distribution of PSE’s energy efficiency programs, we address this issue in greater detail below, in Section IV.C. We are concerned that the current CEIP does not sufficiently describe the forecasted distribution of energy and nonenergy costs and benefits of proposed energy efficiency programs,⁶⁷ and the lack of specific actions is a recurrent issue in this proceeding as discussed below in Section IV.A.

Specific Target for Demand Response

69 Demand response (DR) programs can reduce demand on the electricity system during periods of peak demand. PSE proposes a total DR target of 23.7 MW for the 2022-2025 implementation period.⁶⁸ Because PSE is a winter-peaking utility, its CPA focused on

⁶² *Id.* at 14: 1-3.

⁶³ *Id.*

⁶⁴ PSE Brief ¶ 22.

⁶⁵ WAC 480-100-640(3)(a)(i).

⁶⁶ *See* Nightingale, Exh. JBN-1T at 8:6-8.

⁶⁷ *See* WAC 480-100-640(3)(a)(i) (“The utility must provide forecasted distribution of energy and nonenergy costs and benefits.”).

⁶⁸ *Id.* at 23.

programs that would reduce winter peak demand.⁶⁹ According to PSE witness Kara Durbin, specific DR programs will be guided by the results of the Company's DER RFP, and PSE may update its DR target as part of its 2023 Biennial CEIP update.⁷⁰

70 Durbin explains that the Company focused on DR programs that could reduce the Company's winter peak demand.⁷¹ PSE considered factors such as the number of customers, expected load amount, market conditions, and customer adoption estimates.⁷² Using the information from the CPA, the Company estimated the cost-effectiveness of the DR programs, which PSE hopes represents targets that will be achieved over the CEIP period.⁷³ Durbin emphasizes the importance of the Commission approving PSE's filed final CEIP so that the Company can start moving forward to execute its plan.⁷⁴

71 Staff witness Nightingale expresses concern that the Company's DR Specific Target is overly conservative and that more recent information suggests that more cost-effective DR will be available.⁷⁵

72 Nightingale recommends the Commission approve PSE's DR specific target of 23.7 MW, with two conditions.⁷⁶ First, he says, PSE must update its DR target in the 2023 CEIP Biennial Update to pursue all cost-effective DR.

73 Second, PSE must develop a methodology to be filed with the 2023 CEIP Biennial Update for ensuring and demonstrating that its DR target and programs contribute to meeting the equitable distribution requirements of RCW 19.405.040(8).

74 Nightingale explains that the development of PSE's 23.7 MW DR target began with the 2021 Integrated Resource Plan (IRP) process.⁷⁷ The IRP process involved analysis and assessments of areas including a CPA, resource adequacy assessment, and long-term capacity expansion.⁷⁸ Nightingale believes that the 2023 Biennial CEIP Update should

⁶⁹ *Id.*

⁷⁰ Durbin, Exh. KKD-1T at 21:5-7.

⁷¹ *Id.* at 21:18-19.

⁷² *Id.* at 21:19-21; *See also* Durbin, Exh. KKD-1T, at 22:1-2.

⁷³ *Id.* at 22:1-5.

⁷⁴ *Id.* at 45:2-4.

⁷⁵ *Id.* at 10:12-17.

⁷⁷ *Id.* at 8:19-20.

⁷⁸ *Id.* at 8:19-22; *see also* at 9:1-3.

see a substantial increase in the DR response target based on key information that has become available since PSE filed its 2021 final CEIP.⁷⁹

75 Public Counsel largely supports PSE's CEIP portfolio as cost-effective and recommends that the Company maintain its renewable energy target.⁸⁰ But witness Corey Dahl recommends that the Company provide more detailed analysis justifying any departure from a lowest reasonable cost solution.⁸¹

76 Dahl recommends that the Commission impose several conditions regarding the DR programs proposed in PSE's final CEIP. First, PSE must provide consistency among targets emerging from its GRC (Consolidated Dockets UE-220066, UG-220067, and UG-210918).⁸² Public Counsel recommends that the Company refile the 2021 CEIP to harmonize the DR targets with the Settlement Agreement.⁸³ Second, Dahl recommends that PSE, in its 2023 Biennial CEIP update, explain how PSE distinguishes between DRs and DERs and why DR was included in the Targeted DER RFP.⁸⁴ Third, Dahl encourages PSE to include the cost-effectiveness of any commercial and industrial DR programs in the 2023 Biennial CEIP update. Lastly, Dahl recommends that PSE include a narrative in the 2023 Biennial CEIP update and 2025 CEIP describing anticipated impacts on customer benefits and burdens from DR programs.⁸⁵

77 In its 2023 Biennial CEIP Update and future CEIPs, Dahl argues that PSE should include descriptions of quantitative and qualitative analyses supporting interim targets to comply with CETA's 2030 and 2045 clean energy standards.⁸⁶ Dahl recommends that PSE include quantitative and qualitative risk analysis when risk is used to justify deviating from the lowest reasonable cost solution that complies with CETA.⁸⁷

78 NWEC and Front and Centered support several of PSE's Specific Targets but take exception with the Company's DR target.⁸⁸ Witness McCloy argues that the Company's

⁷⁹ *Id.* at 11: 1-3.

⁸⁰ Dahl and Tam, Exh. CDAT-1T at 12:4-11, 13:6.

⁸¹ *Id.* at 13:3-5.

⁸² *Id.* at 19:5-7.

⁸³ *Id.* at 19:9-10.

⁸⁴ *Id.* at 19:14-16.

⁸⁵ *Id.* at 20:1-6.

Id. at 12:18-19; 13:1-2.

⁸⁷ *Id.* at 13:3-5.

⁸⁸ McCloy, Exh. LCM-1T at 31:17-21.

DR target is artificially low, failing to consider several issues including an appropriate effective load carrying capacity (ELCC) for DR, large commercial and industrial DR applications, and summer DR.⁸⁹ McCloy observes that PSE has already agreed to pursue 40 MW of DR in the settlement resolving its recent general rate case.⁹⁰

79 On rebuttal, PSE witness Durbin responds to Staff's and Public Counsel's concerns and agrees that PSE will need to update its DR target in the 2023 Biennial CEIP update to reflect all cost-effective DR.⁹¹ Durbin believes that such a process would be consistent with the iterative nature of the rules and resource planning in general.⁹²

80 PSE witness Archuleta addresses NWEC and Front and Centered's concerns by explaining that PSE plans to engage with commercial and industrial customers to develop DR action plans with both technology automation and behavioral DR solutions.⁹³ Behavioral DR customers will also have the opportunity to reduce their energy bills by participating in energy reduction events by following energy saving action guidance, such as adjusting their thermostat and washing clothes in cold water.⁹⁴

81 In its Brief, PSE notes that its DR Specific Target was reasonable at the time the CEIP was filed and that it will likely increase to at least 60 MW in the 2023 Biennial CEIP Update.⁹⁵ PSE argues that the Commission should not require the Company to refile its CEIP to harmonize the DR target with the GRC settlement because the CEIP should be approved based on the information known at the time, and the DR Performance Incentive Mechanism (PIM) established in the GRC settlement serves a different purpose.⁹⁶ Although NWEC and Front and Centered argue that the DR Specific Target is too low and failed to consider summer DR programs, PSE observes that its 2023 IRP Electric Progress Report will incorporate seasonal planning standards and that any such adjustments may be reflected in the 2023 Biennial CEIP Update.⁹⁷

⁸⁹ *Id.* at 42:21-43:10.

⁹⁰ *Id.* at 43:10-13 (citing Partial Multiparty Settlement Stipulation in Dockets UE-220066, UG-220067, and UG-210918).

⁹¹ Durbin, Exh. KKD-6T at 10:17-18.

⁹² *Id.* at 10:17-20.

⁹³ Archuleta, Exh. GA-1T at 23:10-12.

⁹⁴ *Id.* at 23:3-6.

⁹⁵ *Id.* ¶¶ 23-24.

⁹⁶ *Id.* ¶ 25.

⁹⁷ *Id.* ¶ 26.

- 82 In its post-hearing Brief, Public Counsel adjusts its recommendation regarding the Company's DR target. Public Counsel would allow the Company to update this target to be consistent with the target established in the GRC either in a compliance filing or, if needed, in the 2023 Biennial CEIP Update.⁹⁸
- 83 *Commission Determination.* Turning to the Company's Specific Target for DR, we share Staff's, Public Counsel's, NWEC's, and Front and Centered's concern that this Specific Target for 23.7 of DR by 2025 is unreasonably low and does not reflect all cost-effective DR available. The Company has already agreed to pursue 40 MW of DR over its two-year rate plan.⁹⁹ On rebuttal, PSE agrees to updating this target and anticipates that it will increase to at least 60 MW in the 2023 Biennial CEIP Update.¹⁰⁰
- 84 Yet the Company's proposal remains overly conservative. Staff witness Nightingale indicates that more cost-effective available DR is available.¹⁰¹ NWEC also provides testimony from its witness Josh Keeling, discussing regional studies of DR capacity and concluding that PSE DR capacity could be in the range of 267 MW to 424 MW by 2025.¹⁰² Keeling observes that this shows how "alarmingly low" the current CEIP target of 23.7 MW actually is.¹⁰³ We find the testimony from both Nightingale and Keeling persuasive on this issue. PSE, in fact, had 160 MW of bids for DR resources in response to its recent DER RFP.¹⁰⁴ All of this evidence tends to show that increasing the Specific Target for DR to 60 MW would be insufficient and overly conservative.
- 85 The credible evidence also shows that PSE should evaluate DR potential for reducing not just winter peak demand, but summer peak demand because PSE maintains that it is both

⁹⁸ Public Counsel Brief ¶ 7. *See also* Public Counsel Brief App. A, Condition 4.

⁹⁹ McCloy, Exh. LCM-1T. at 43:10-13 (citing Partial Multiparty Settlement Stipulation in Dockets UE-220066, UG-220067, and UG-210918).

¹⁰⁰ Durbin, Exh. 6T at 10:17-11:7.

¹⁰¹ *E.g.*, Nightingale, Exh. JBN-1T at 10:12-17.

¹⁰² McCloy, LCM-5 at 33:4-34:10.

¹⁰³ *Id.* at 34:10-11.

¹⁰⁴ *Id.* at 34:11-13.

a winter and summer peaking utility.¹⁰⁵ PSE should also evaluate DR potential for commercial and industrial customers.¹⁰⁶

86 Given this evidence, we adopt NWEC's and Front and Centered's proposed condition related to the Company's Specific Target for DR resources:¹⁰⁷

CONDITION 4. PSE will increase its demand response target to include all cost-effective DR bids it received in response to its recent RFP. PSE will include expanded Direct Load Control offerings in this increased target.¹⁰⁸

87 The Company should submit this updated DR target within 60 days of the entry of this Order as a compliance filing. It is not, however, required to refile the current CEIP. The updated DR Target should at a minimum reflect all reasonable bids for DR resources received in response to the DER RFP. The Company's updated DR Target may be higher than 160 MW after it appropriately updates ELCC values, updates generic cost assumptions, and evaluates DR resources for reducing summer peak demand.¹⁰⁹ These updates are consistent with our findings in this Order, and they are consistent with some of PSE's own commitments in Chapter 8 of its CEIP.¹¹⁰

Specific Target for Renewable Energy

88 The CEIP proposes a renewable energy target of 63 percent of retail sales by the end of 2025.¹¹¹ The Company anticipates that the cost of achieving this target will barely exceed

¹⁰⁵ *Id.* at 33:5-8 (“A study from Cadmus and Lighthouse estimates the demand response 20-year achievable potential for BPA west territory area as approximately 9.5% of summer peak demand and 6.3% of winter peak demand, with the residential sector accounting for more than half of the MW.”); *id.* at 33:18-19 (“The 2021 Northwest Power Plan identifies 3,721 MW (summer) and 2,761 MW 19 (winter) of DR potential for the region.”). *See also* McCloy, Exh. LCM-1T at 43:9-10 (observing that PSE did not evaluate DR resources for reducing summer peak demand).

¹⁰⁶ *Id.* at 35:17-36:13 (discussing the potential DR resources for commercial and industrial customers).

¹⁰⁷ This Condition contemplates a higher DR target than what was agreed to by the parties in the Revenue Requirement Settlement and adopted by Final Order 24/10, but the Commission acknowledges that long-range planning is an iterative process and that targets may change over time as more information becomes available.

¹⁰⁸ McCloy, Exh. LCM-8 at 1 (condition 3).

¹⁰⁹ McCloy, Exh. LCM-1T at 44:9-21.

¹¹⁰ *See* CEIP at 233-35 (noting that the Company commits to updating generic resource costs and ELCCs).

¹¹¹ CEIP at 24.

the 2 percent incremental cost threshold.¹¹² If actual costs of meeting its approved targets are higher than estimated, Durbin anticipates that the Company should continue to pursue achieving its approved targets, even though doing so may exceed the 2 percent annual incremental cost threshold.¹¹³ Given the uncertainty about whether to do this, the Company is seeking Commission guidance.¹¹⁴

- 89 Nightingale expresses Staff's concern that PSE expresses its renewable energy Specific Target in MW rather than as a percentage of retail load, as required by Commission rule.¹¹⁵
- 90 Public Counsel argues that PSE should maintain the renewable energy target of 63 percent by 2025.¹¹⁶ Public Counsel finds that the 63 percent target is reasonable, but PSE still bears the burden of demonstrating that any acquisitions are prudent and at the lowest reasonable cost. Public Counsel's primary concerns about the interim and specific targets are the cost to ratepayers and whether the targets reflect resource acquisitions that are at lowest-reasonable cost.¹¹⁷
- 91 On rebuttal, Durbin agrees with Staff's recommendation related to expressing the interim renewable energy target as a percentage of retail load, and the Company commits to expressing the target this way in the Biennial CEIP Update and future CEIPs.¹¹⁸ PSE also agrees to provide a narrative of the methodology used to identify its targets, and the expression of the target as a percentage of retail load, within 60 days of the Commission's final order on this Docket.¹¹⁹
- 92 *Commission Determination.* We conditionally approve PSE's Specific Target for Renewable Energy. While this target is supported by the evidence and largely unchallenged, we agree with Staff that PSE should express this target in future filings as a percentage of retail load, as required by WAC 480-100-640(3)(a)(iii). PSE has indicated its agreement to this condition.¹²⁰ We have also observed, above in Section I, that PSE

¹¹² *Id.*

¹¹³ Durbin, Exh. KKD-1T at 15:9-12.

¹¹⁴ *Id.* at 14:13-16.

¹¹⁵ *Id.* at 12:16-20.

¹¹⁶ Dahl and Tam, Exh CDAT-1T at 13: 6.

¹¹⁷ *Id.* at 12:15-17.

¹¹⁸ Durbin, Exh. KKD-6T at 8: 12-15

¹¹⁹ *Id.* at 8: 15-18.

¹²⁰ *Id.* at 8:13-18.

remains responsible for demonstrating the prudence and adherence to the lowest reasonable cost principle as it seeks to meet any approved targets.

93 We also share the concerns of Staff and other non-Company parties that PSE has not provided sufficient detail in support of these Specific Targets. WAC 480-100-640(3)(b) requires the Company to “provide a description of the technologies, data collection, processes, procedures, and assumptions the utility used to develop” its Specific Targets. We therefore require the Company to provide additional details about its methodology in its compliance filing for this Docket. The Company should also purchase, obtain, or otherwise provide Staff with a license to use its modeling software.¹²¹ The Company does not oppose this condition.¹²²

94 We accordingly adopt Staff’s proposed conditions, subject to minor modifications, as follows:

CONDITION 5: In the 2023 Biennial CEIP Update and subsequent CEIPs, PSE must express the renewable energy specific target as a percentage of retail load.

CONDITION 6: Within 60 days of the entry of this Order, PSE must file with the Commission a narrative describing the methodology used to develop the renewable energy Specific Target and describing how its renewable energy Specific Target contributes to PSE achieving its Interim Target of serving 63 percent of retail load with renewable, non-emitting resources by 2025. PSE must express its renewable energy Specific Target as a percentage of retail load. PSE must provide sufficient supporting detail in order to be reasonably understood by a generalist, and the Company may not rely on mere “global” references to the underlying AURORA model.¹²³

CONDITION 7: Within 60 days of the date of entry of this Order, PSE must obtain a license for Staff to use the AURORA and PLEXOS models.¹²⁴

Specific Target for DER

¹²¹ See Snyder, TR 282:6-21.

¹²² Durbin, TR 157:1-5.

¹²³ See Nightingale, Exh. JBN-1T at 14:9-16:2.

¹²⁴ Snyder, Exh. JES-3 at 2.

- 95 The CEIP proposes a sub-target for 80 MW of Distributed Energy Resources (DER) in the form of distributed solar capacity.¹²⁵ This is described as a “sub-target” under the renewable energy target.¹²⁶
- 96 Durbin testifies that the DER sub target does not currently outline the specific programs and associated costs.¹²⁷ Durbin requests from the Commission affirmation that PSE’s DER sub target is reasonable, even if the costs of those DERs proves to be higher than utility-scale resources on a per-MW basis.¹²⁸ Durbin submits that the Company is not seeking “pre-approval” to pursue any specific DER projects or programs.¹²⁹ Actual DER development will depend upon RFP results, and the specific DER resources PSE is pursuing will be outlined in its 2023 Biennial CEIP Update.¹³⁰
- 97 Durbin notes that PSE plans to return to the Commission beginning in 2023 for approval of the tariffs required to offer specific DER products to PSE customers. These tariff filings will include details of the product offerings and any associated costs for participation or operation of the product.¹³¹
- 98 Staff generally supports the Company’s 80 MW DER sub-target.¹³² However, Nightingale is concerned that the Company has not provided sufficient detail and that the Customer Benefit Indicator (CBI) scoring of these DER programs is unclear and not transparent.¹³³ Nightingale finds it valuable to include a DER sub-target given DER’s ability to support the pursuit of an equitable distribution of benefits in the energy transition.¹³⁴
- 99 NWEAC and Front and Centered witness McCloy testifies that a greater portion of the DER sub-target should be allocated to community solar programs.¹³⁵ McCloy argues that

¹²⁵ CEIP at 25.

¹²⁶ *Id.*

¹²⁷ Durbin, Exh. KKD-1T at 18:3-4.

¹²⁸ *Id.* at 18:4-7.

¹²⁹ *Id.* at 18:3-9.

¹³⁰ *Id.* at 17:10-12.

¹³¹ *Id.* at 20:2-5.

¹³² Nightingale, Exh. JBN-1T at 17:2.

¹³³ *Id.* at 17:5-8, 18:14-19.

¹³⁴ Nightingale, Exh. JBN-1T at 20: 11-16.

¹³⁵ *Id.* at 46:13-14.

PSE should increase its planned community solar investments from 25.6 MW to 50 MW of new resources by 2025.¹³⁶

- 100 Scott Reeves likewise testifies on behalf of NWECC and Front and Centered that only 9.2 MW out of the 25.4 MW (36 percent) is designated for income-eligible customers, multifamily buildings, or Highly Impacted Communities.¹³⁷ In addition to the overall increase to 50 MW, Reeves suggests that 40 to 60 percent of resources should be given to Named Communities.¹³⁸
- 101 On rebuttal, PSE witness William Einstein testifies that the Company will re-evaluate the appropriate size for the program.¹³⁹ If the assessment finds it reasonable to raise the target, this will be included in the 2023 Biennial CEIP Update.¹⁴⁰
- 102 Einstein notes that PSE will re-evaluate a rent-to-own model considering NWECC's and Front and Centered's suggestions to incorporate non-energy benefits.¹⁴¹ The Company will share the results of this re-evaluation in the 2023 Biennial CEIP Update and, if appropriate, consider the program for inclusion in the 2025 CEIP.¹⁴²
- 103 Einstein argues that the Company feels that its own engagement plan should be allowed to continue and be completed before being requested to conduct an additional pilot program.¹⁴³ The program adequately addresses and achieves the intent of the recommended Public Engagement Pilot.¹⁴⁴ The Company also intends to implement Staff's recommendation to work with the equity advisory group and others to develop a new, or revise the current, DER selection process.¹⁴⁵ However, PSE submits that Staff's timeline to do so by the 2023 update is unnecessarily aggressive and that PSE should instead be allowed to work with the group for the 2025 CEIP.¹⁴⁶

¹³⁶ *See id.* at 46:10-47:3.

¹³⁷ Reeves, Exh. SR-1T at 33:20-22; 34:1-2.

¹³⁸ *Id.* at 34:10-12.

¹³⁹ Einstein, Exh. WTE-1T at 23:18-24:1.

¹⁴⁰ *Id.* at 24:1-5.

¹⁴¹ *Id.* at 25:10-13.

¹⁴² *Id.* at 25:13-15.

¹⁴³ *Id.* at 19:12-15.

¹⁴⁴ Einstein, Exh. WTE-1T at 19: 9-15.

¹⁴⁵ *Id.* at 27:7-12.

¹⁴⁶ *Id.* at 27: 10-14.

- 104 In its Brief, PSE argues with respect to the DER Specific Target that the Company supports working with advisory groups to clarify and refine its methodology prior to filing its 2025 CEIP.¹⁴⁷ PSE objects to Public Counsel’s recommendation to remove the DER preferred portfolio from this CEIP and argues that its preferred portfolio is “properly illustrative at this stage; it is not definitive.”¹⁴⁸ PSE emphasizes that it is not seeking “pre-approval” of any specific DER projects or programs, but that it is merely seeking approval of the DER Specific Target to support long-term progress towards clean energy requirements.¹⁴⁹
- 105 *Commission Determination.* PSE has proposed a DER sub-target of 80 MW of distributed solar capacity by 2025.¹⁵⁰ Although the DER sub-target is not required by rule, the Commission has broad authority to review a utility’s CEIP and to require more stringent targets than those proposed by the utility.¹⁵¹ We find that PSE’s DER sub-target should be approved subject to condition.
- 106 Although the parties generally support the DER sub-target,¹⁵² they disagree on the specific programs PSE proposes and the methodology the Company may use for selecting resources.
- 107 We approve PSE’s DER sub-target. We are not, however, presented with any request to approve specific DER programs. PSE notes that its DER preferred portfolio is “properly illustrative at this stage; it is not definitive”¹⁵³ and that it is not seeking “pre-approval” of any specific DER projects or programs.¹⁵⁴ We agree that it is appropriate to approve the DER sub-target to support the Company’s longer-term efforts towards acquiring and developing tariff programs for these resources, which must support an equitable clean energy transition.¹⁵⁵
- 108 However, we continue to have concerns about the lack of specific actions in this CEIP. The Company’s “illustrative” DER preferred portfolio appears to be merely hypothetical

¹⁴⁷ PSE Brief ¶ 30.

¹⁴⁸ *Id.* ¶ 32.

¹⁴⁹ *Id.* ¶¶ 32-33.

¹⁵⁰ CEIP at 25-26.

¹⁵¹ *See* RCW 19.405.060(1)(c).

¹⁵² PSE Brief ¶ 30.

¹⁵³ *Id.* ¶ 32.

¹⁵⁴ *Id.* ¶¶ 32-33.

¹⁵⁵ *See* Nightingale, Exh. JBN-1T at 20: 11-16

in nature. It may not represent the specific actions that the Company “*will take*” over the implementation period.¹⁵⁶ We provide further guidance to the Company in Section IV.A.

109 We also share the parties’ concerns that there is a lack of transparency in PSE’s methodology for scoring and selecting DER resources.¹⁵⁷ Public Counsel has observed that “[n]umerous stakeholders expressed confusion and asked for clarity” on the application of customer benefit indicator (CBI) scores to DER resources.¹⁵⁸ The DER selection process outlined in the CEIP also appears “very different” than the one used in the Company’s RFP process, which prioritizes cost-effectiveness over CBI scores in the evaluation of these resources.¹⁵⁹ Given the relative lack of clarity around this issue, we adopt Staff’s proposed condition 4, subject to modification:

CONDITION 8: PSE must work with the equity advisory group and an advisory group (either new or existing) with sufficient expertise and interest to develop a new or revised DER selection process that is (1) consistent with the distributed energy resources planning process outlined in RCW 19.280.100, and (2) transparent, technology neutral, and robust in its comparison of DER programs considering cost and non-cost factors.¹⁶⁰

110 However, we acknowledge the Company’s concern that it may be challenging to carry out these consultations in the limited time remaining before the 2023 Biennial CEIP Update. We therefore require the Company to carry out Staff’s proposed consultations, condition 4, in time to inform its 2025 CEIP.

111 The parties raise valid concerns with certain aspects of the DER preferred portfolio, even in its present, illustrative form. We address these issues in greater detail below, in Section IV.B. We do not, however, require the Company to remove the DER preferred portfolio and selection process from the current CEIP, as recommended by Public Counsel.¹⁶¹ In Section IV.B, below, we instead provide guidance to the Company regarding the types of DER programs, particularly the governance of DER resources, that would provide the greatest benefit to Vulnerable Populations and Highly Impacted Communities.

¹⁵⁶ See WAC 480-100-640(5) (emphasis added).

¹⁵⁷ See Nightingale, Exh. JBN-1T at 17:5-8, 18:14-19.

¹⁵⁸ Dahl and Tam, Exh. CDAT-4 at 12.

¹⁵⁹ *Id.* at 13.

¹⁶⁰ Snyder, Exh. JES-3 at 1 (proposed condition 4).

¹⁶¹ See Public Counsel Brief, App. A at 2 (proposed condition 6).

III. Customer Benefit Data

112 We next address the CEIP’s presentation of customer benefit data. This involves complex issues around identifying Named Communities and tracking energy and nonenergy benefits.

Identifying Highly Impacted Communities and Vulnerable Populations

113 CETA provides two different means of identifying historically disadvantaged communities who deserve consideration in Washington’s equitable clean energy transition. The first term, “highly impacted community,” means a community designated by the Department of Health based on a cumulative impact analysis or a community located fully or partially on “Indian country” as defined by federal law.¹⁶² This standard is defined in law, and it is not subject to dispute.

114 Identifying “Vulnerable Populations,” however, is less straightforward. “Vulnerable Populations” experience “disproportionate cumulative risk from environmental burdens” due to adverse socioeconomic factors and sensitivity factors.¹⁶³ The utility must identify Vulnerable Populations based on an analysis of these factors developed through consultation with advisory groups and participation from members of the public.¹⁶⁴ The parties in this case raise numerous issues with PSE’s identification of Vulnerable Populations.

115 For the draft CEIP, PSE developed a 0/1/2 scoring system methodology that prioritizes advisory groups for applying CBIs but received feedback from interested persons about the complexity of the scoring process.¹⁶⁵

116 For its final CEIP, PSE held a series of meetings with its Equity Advisory Group (EAG) to develop a more comprehensive understanding of how to define, locate, and measure engagement and support for customers to ensure equitable implementation of the CEIP.¹⁶⁶ As a result, PSE simplified the methodology by eliminating the prioritization and rescaling the distributions of values across the metrics to a standard scale, such as 1-5, where one represents the lowest frequency of the factor and five represents the highest

¹⁶² RCW 19.405.020(23).

¹⁶³ RCW 19.405.020(40). *Accord* WAC 480-100-605.

¹⁶⁴ WAC 480-100-640(4)(b).

¹⁶⁵ Durbin, Exh. KKD-1T at 35:3-7.

¹⁶⁶ PSE Final CEIP at 51.

frequency.¹⁶⁷ Some metrics, such as access to food and historical red line influence, may be qualitative and were flagged with 0 or 1, where 0 indicates an absence of the condition and 1 indicates the condition is present.¹⁶⁸ The CEIP's vulnerability factors include the following: disability, cardiovascular disease, low birth weight rates, higher rates of hospitalization, heat islands, arrearage/disconnections, access to digital/internet resources, access to food, access to health care, educational attainment level, estimated energy burden, historical red line influence, home care, housing burden, linguistic isolation, mental health/illness, poverty, race, homeownership, seniors with fixed incomes, transportation expense, and unemployment.¹⁶⁹

- 117 Durbin recognizes that there are shortcomings that result from the limited data available.¹⁷⁰ The Company has committed to using more quantitative data in the future to describe the benefits and magnitude of the impact on customers, including Highly Impacted Communities and Vulnerable Populations.¹⁷¹
- 118 Staff recommends the Commission order PSE to continue refining methods to identify Vulnerable Populations, working with customers and technical experts, for the CEIP update and its 2025 CEIP.¹⁷² Staff witness Jennifer Snyder argues that the Company's process for identifying Vulnerable Populations is methodologically troubling.¹⁷³ The central issues are data rescaling, treating vulnerability as a single vector, and the dearth of analysis of Vulnerable Populations.¹⁷⁴ Citing Staff's earlier comments in this Docket, Snyder observes, "the Commission requires a clear understanding of current conditions in the Company's service territory," and key to this understanding of current conditions is the clear definition of Named Communities and the harm experienced.¹⁷⁵
- 119 Snyder notes that PSE rescaled its vulnerability data by converting each set into five percentage tranches: quintiles with a corresponding integer score of one through five.¹⁷⁶

¹⁶⁷ *Id.* at 53.

¹⁶⁸ *Id.* at 54.

¹⁶⁹ *Id.* at 52-53.

¹⁷⁰ Durbin, Exh. KKD-1T at 36:1-2.

¹⁷¹ *Id.* at 36:2-5.

¹⁷² Snyder, Exh. JES-1T at 35:7-9.

¹⁷³ *Id.* at 30:2-3.

¹⁷⁴ *Id.* at 30:4-5.

¹⁷⁵ *Id.* at 30:7-10.

¹⁷⁶ *Id.* at 30:14-16. *See also* Nightingale, Exh. JBN-3, at 31, Attachment A.

Data points were effectively lined up highest to lowest and then divided into five equally sized groups.¹⁷⁷ Table 1.2 illustrates an example of PSE’s rescaling methodology:

Table 1.2 – PSE’s Rescaling Methodology

Feature	Raw Value	Rescaled Value
High School or GED Education Count	14.000	1
Arrears Count	10.000	2
Retirement Income Percent	0.242	4

120 Snyder explains that the rescaling process has the potential to wildly distort the interpretation of vulnerability data.¹⁷⁸ PSE categorized an undefined number of metrics as “qualitative,” and assigned a binary value: either a one or a zero.¹⁷⁹ Additionally, for each census tract PSE summed these binary values into a new single value,¹⁸⁰ which was then rescaled like the other values.¹⁸¹ Snyder observes that, by aggregating binaries into a single metric, the “qualitative” results lead to metrics being underweighted.¹⁸² Snyder argues that PSE has turned vulnerability into a single vector, which means that the total vulnerability score might give a vague indication that a tract has a vulnerable population without speaking to the needs of that population or the nature of the vulnerability.¹⁸³

121 Snyder provides suggestions about how to improve identification of Named Communities and current conditions:

- Identifying Vulnerable Populations through more specific characteristics that may not correlate with census-tract-level mapping;
- Identifying the most vulnerable/highly impacted census tracts in the Company’s service territory; and

¹⁷⁷ *Id.* at 30:16-18.

¹⁷⁸ *Id.* at 31:2-3.

¹⁷⁹ *Id.* at 31:20-21.

¹⁸⁰ Nightingale, Exh. JBN-3 at 31, Attachment A (“The rescaled values indicate the feature values when converted to a 1-5 scale,” values listed include energy burden count, arrears count, high school, or GED education count, among others).

¹⁸¹ Snyder, Exh. JES-1T at 32:1-2.

¹⁸² *Id.* at 32:5-8.

¹⁸³ Snyder, Exh. JES-1T at 33:1-4.

- Redistributing the Company’s five quintiles of vulnerability around some standard for a given metric, rather than placing an equal number of census tracts in each quintile.¹⁸⁴ Currently, PSE’s methodology does not set a standard for a given metric and uses raw feature values in assigning vulnerability labels (low, medium, high) for Census Block Groups.¹⁸⁵ Staff suggests that the vulnerability assessment be made around a publicly vetted “standard” for any given metric.¹⁸⁶

Table 1.3 illustrates an example of assigning vulnerability labels to Census Block Groups among each quintile:

Table 1.3 – Medium Vulnerability Block Group¹⁸⁷

Feature	Raw Value	Rescaled Value
Energy Burdened Count	119.000	5

122 Snyder asserts that it is incumbent upon regulated companies (and Staff) to educate themselves on topics related to equity, including investigating methodologies to identify communities that experience a disproportionate cumulative risk from environmental burdens.¹⁸⁸

123 NWEC and Front and Centered recommend the Commission find that PSE’s methodology and data used to identify Vulnerable Populations was insufficient.¹⁸⁹ Witness Roger D. Colton recommends that PSE:

- Designate groups of similarly situated individual customers who share a particular vulnerability factor as Vulnerable Populations to the extent possible;
- Evaluate vulnerability factors to assess whether some factors are in fact measuring the same underlying attribute, and consolidate factors where this is the case;
- Include as vulnerability factors several important indicators of vulnerability that PSE excluded from its inaugural CEIP, including deep poverty, housing quality, and death and illness from extreme heat;

¹⁸⁴ *Id.* at 34:10-22.

¹⁸⁵ Nightingale, Exh. JBN-3 at 31.

¹⁸⁶ Snyder, Exh. JES-1T at 34:12-22.

¹⁸⁷ *Id.* at 34:17-22.

¹⁸⁸ *Id.* at 35:9-12.

¹⁸⁹ Colton, Exh. RDC-1T at 17:10-11; *See also* RDC-1T, at 18:1-2.

- Designate Vulnerable Populations wherever warranted, rather than arbitrarily restricting vulnerable population status to only the top tercile experiencing a particular vulnerability factor and designating all others “low” or “medium” vulnerability; and
- More heavily weight factors like energy burden that are leading indicators of vulnerability.¹⁹⁰

124 Colton testifies that PSE’s methodology has numerous shortcomings and substantially understates the extent of vulnerable customers in the Company’s service territory.¹⁹¹ First, Colton argues that PSE has chosen to identify “Vulnerable Populations” on a geographic basis rather than on a population basis that designates groups of similarly situated individual customers who share a particular vulnerability factor.¹⁹² By using PSE’s approach, for example, customers with high energy burdens are not deemed to be a “vulnerable population” unless they live in the one-third Census Block Groups with the highest penetrations of similarly burdened customers.¹⁹³

125 Second, Colton submits that by dividing penetrations of the various indicators of vulnerability into thirds and defining the bottom third, ipso facto, to be “low vulnerability,” may understate the vulnerability of some factors.¹⁹⁴

126 Third, Colton argues that many of the factors considered by PSE are, in essence, measuring the same or similar attributes of a population.¹⁹⁵ To the extent that multiple factors measure the same population attribute, including them all gives those population attributes a disproportionate impact on the determination of whether a particular area represents a vulnerable population.¹⁹⁶

¹⁹⁰ *Id.* at 18:1-20.

¹⁹¹ *Id.* at 8:3-4.

¹⁹² *Id.* at 8:5-7.

¹⁹³ *Id.* at 8:7-10.

¹⁹⁴ *Id.* at 8:17-19.

¹⁹⁵ *Id.* at 9:4-5.

¹⁹⁶ *Id.* at 9:9-12.

- 127 Fourth, while some population attributes may have a disproportionate influence, other factors are excluded entirely.¹⁹⁷ Colton observes that PSE does not consider the depth of poverty or the percentage of households/persons in deep poverty.¹⁹⁸
- 128 Fifth, PSE's scoring system treats each factor as having an equal weight and provides an example of the percentage of households having their utility service disconnected weighted the same as low birth weights.¹⁹⁹
- 129 Sixth, PSE's scoring system does not consider the synergistic impacts of its asserted vulnerability factors.²⁰⁰ Synergistic factors are those which are a greater problem in combination with each other than they are standing alone.²⁰¹
- 130 Finally, a high percentage of households exhibiting a vulnerability on one factor could be diluted or canceled by a low percentage of households exhibiting a vulnerability on a separate, completely unrelated factor.²⁰² Colton argues that by amalgamating scores on all factors measuring different population attributes, disparities in population attributes for the individual factors are effectively averaged.²⁰³
- 131 On rebuttal, PSE witness Austin Phillips defends the Company's analysis of Vulnerable Populations as reasonable and informed by consultation with the EAG.²⁰⁴ Phillips testifies that the Company chose to define Vulnerable Populations at the geographic level for several reasons.²⁰⁵
- 132 First, Phillips argues that the Company's approach is based on the best available data in terms of granularity.²⁰⁶ Phillips submits that most vulnerability factors designated by CETA and the EAG are unavailable at the customer or household level.²⁰⁷

¹⁹⁷ *Id.* at 9:13-15.

¹⁹⁸ *Id.* at 9:15-17.

¹⁹⁹ *Id.* at 10:4-8.

²⁰⁰ *Id.* at 10:9-10.

²⁰¹ *Id.* at 10:10-11.

²⁰² *Id.* at 10:16-19.

²⁰³ *Id.* at 11:6-10.

²⁰⁴ *See* Phillips, Exh. AJP-1T at 2:12-4:10.

²⁰⁵ *Id.* at 6:2-3.

²⁰⁶ Phillips, Exh. AJP-1T at 6:3-4.

²⁰⁷ *Id.* at 6:6-7.

- 133 Second, when key vulnerability factors such as low-income status, high energy burden, etc., were available at the customer level, PSE leveraged individual-level data in determining the vulnerability scores for those factors in each Census Block Group.²⁰⁸
- 134 Finally, many of the ways in which the Company will enact changes to improve equity are done at a geographic level.²⁰⁹ Phillips also observes that the Washington Department of Health identifies Highly Impacted Communities on its Health Disparities Map using a similar, geographic-level analysis.²¹⁰
- 135 Phillips asserts that the Company performed the Vulnerable Populations scoring analysis under the assumption that all factors identified by CETA and the EAG are important.²¹¹ There is no instruction in CETA or guidance from the EAG that calls for weighting some factors differently than others, and that weighting some vulnerability factors higher than others introduces hypotheticals that are difficult to resolve with available data.²¹²
- 136 Phillips submits that the Company's use of data rescaling when quantifying vulnerability factors effectively standardizes vulnerability factors in a way that does not privilege one factor as carrying more weight than another.²¹³
- 137 PSE disagrees with Staff's concerns that its data rescaling could distort the interpretation of "vulnerability." Phillips explains that if the Company had not undertaken a rescaling process with vulnerability factors, those factors for which the maximum level of severity represented a smaller raw value would not contribute to a higher vulnerability score relative to factors for which the maximum level of severity reached a high raw value.²¹⁴ The Company's rescaling method allows each vulnerability factor to represent an equal contribution to total vulnerability, so as to not qualify some factors as more important than others.²¹⁵
- 138 PSE responds to NWECC and Front and Centered's concern that under PSE's approach, only Census Block Groups with a "high" vulnerability label are considered Vulnerable

²⁰⁸ *Id.* at 6:15-18.

²⁰⁹ *Id.* at 7:4-5.

²¹⁰ *Id.* at 7:17-20.

²¹¹ *Id.* at 9: 6-8.

²¹² *Id.* at 9:9-18.

²¹³ *Id.* at 11:6-9.

²¹⁴ *Id.* at 12:8-13.

²¹⁵ *Id.* at 12:15-18.

Populations and that populations labeled “low” vulnerability could still face high vulnerability for some factors.²¹⁶ Phillips contends that the Company does not consider only the Census Block Group labeled as “high” to be vulnerable.²¹⁷ The Company’s methodology considers vulnerability as a spectrum and allows the Company to examine which Census Block Groups have the greatest intersection of vulnerability factors relative to others.²¹⁸

139 Phillips argues that there are some vulnerabilities that interact synergistically, but this is difficult to quantify without guidance from the Commission, the EAG, or other advisory groups.²¹⁹ Phillips broadly agrees with NWEA and Front and Centered that some vulnerability factors may result in a greater perceived vulnerability in combination, beyond their individual contributions.²²⁰

140 With respect to high vulnerability in some areas being potentially diluted by the sum of medium scores in another area, Phillips testifies that the Company views vulnerability as cumulative.²²¹ The impact of a community having high levels of vulnerability in multiple factors has a greater impact on the community than having one factor with a high level of vulnerability.²²²

141 Phillips defends including qualitative and binary features in its vulnerability factors and reiterates that the binary factors were not underweighted.²²³ Phillips argues that the Company must quantify vulnerability in a way that (a) allows PSE to assess which geographic areas face higher vulnerability than others; and (b) allows PSE to make decisions about how to reduce inequities across geographic areas.²²⁴ While the total vulnerability score for each Census Block Group is a single value, PSE retains the full data set of 1 to 5 scores for each vulnerability factor in each Census Block Group from its analysis.²²⁵ PSE is therefore able to examine which factors contribute to it being more

²¹⁶ *Id.* at 14:7-12.

²¹⁷ *Id.* at 14:13-14.

²¹⁸ *Id.* at 14: 14-20.

²¹⁹ *Id.* at 19:7-10.

²²⁰ *Id.* at 19:5-6.

²²¹ *Id.* at 20:6-11.

²²² *Id.* at 20:6-11.

²²³ *Id.* at 21:8-10.

²²⁴ *Id.* at 22:1-8.

²²⁵ *Id.* at 24:11-13.

vulnerable (e.g., language barrier, educational attainment) relative to other factors for a given Census Block Group.²²⁶ Phillips explains that capturing this variation among Census Block Groups will allow program managers and other decision makers to tailor their planning and outreach approaches based on the specific vulnerability factors found within a Census Block Group.²²⁷

142 In its Brief, Staff argues that both customer-by-customer and census track level information should be used to designate Vulnerable Populations.²²⁸ It did not recommend designating Vulnerable Populations on a customer-by-customer basis, and PSE appears to have misunderstood Staff’s position on this issue.²²⁹ Staff maintains that not all vulnerability factors should be weighed equally and that, at the very least, the Company should raise this issue with the EAG.²³⁰

143 *Commission Determination.* We interpret CETA as requiring investor-owned utilities, interested parties, members of the public, and the Commission to engage in a broad, far-reaching dialogue about how to identify Vulnerable Populations. The statutory definition of “Vulnerable Populations” provides a list of adverse socioeconomic and sensitivity factors, which are not exclusive.²³¹ The Commission has accordingly required the utility to develop its factors for identifying Vulnerable Populations considering input from advisory groups and members of the public.²³² The purpose of identifying Vulnerable Populations and considering the equitable distribution of energy and non-energy benefits is ultimately to prioritize an equitable and just clean energy transition for Vulnerable Populations and Highly Impacted Communities that experience inequities, disproportionate impacts, and that have the greatest unmet needs.²³³

144 PSE adjusted its methodology between the filing of its Draft CEIP and its Final CEIP to account for comments from the EAG and other members of the public.²³⁴ But Front and Centered raises concerns with PSE’s engagement. Thuraisingham notes, “Even for the

²²⁶ *Id.* at 24.13-15.

²²⁷ *Id.* at 24:15-18.

²²⁸ Staff Brief ¶ 25.

²²⁹ *Id.*

²³⁰ *Id.* ¶¶ 27-28.

²³¹ See RCW 19.405.020(40); WAC 480-100-650.

²³² WAC 480-100-640(4)(b).

²³³ General Order R-601 ¶ 47.

²³⁴ See PSE CEIP at 51.

company's EAG, the group was rigorously engaged in the initial CETA CEIP development process and largely shut out of the ongoing development after PSE filed a draft of the plan."²³⁵ Thuraisingham also describes the "selective and curative" nature of PSE's presentations to the EAG.²³⁶ The evidence indicates that further, meaningful engagement with the EAG and other interested parties is necessary to refine PSE's methodology. Thuraisingham, as a previous member of the EAG, indicates that there was a "missed opportunity" for the EAG to influence decision-making, and this gives the Commission cause for concern.²³⁷ We address PSE's public participation plan in greater detail below, in Section IV.F.

145 The parties have also raised difficult questions regarding PSE's proposed method for identifying Vulnerable Populations. For example, Staff witness Snyder calls attention to the Company's rescaling of data, treating vulnerability as a single vector, and the dearth of analysis of Vulnerable Populations.²³⁸ Snyder raises the concern that the rescaling process has the potential to wildly distort the interpretation of vulnerability data.²³⁹ NWECA and Front and Centered argue that by amalgamating scores on all factors measuring different population attributes, disparities in population attributes for the individual factors are effectively averaged.²⁴⁰ It is likely that any proposed method for identifying Vulnerable Populations will fall short of perfection, but the parties raise valid concerns about how the scoring and consideration of various factors, even if they are the factors listed in statute, may lead the Company to under-identify Vulnerable Populations in its service territory.

146 Because the Commission envisions this process to be equitable and collaborative, we decline to impose any comprehensive solution in this Order to the concerns raised by the parties. Many of these questions require the incorporation of input from affected communities and those that represent those communities. Evidence provided in this Docket makes clear that PSE must work harder to incorporate feedback it receives, regardless of the source (*i.e.*, public comments, the EAG, etc.).

147 Energy justice involves providing *meaningful* opportunity for those affected "to participate in and have meaningful impact on decision-making processes." Specifically,

²³⁵ Thuraisingham, Exh. MFT-1T at 10:19-21.

²³⁶ *Id.* at 11:20.

²³⁷ *Id.* at 17:3-4.

²³⁸ Snyder, Exh. JES-1T at 30:4-5.

²³⁹ *Id.* at 31:2-3.

²⁴⁰ Colton, Exh. RDC-1T at 11:6-10.

procedural justice “. . . focuses on inclusive decision-making processes and seeks to ensure that proceedings are fair, equitable, and inclusive for participants, recognizing that marginalized and Vulnerable Populations have been excluded from decision-making processes historically.”²⁴¹

148 The application of procedural justice is not just about creating more space for voices but rather the inclusion and incorporation of those voices in PSE’s decision making processes. This includes, and is not limited to, the methodology for quantifying vulnerability and interactions with the EAG.

149 We encourage PSE and interested parties to continue investigating how the Company’s methodology must be refined and Vulnerable Populations may be identified given the cumulative burdens posed by various adverse factors.²⁴² We also expect the Company at other times to disaggregate data to consider appropriate investments for Census Block Groups without first screening those Census Block Groups based on a cumulative analysis.²⁴³

150 It is important to remember that the CEIP identifies Vulnerable Populations to guide utility investments and programs. The information should be reasonably pertinent to issues within the utility’s control, and the information should be actionable. Although PSE may have misunderstood Staff’s position on the use of individual customer data, we agree with PSE’s general propositions that (1) “many of the ways in which PSE will target changes to improve equity are done at a geographic level” and (2) that a geographic-level analysis is comparable to the Department of Health’s designation of Highly Impacted Communities.²⁴⁴ Even if a geographic level analysis risks overlooking customers who did not live in the Census Block Groups with the highest penetrations of similarly burdened customers,²⁴⁵ as an overall matter a geographic level analysis provides the most actionable information for the utility, interested parties, and regulators. There are other contexts, such as low-income programs, that allow the utility to consider customer need without necessarily relying on geographic analysis.

²⁴¹ See *WUTC v. Cascade Natural Gas Corporation*, Docket UG-210755 Final Order 09 ¶ 56 (August 23, 2023) (internal citation omitted).

²⁴² See Snyder, Exh. JES-1T at 35:9-12.

²⁴³ Phillips, Exh. AJP-1T at 24:11-18. See also Phillips, TR 273:11-274:7.

²⁴⁴ PSE Brief ¶ 78.

²⁴⁵ See Colton, Exh. RDC-1T at 8:7-10.

151 We therefore do not agree with certain proposed conditions that would require the Company to track additional data, beyond what has already been proposed, for “heat islands” and other extreme heat impacts. Further tracking of this data may be duplicative and may be concerned with issues largely outside of the Company’s control.²⁴⁶

152 We do not agree, either, with requiring PSE to track data regarding indoor air quality. Even if this information is publicly available to PSE, as Roger Colton contends,²⁴⁷ we are concerned that this would seek to hold the Company accountable for issues that are not truly under its control or would depart from a geographic analysis of Vulnerable Populations.²⁴⁸ As we have indicated, the Company’s existing low-income programs may be a more appropriate venue for addressing customer needs that do not easily fall within a geographic analysis.

153 Bearing this guidance in mind, we adopt NWECA and Front and Centered’s proposed conditions 10 and 11, subject to modifications:

CONDITION 9: Vulnerable Populations. PSE will include in its list of Vulnerable Populations:

Any census block group that has the highest score for any one of the categories of commonly grouped vulnerability factors:

- Sensitive populations (disability, cardiovascular disease, low birth weights, higher rates of hospitalization, home care);
- Energy security/insecurity (arrearage/disconnections, estimated energy burden, housing burden);
- Other socioeconomic factors (access to digital/internet resources, access to food, access to health care, educational attainment level, historical redline influence, linguistic isolation, race, transportation expense, unemployment, poverty, deep poverty, renter status, seniors with fixed income, housing quality);
- Any census block group that PSE identified as “high needs” or “underserved” in the most recent Biennial Conservation Plan;
- Any census block group with an average home energy burden of 6% or more for income for households with annual income less than 200% of the federal poverty level;

²⁴⁶ See PSE Brief ¶ 52 (

²⁴⁷ *E.g.*, Colton, TR 298:3-22.

²⁴⁸ See Colton, TR 300:21-22 (“So the vulnerable population would be that group of people—it would be population based.”).

- Any census block group in a census tract that is a Qualified Census Tract as defined by HUD for purposes of the Low-Income Housing Tax Credit program; and
- Any census block group in a census tract that is a “community in economic distress” as defined by the U.S. Department of Treasury for purposes of the New Markets Tax Credit program.

CONDITION 10. Vulnerable Population Designation Methodology. PSE will modify its designation methodology for Vulnerable Populations for the 2025 CEIP as follows and will, starting in 2023, begin gathering any additional data necessary to apply this new designation methodology:

- Evaluate vulnerability factors to assess whether some factors are measuring the same underlying attribute, and consolidate factors where this is the case;
- Include as vulnerability factors deep poverty, housing quality, and death and illness from extreme heat;
- Consider the synergistic impacts of vulnerability factors that render people with multiple vulnerabilities significantly worse off than people with just one, considering compounding impacts.²⁴⁹

CONDITION 11. PSE must demonstrate its compliance with the modified conditions above in this section by submitting a compliance filing to the Commission within 60 days of the entry of this Order.

154 Thus, we have provided guidance as to how the Company should identify Vulnerable Populations, and we have adopted conditions based on the evidence. It is important in the short-term for the Company to expand its identification of Vulnerable Populations, as set forth above, so that investments and programs reach those that require reinvestment and consideration in an equitable and just clean energy transition. But we must recognize that this is a broad, far-reaching conversation about what truly renders communities vulnerable. Properly considering this issue requires listening to affected communities. When PSE files its 2025 CEIP, we expect the Company to document its efforts to implement procedural justice through engagement with the EAG and other interested parties regarding its methods for designating Vulnerable Populations and to explain the reasons why it disagreed with and did not include pertinent feedback from Front and Centered, NWECA, Staff, Public Counsel, or other interested persons.

²⁴⁹ Cf. McCloy, Exh. LCM-8 at 2-3 (providing the party’s original, proposed conditions 10 and 11).

Proposed CBIs

- 155 This case also raises important issues about how PSE ensures that all customers are benefiting from the transition to clean energy. By rule, the Commission requires the Company to propose CBIs tracking energy and non-energy benefits.²⁵⁰ The parties in this case bring a variety of competing recommendations for how the Commission might require the Company to improve its CBIs.
- 156 Durbin testifies that the scope of its first CEIP, including the level of detail provided, is appropriate and consistent with the regulatory processes and frameworks established by the Commission during its initial CETA rulemaking in 2019-2020.²⁵¹ While in its comments TEP advocates for a more comprehensive set of CBIs that include considerations of disconnections, arrearages, and other elements that may impact energy burden and affordability, Durbin argues that these considerations are not outlined anywhere in the CEIP statutory provisions or rules.²⁵² Durbin contends that the CEIP is intended to be a four-year resource planning document that demonstrates the utility's plan to meet the clean energy transformation standards, and that there are existing reporting mechanisms and metrics in other standalone Commission proceedings for tracking disconnections, arrearages, and other data that pertain to affordability.²⁵³
- 157 Durbin acknowledges that barriers to customer participation in bill assistance programs and metrics about disconnections and arrearages are important considerations.²⁵⁴ But these issues are currently being addressed in other Commission proceedings, such as the COVID-related Docket U-200281, the rulemaking proceeding in Docket U- 210800, and PSE's general rate case in Docket UE-220066/UG-220067.²⁵⁵
- 158 Durbin explains that PSE began with an initial set of CBIs that it considered during the IRP process.²⁵⁶ The Company then engaged in ongoing conversations with interested persons, including its EAG and other advisory groups, during the development of its 2021 CEIP CBIs.²⁵⁷ PSE also collected input from customer surveys and go-to-you

²⁵⁰ WAC 480-100-640(4)(c).

²⁵¹ Durbin, Exh. KKD-1T at 10:11-13.

²⁵² *Id.* at 11:5-8.

²⁵³ *Id.* at 11:10-12.

²⁵⁴ *Id.* at 11:17-19.

²⁵⁵ *Id.* at 11:17-22.

²⁵⁶ *Id.* at 33:3.

²⁵⁷ *Id.* at 33:4-6.

meetings with community-based organizations.²⁵⁸ PSE incorporated the feedback to develop the CBIs that are presented in the CEIP.²⁵⁹ While some interested persons have suggested PSE should pursue different CBIs than those proposed in its CEIP, Durbin has concerns with removing CBIs that it developed through its public participation process or adding new CBIs without the benefit of broad interested persons' input.²⁶⁰

- 159 Durbin testifies that at least one directional CBI is attributed to each of the CETA categories of CBIs, and in some cases, there are multiple or overlapping CBIs among categories.²⁶¹ Durbin submits that some of the CBIs proposed by interested persons are outside the scope of the CEIP.²⁶²
- 160 Durbin explains that PSE engaged interested persons, including all advisory groups, in the development of an appropriate methodology for applying CBIs in the CEIP.²⁶³ For the Draft CEIP, PSE initially presented a 0/1/2 scoring system with prioritization to advisory groups and received feedback expressing confusion about the complexity of the scoring process.²⁶⁴ For the final CEIP, PSE took this feedback and simplified the methodology by eliminating the prioritization and used the same scores across all customer benefit indicators.²⁶⁵
- 161 Because of the short time frame and the lack of data sources, Durbin notes that PSE has not yet been able to apply metrics to each customer benefit indicator in this CEIP.²⁶⁶ To remedy this, PSE used a qualitative approach in determining the DER CBI evaluation criteria and described why specific projects received a score in Appendix D of the CEIP.²⁶⁷
- 162 The Company used CBIs as part of its selection process for the DER preferred portfolio. As PSE finishes the RFP process, the Company will engage interested persons for input on product and tariff design. The consideration and application of CBIs will be a

²⁵⁸ *Id.* at 33:6-7.

²⁵⁹ *Id.* at 33:3-12.

²⁶⁰ *Id.* at 33:9-12.

²⁶¹ *Id.* at 34:9-11.

²⁶² *Id.* at 34:7-11; at 34:15-16.

²⁶³ *Id.* at 35:3-4.

²⁶⁴ *Id.* at 35:3-7.

²⁶⁵ *Id.* at 35:8-10.

²⁶⁶ *Id.* at 35:10-14.

²⁶⁷ *Id.* at 35:10-17.

deliberate part of the DER product and tariff development process. PSE plans to convene additional interested persons and advisory group meetings to refine its approach for the application of CBIs to this process.²⁶⁸

163 As Durbin explains, the Company plans to continue its extensive interested persons and advisory group engagement in further developing the approach to CBIs and to seek additional quantitative data that PSE can use as part of the CBI metrics.²⁶⁹

164 Staff witness Snyder views PSE's CBIs as a "work in progress."²⁷⁰ Snyder does not believe tracking data for Named Communities as a whole is granular enough to ensure all customers are benefiting.²⁷¹ PSE should discuss with the appropriate advisory groups the appropriate level of granularity for each CBI.²⁷²

165 Snyder recommends that PSE propose interim CBI targets, particularly for those CBIs that PSE is most directly capable of effecting.²⁷³ This would include the number of, and percentage of, customers participating in energy efficiency, DR, and DER programs within Named Communities; the percentage of electricity generated by DER; and the number of jobs created by PSE programs for Named Communities, among other metrics.²⁷⁴

166 Snyder provides CBI metric design principles. Staff's proposal is generally consistent, but not identical, with metric design principles being developed in the Commission's Performance-based Regulation Docket in U-210590. Snyder provides that metric design principles include the following:

- a. Directly related to policy goals and the public interest
- b. Equity forward
- c. Outcomes-based

²⁶⁸ *Id.* at 20:5-11.

²⁶⁹ Durbin, Exh. KKD-1T at 38: 9-12.

²⁷⁰ Snyder, Exh. JES-1T at 35:17.

²⁷¹ *Id.* at 35: 16-22.

²⁷² *Id.* at 36: 3-5.

²⁷³ *Id.* at 36:8-14.

²⁷⁴ *Id.* at 36: 15-20; at 37: 1-5.

- d. Clearly defined, articulated, and understandable
- e. Use reasonably available data
- f. Allow for comparison
- g. Data transparency
- h. Accessible reporting format
- i. Reasonably affected by utility's actions
- j. Evaluated periodically
- k. Accommodate regular reporting
- l. Efficiency: number of metrics should be no greater than necessary.²⁷⁵

167 Snyder also suggests the following questions for evaluating CBI consistency with law and rule consistent with the above design principles:

- a. Are the CBIs distinct from each other and other regulatory requirements?
- b. Does the metric for a given CBI adequately correspond to the benefit or burden it is designed to address, and are CBIs accurately grouped into relevant CETA categories?
- c. Has the Company provided baselines and targets or goals for a given CBI?
- d. Are the metrics granular enough to create a picture about whether benefits and burdens have been equitably distributed?
- e. How rich and diverse is the data used in tracking CBIs?
- f. How meaningful is the weighting and scoring process?
- g. Was the public, especially Named Communities, meaningfully involved in CBI creation?

²⁷⁵ Snyder, Exh. JES-1T at 22: 1-14 (citing August 5, 2022, Notice in Docket UE-210590).

h. Do the chosen CBIs, separately and together, create a picture as to whether benefits and burdens have been equitably distributed?²⁷⁶

168 Applying this framework, Snyder makes several recommendations. Turning first to CBIs concerned with environmental benefits, Snyder notes that PSE proposed tracking GHG emissions, and, as a separate metric, multiplying avoided emissions by the social cost of carbon, to measure the reduction of climate change impacts.²⁷⁷ Snyder questions whether these CBIs are sufficiently distinct to warrant the reporting of both.²⁷⁸ Instead, Snyder recommends that PSE remove the proposal to measure the reduction of climate change impacts through the multiplication of avoided emissions by the social cost of carbon.²⁷⁹

169 Snyder notes that PSE proposed measuring and reducing the frequency and duration of outages, as well as measuring peak demand reduction, for all customers and separately for Named Communities.²⁸⁰ However, approximately half of PSE's feeders are in Named Communities, which likely contributes to the findings that Named Communities may be more connected to a reliable grid than the average customer.²⁸¹ Additionally, SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index) are system-level reliability metrics intended to average service interruptions over an entire service territory and are not compatible on an engineering basis with place-specific disparities.²⁸² Snyder recommends that the Company could choose instead to measure metrics such as Customers Experiencing Multiple Interruptions (CEMI).²⁸³ PSE could also measure its capacity to support customers, or a subset of customers, during a disaster via emergency preparedness or cultural competency trainings for Company employees.²⁸⁴

170 With regards to the Company's cost-reduction CBIs, PSE's proposal consists of two metrics: (1) reduce median electric bill as a percentage of income for residential customers and (2) reduce median electric bill as a percentage of income for residential

²⁷⁶ *Id.* at 23: 1-13.

²⁷⁷ *Id.* at 38: 12-15.

²⁷⁸ *Id.* at 38: 18.

²⁷⁹ *Id.* at 38: 21-23.

²⁸⁰ *Id.* at 39: 8-10.

²⁸¹ *Id.* at 39:13-16.

²⁸² *Id.* at 39: 13-18.

²⁸³ *Id.* t 40:3-4.

²⁸⁴ *Id.* at 40: 3-7.

customers who are also energy burdened.²⁸⁵ Snyder submits that the Company's reliance on medians cannot ensure equitable outcomes.²⁸⁶ Additionally, the two metrics lack accountability for PSE because the Company is only partially responsible for the inputs to these metrics.²⁸⁷

- 171 Snyder recommends that PSE should replace or remove both of these metrics.²⁸⁸ PSE could adopt metrics that measure bill assistance programs, noting participation rates, penetration rates, program budgets, and measuring reductions in arrearages (both the number of customers in arrears and the amount in arrears as well as by location), to improve the equitable targeting of resources.²⁸⁹ The Company could also choose to track energy burden or bill total of a particularly vulnerable segment (such as the highest quartile of energy burden or Named Communities in select zip codes) to target disparities where they are largest.²⁹⁰
- 172 Public Counsel witness Corey Dahl testifies that utilities have selected different CBIs and applied them differently.²⁹¹ Dahl recommends that the Commission provide a uniform list of CBIs and a uniform framework for applying CBIs and their associated metrics.²⁹²
- 173 Dahl next raises concerns that not all CBIs and metrics will be relevant or applicable to resource selection.²⁹³ Dahl therefore recommends that PSE develop, in conjunction with relevant advisory groups (including but not limited to the CRAG, EAG, and Low Income Advisory Committee (LIAC)) and interested persons, a transparent methodology for applying CBIs and metrics that are appropriate for future resource planning and acquisition decisions in the 2023 Biennial CEIP Update and the 2023 IRP.²⁹⁴

²⁸⁵ *Id.* at 40: 11-14.

²⁸⁶ *Id.* at 40: 21; at 41: 1.

²⁸⁷ Snyder, Exh. JES-1T at 41: 6.

²⁸⁸ *Id.* at 43: 5.

²⁸⁹ *Id.* at 43:7-13.

²⁹⁰ *Id.* at 43: 7-13.

²⁹¹ Dahl and Tam, Exh. CDAT-1T at 9:13-14.

²⁹² *Id.* at 9:16-18.

²⁹³ *Id.* at 32:1-7.

²⁹⁴ *Id.* at 32:1-7.

- 174 Dahl recommends that PSE propose an updated set of CBIs and associated metrics in its 2023 Biennial CEIP Update.²⁹⁵ These would then be adopted and applied to specific actions in the 2025 CEIP.²⁹⁶ If PSE deviates from the input provided by interested persons and advisory groups on CBIs, Public Counsel recommends that the Company should be required to provide a detailed justification for doing so.²⁹⁷
- 175 Dahl also recommends that, within 10 days of the entry of this Order, PSE must file in the CEIP docket a comprehensive report card of all CBIs and metrics that the Company currently reports, CBIs and metrics that the Commission has directed it to report, and CBIs and metrics that it must evaluate through an “interested persons” process before the 2023 Biennial CEIP Update.²⁹⁸
- 176 Dahl testifies that metrics used in the 2021 CEIP should similarly not indicate any directionality or desired target,²⁹⁹ which would ensure that there is a consistent understanding and use of metrics across PSE’s activities and programs.³⁰⁰
- 177 Dahl observes that in the settlement in its last GRC, the Company agreed to track several metrics associated with different categories of utility performance.³⁰¹ Many of the metrics surrounding reduction of burdens, energy security, and clean energy participation from Named Communities should be incorporated into the PSE Final CEIP.³⁰² Dahl submits that including these CBIs and metrics would also assist the Company in assessing the current distribution of benefits and burdens on customers.³⁰³
- 178 NWEC and Front and Centered argue that the CEIP does not apply CBIs to all specific actions, as required by Commission rules.³⁰⁴ McCloy testifies PSE has only applied its proposed CBIs to DERs and has not applied its CBIs to utility scale resources.³⁰⁵ McCloy

²⁹⁵ *Id.* at 32:19-20.

²⁹⁶ *Id.* at 32:20-21.

²⁹⁷ *Id.* at 32:21-23.

²⁹⁸ *Id.* at 32:24-28.

²⁹⁹ *Id.* at 33:11-12.

³⁰⁰ *Id.* at 33: 9-15.

³⁰¹ *Id.* at 29:4-5.

³⁰² *Id.* at 29: 4-8.

³⁰³ *Id.* at 30: 1-8.

³⁰⁴ *See* McCloy, Exh. LCM-1T at 16:7-12.

³⁰⁵ McCloy, Exh. LCM-1T at 16:9-10.

is concerned that there are significant gaps in PSE's CBIs that do not adequately capture the impact of PSE's proposed actions, especially on Named Communities.³⁰⁶ PSE also inappropriately outsourced the application of CBIs to bidders, which, McCloy contends, will likely lead to arbitrary results.³⁰⁷

- 179 McCloy raises concerns that the scoring methodology PSE used in this CEIP is not nuanced enough to meaningfully capture the real-world impact of different DER programs on all customers and on Named Communities specifically.³⁰⁸ NWECA advocates that PSE should significantly revise its methodology.³⁰⁹
- 180 McCloy maintains that PSE should commit to developing tools, such as an energy justice scorecard, that allow communities to hold PSE accountable to its goals.³¹⁰
- 181 McCloy argues that it is critical to make information about PSE's CBIs and metrics as accessible as possible to allow for public participation.³¹¹ McCloy recommends that PSE be required to incorporate CEIP CBIs and metrics into a publicly accessible comprehensive report card that includes up-to-date data on all metrics that the Company reports to the Commission.³¹²
- 182 TEP witness Lorena Shah likewise testifies that several of PSE's CBIs are general and high level, and that there is significant need for practical specification to allow measurement of improvement in particular areas.³¹³ Shah argues that PSE does not meet the Commission's requirement to provide a narrative description of specific actions related to each CBI.³¹⁴
- 183 Shah submits that disconnections and arrearages are properly included in the CEIP, noting that CETA expressly contemplates the consideration of factors like affordability

³⁰⁶ *Id.* at 17: 1-9.

³⁰⁷ *Id.* at 16:12-19.

³⁰⁸ McCloy, Exh. LCM-1T at 27: 3-6.

³⁰⁹ *Id.* at 27:3-4.

³¹⁰ *Id.* at 55:4-7.

³¹¹ *Id.* at 5:13-16.

³¹² *Id.* at 25:16- 26:2.

³¹³ Shah, Exh. LAS-1T at 4:18-20.

³¹⁴ *Id.* at 4:17-20; at 5: 1-2.

and cost reduction.³¹⁵ Shah also notes that other investor-owned utilities have included similar information in their CEIPs.³¹⁶

- 184 On rebuttal, PSE witness Durbin disagrees that all of the metrics raised by the Non-company parties are required or necessary for this CEIP.³¹⁷ Durbin asserts that NWECC and Front and Centered underestimate the limitations inherent to tracking and measuring certain metrics.³¹⁸
- 185 Durbin explains that the Company is exploring the potential for new or modified CBIs as part of the Biennial Update commitments that PSE made in Chapter 8, and that any additions or changes to CBIs should be forward-looking for inclusion in the 2025 CEIP and allow space for a continued robust and thoughtful interested persons engagement process.³¹⁹
- 186 Durbin suggests that any new CBIs should be proposed as part of the 2025 CEIP process.³²⁰ There are practical challenges to developing and implementing any new CBIs within a small timeframe before the 2023 Biennial CEIP Update.³²¹ For example, PSE would only have a few months to engage the public and its advisory groups regarding those CBIs.³²² Even if meaningful engagement could happen very quickly, PSE would need time to finalize the metrics and identify and secure the necessary baseline data.³²³ Durbin also argues that adding new CBIs for the Biennial CEIP Update would create inconsistencies with CBIs used in the IRP Electric Progress Report's analysis.³²⁴
- 187 Durbin supports Public Counsel's recommendation that the Commission develop a uniform list of CETA-relevant CBIs because utilities would benefit from having a common set of CBIs that are tracked over time and a uniform framework for applying

³¹⁵ *Id.* at 9:15-17.

³¹⁶ *Id.* at 9:14-19.

³¹⁷ Durbin, Exh. KKD-6T at 21: 4-8.

³¹⁸ *Id.* at 21: 4-8.

³¹⁹ *Id.* at 17:12-13; at 20: 2-5.

³²⁰ *Id.* at 24:10-20.

³²¹ *Id.*

³²² *Id.* at 24:11-14.

³²³ *Id.*

³²⁴ *Id.* at 24:18-20.

them.³²⁵ Durbin also supports Public Counsel's recommendation to remove directionality language from its CBI metrics and is willing to make this change for the 2023 Biennial CEIP Update as well.³²⁶

188 With respect to Staff's proposals, Durbin observes that PSE is in the process of developing interim goals for some or all CBIs in collaboration with the EAG for inclusion in the 2025 CEIP.³²⁷ Durbin also supports Staff's recommendations to remove the CBI that measures climate change impacts by multiplying the social cost of carbon by reduced greenhouse gas emissions and that PSE and interested persons should adopt a broader review of resilience in developing resiliency CBIs.³²⁸ But Durbin does not agree with Staff's proposed modifications to the Company's cost-reduction CBIs.³²⁹

189 Durbin maintains that PSE considered CBIs for utility-scale resources in its resource planning and subsequent resource acquisition processes.³³⁰ In this round of RFPs, PSE requested that bidders provide a CETA customer benefit plan as part of their proposal.³³¹ Durbin submits that this was an explicit part of the evaluation criteria for each RFP, which were reviewed and approved by the Commission.³³²

190 In cross-answering testimony, NWECC and Front and Centered agree with Staff's recommendation that PSE create interim CBI targets but argues that this should not be deferred until the 2025 CEIP.³³³ Instead, NWECC and Front and Centered believe that the Commission should require PSE to adopt minimum designations for Named Communities as a condition of approval of this CEIP, even if a more comprehensive set of targets is deferred until the 2025 CEIP.

191 In its Brief, PSE observes that it has responded to the parties' suggestions. The Company has agreed to eliminate the CBI that measures climate change impacts by multiplying the social cost of carbon by reduced greenhouse gas emissions, and it has agreed to remove

³²⁵ *Id.* at 23:9-11.

³²⁶ *Id.* at 26:9-10.

³²⁷ Snyder, Exh. JES-1T at 36: 8-14.

³²⁸ Durbin, Exh. KKD-6T at 26: 16-18; at 27: 8-10.

³²⁹ *Id.* at 27: 17-18.

³³⁰ *Id.* at 20:8-9.

³³¹ *Id.* at 20:13-15.

³³² *Id.*

³³³ McCloy, Exh. LCM-7T at 4:10-12.

directionality language from its CBI metrics.³³⁴ PSE has agreed to develop interim CBI metrics in collaboration with the EAG for its 2025 CEIP.³³⁵ However, the Company otherwise maintains that any additions or changes to CBIs should be forward-looking and focused on the 2025 CEIP.³³⁶

- 192 *Commission Determination.* The Commission conditions its acceptance of the CEIP on PSE including additional metrics related to affordability and cost reduction. The Commission declines to require interim targets for CBIs at this time and observes that many of these issues would benefit from further data collection, collaboration, and discussion.
- 193 CBIs are “attributes” of a resource or related distribution system investment that are associated with one of the specific customer benefits in CETA.³³⁷ The specific customer benefits that utilities must ensure are distributed equitably are: “energy and non-energy benefits and reduction of burdens” to Named Communities; “long-term and short-term public health and environmental benefits and reduction of costs and risks;” and “energy security and resiliency.”³³⁸
- 194 The requirement that utilities establish and evaluate their actions through CBIs is meant to give effect to CETA’s requirement that utilities ensure that all customers benefit from the transition to clean electricity.³³⁹
- 195 Utilities are required to develop CBIs and weighting factors following input from advisory groups and other interested persons.³⁴⁰ Utilities must propose at least one CBI for each of the customer benefits enumerated in CETA and the Commission’s implementing rules.³⁴¹ Utilities must intentionally evaluate each specific action and program in its CEIP through the lens of each CBI.³⁴² Additionally, these CBIs should also be informed by the metric design principles being developed in Docket U-210590.

³³⁴ PSE Brief ¶ 44.

³³⁵ *Id.* ¶ 45.

³³⁶ *Id.* ¶ 42.

³³⁷ WAC 480-100-605.

³³⁸ RCW 19.405.040(8).

³³⁹ WAC 480-100-640(4)(c).

³⁴⁰ General Order R-601 ¶ 62.

³⁴¹ WAC 480-100-640(4)(c).

³⁴² WAC 480-100-640(5)(c).

- 196 The adequacy and application of PSE’s proposed CBIs is an area of significant contention between all parties except AWEC, which filed no testimony on this matter. We address the parties’ arguments in turn.
- 197 First, we note that PSE and Staff agree on removing the CBI from the CEIP that measures climate change impacts by multiplying the social cost of carbon by reduced greenhouse gas emissions.³⁴³ This CBI should be removed from both the Company’s 2025 CEIP and the 2023 Biennial CEIP Update.
- 198 Second, we share Staff’s concern that the metric for the Company’s cost reduction CBI is presented in terms of reducing median electric bills.³⁴⁴ Staff witness Snyder credibly testifies that the median electric bill could decrease while the number of energy burdened customers stays the same or even increases.³⁴⁵ Snyder notes, “Put another way, the metric doesn’t directly target where it should.”³⁴⁶
- 199 Third, we agree with Staff, Public Counsel, TEP, NWEC, and Front and Centered that it is appropriate for the CEIP to include additional metrics concerning energy burden and energy security. CETA itself requires the utility to plan to meet clean energy transformation standards at the lowest reasonable cost.³⁴⁷ CETA also requires the utility to ensure the “reduction of costs and risks” as well as “energy security.”³⁴⁸ The Commission has adopted similar requirements for CBIs by rule.³⁴⁹ While the Company opposes some of the proposed affordability metrics as falling “outside the resource planning process,”³⁵⁰ both statute and rule indicate that the CEIP is concerned with principles of energy justice. The CEIP is not merely a resource planning document. CBIs work to inform the Commission and interested persons on tracking distributional justice

³⁴³ *E.g.*, Durbin, KKD-6T at 26:16-18. *See also* Staff Brief ¶ 33.

³⁴⁴ CEIP at 68 (stating, *inter alia*, “Reduce median electric bill as a percentage of income for residential customers.”).

³⁴⁵ Snyder, Exh. JES-1T at 41:1-4.

³⁴⁶ *Id.* at 41:4-5.

³⁴⁷ RCW 19.405.060(c)(ii).

³⁴⁸ RCW 19.405.060(2)(iii).

³⁴⁹ *See* WAC 480-100-640(4)(c).

³⁵⁰ PSE Brief ¶ 49 (arguing that proposed affordability metrics are “are outside the resource planning process and are already reported in other proceedings”).

in an equitable and just clean energy transition; thus, understanding energy burden and energy security is paramount.³⁵¹

200 Because we have rejected the Company's cost reduction metrics, which are currently based on reductions in median bills, we consider the various alternatives proposed by the parties. Among the competing recommendations, we find Public Counsel's proposed cost reduction metrics to be the most persuasive. Public Counsel's recommended CBIs are supported by TEP,³⁵² and are largely consistent with TEP's proposed affordability CBIs.³⁵³ Public Counsel's proposals appear all the more reasonable given the various metrics proposed, and agreed to, as part of the settlements resolving PSE's recent GRC. We therefore adopt the following conditions from Appendix A of Public Counsel's Brief, subject to limited modifications:

CONDITION 12: PSE must begin tracking data immediately and incorporate the following CBI metrics in its 2023 Biennial CEIP Update.

a. PSE must add the following CBIs and metrics to the CETA category of Reduction of Burden:

i. CBI: Decrease number of households with a high energy burden ($\geq 6\%$)

ii. Metrics:

1. Number and percent of households
2. Average excess burden per household

This CBI must be separately tracked and reported for all PSE electric customers that include Known Low-Income (KLI) customers and Named Communities. KLI customers are defined as those who have received energy assistance during the prior two years.

³⁵¹ See *WUTC v. Cascade Natural Gas Corporation*, Docket UG-210755 Final Order 09 ¶ 56 (August 23, 2023). "The core tenets of energy justice [include]: Distributional justice, which refers to the distribution of benefits and burdens across populations. This objective aims to ensure that marginalized and Vulnerable Populations do not receive an inordinate share of the burdens or are denied access to benefits."

³⁵² TEP Brief ¶ 18.

³⁵³ Compare Public Counsel Brief App. A at 5 with TEP Brief ¶¶ 20-33.

b. PSE must add the following CBI and metrics to the CETA category of Energy Security:

i. CBI: Decrease residential arrearages and disconnections for nonpayment

ii. Metrics:

1. Number and percentage of residential electric disconnections for nonpayment by month, measured by location and demographic information (zip code/census tract, KLI customers, Vulnerable Populations, Highly Impacted Communities, and for all customers in total). If residential disconnections are not required to be reported quarterly to the Commission in any other docket (*e.g.*, U-200281 or U-210800) or rule, PSE must report residential disconnections as reported pursuant to Commission Order 04 (Appendix A Third Revised Term Sheet, Section J, Part 2.a), in Docket U-200281, on a quarterly basis through the end of this CEIP implementation period (December 31, 2025).

2. Residential arrearages as reported pursuant to Commission Order 04 (Appendix A Third Revised Term Sheet, Section J, Part 8 a-c) in Docket U-200281. If residential arrearages are not required to be reported to the Commission in any other docket (*e.g.*, U-200281 or U-210800) or rule, PSE must track the following residential electric data by month, measured by location and demographic information (zip code/census tract, KLI customers, Vulnerable Populations, Highly Impacted Communities, and for all customers in total) and

3. The number of customers with past-due balances (arrears); and,

4. The amounts of past-due balances that are past due 30+, 60+, and 90+ days, as compared to total arrearages.

c. PSE must add the following metrics to the CBI for “Improved participation in clean energy programs from Highly Impacted Communities and Vulnerable Populations”:

i. Number of residential appliance and equipment rebates provided to customers residing in Named Communities.

ii. Number of residential rebates provided to customers residing in rental units.³⁵⁴

³⁵⁴ Public Counsel Brief, App. A at 5. *See also* Dahl and Tam, Exh. CDAT-1T at 29:10-27.

201 Fourth, we decline to require the Company to adopt interim targets or goals for CBIs, at least at this time. It is likely that the Company and interested parties will benefit from collecting data and consulting with the EAG before establishing such targets or goals. As Durbin testifies, “[t]he establishment of baseline metrics in the assessment phase will better position PSE and . . .” interested persons “. . .to develop interim goals for CBIs.”³⁵⁵ We expect that the Company will present interim targets or goals for at least a portion of its CBIs in its 2025 CEIP.³⁵⁶

202 Fifth, we agree with Public Counsel’s proposed, modified conditions for removing directionality language from CBIs. This helps ensure a consistent understanding and use of metrics across PSE’s different programs.³⁵⁷ PSE agrees to this proposal in its Brief.³⁵⁸

CONDITION 13: In the 2023 Biennial CEIP Update, PSE must remove directionality language from any discussion about metrics and distinctly separate the language suggesting a goal or directionality from the metrics. The directionality language may be included in the CBI or may be developed into a specific target. PSE must track metrics without regard to directionality and must immediately modify its data collection of any metrics that currently include directionality language to meet this requirement.

CONDITION 14: In the 2023 Biennial CEIP Update, PSE must update Table 7-5 to remove directionality from metrics and create a separate column that indicates the desired directionality for each CBI (*e.g.*, “increase” or “reduce,” etc.) or specific target (if available). PSE must also add a new column to the table that lists specific actions that are relevant to or directly intended to achieve the desired directionality for each relevant CBI.

203 Sixth, we accept Public Counsel’s proposal for a comprehensive CBI report card. Public reporting of CBI metrics is crucial to meaningful public engagement.³⁵⁹

³⁵⁵ Durbin, Exh. KKD-6T at 25:19-26:2.

³⁵⁶ *See id.* at 26:2-5.

³⁵⁷ Dahl and Tam, Exh. CDAT-1T at 33:12-14.

³⁵⁸ PSE Brief ¶ 44.

³⁵⁹ *See, e.g.,* McCloy, Exh. LCM-1T at 13:15-17 (noting the CEIP needs to “[c]reate mechanisms for public reporting and accountability to allow impacted communities to hold PSE accountable for implementing the plans co-created with community and for achieving the co-created equity goals.”).

CONDITION 15: Within 10 days of a Commission Order, PSE must file in the CEIP docket a comprehensive CBI metric report card of all CBIs and metrics that the Company currently reports, CBIs and metrics that it has been directed to report by the Commission, and CBIs and metrics that it must evaluate through an interested persons' process before the 2023 Biennial CEIP Update.

204 The Commission otherwise declines to require additional CBI metrics or to further modify existing CBI metrics. Many of the parties' remaining proposals require more data or more collaboration to properly address. For example, PSE, Public Counsel, and other parties to this proceeding would support a uniform list of CBIs applicable to all utilities.³⁶⁰ This would be a desirable goal. But we do not have sufficient evidence in this proceeding to make this decision, *ex ante*, for all IOUs subject to our jurisdiction. We similarly expect that PSE will garner additional feedback from the EAG, the non-Company parties, and other interested persons that will inform and improve its CBIs over this implementation period.

IV. Specific Actions

205 The parties disagree about whether PSE has met statutory and regulatory requirements for describing "specific actions" in its 2021 CEIP. This dispute informs many of the parties' disagreements over the Company's Interim Targets, Specific Targets, CBIs, and other issues. In this Order, we first address the parties' disputes over the interpretation of the term "specific actions" in statute and rule before discussing the various resources and investments at issue in this proceeding.

A. The appropriate level of detail and types of information required for specific actions

206 PSE explains in its CEIP that the Company's All-Source Request for Proposal (RFP) and Target DER RFP are the primary means of securing new resources and that they represent the Company's "primary specific actions in the beginning of the CEIP period."³⁶¹ PSE will provide more specific actions in the 2023 Biennial CEIP Update as it obtains resources through the RFP process.³⁶²

207 In direct testimony, Durbin submits that the concurrent schedule outlined in rule for resource acquisition and CEIP development does not afford any opportunity for the RFP

³⁶⁰ PSE Brief ¶ 46 (citing Dahl, Exh. CDAT-1T at 9:16-18; Durbin, Exh. KKD-6T at 23:7-9).

³⁶¹ CEIP at 105.

³⁶² *Id.*

process to inform the CEIP development process.³⁶³ In order to provide more specific information about its actions, the Company will need to use the optional biennial update process at the midway point to update the CEIP with the actual resources secured under the RFP process.³⁶⁴

208 Even if this structural timing issue did not exist, Durbin does not agree that a CEIP should contain specific actions of actual projects that have been secured.³⁶⁵ Durbin submits that the legislature did not intend for the “specific actions” in a CEIP to reflect actual projects and programs already secured, as that would limit the opportunity for the Commission to meaningfully influence the scope, scale, and pace of the plan.³⁶⁶

209 Staff generally disagrees with the Company’s position and argues that the CEIPs should include significant and specific information on specific actions. Snyder testifies that a CEIP cannot be fully compliant if it is substantially reliant upon RFPs.³⁶⁷ Without specific actions and targets, the CEIP serves no purpose beyond an IRP and CEAP.³⁶⁸ Snyder requests Commission guidance on the appropriate level of granularity of specific actions in a CEIP.³⁶⁹

210 Snyder argues that the Company’s current timeline to complete an RFP does not allow it to fit the full process between the end of an IRP and the filing of a CEIP.³⁷⁰ Staff does not recommend that the Commission reject PSE’s CEIP outright because of the first-time nature of this filing, timing difficulty, and the insufficient understanding by all parties on what should be included in the CEIP.³⁷¹ While the timing of planning and acquisition processes is a challenge PSE will need to solve, Snyder believes that there are many areas in the current rules that provide flexibility and that in the future, this would be an issue sufficient to warrant CEIP rejection.³⁷²

³⁶³ Durbin, Exh. KKD-1T at 29:1-3.

³⁶⁴ *Id.* at 29:16-19.

³⁶⁵ *Id.* at 29:20-21.

³⁶⁶ *Id.* at 30: 1-5.

³⁶⁷ Snyder, Exh. JES-1T at 13:14-18.

³⁶⁸ *Id.* at 14:3-5.

³⁶⁹ *Id.* at 14:13-14.

³⁷⁰ *Id.* at 26:1-2.

³⁷¹ *Id.* at 26:6-9.

³⁷² *Id.* at 26:6-9; 26:17-20.

- 211 Public Counsel witness Dahl argues that PSE’s final CEIP fails to meet CETA statutory requirements and associated rules.³⁷³ Dahl recommends that PSE update the narrative description and specific actions table (PSE’s CEIP Appendix L) in the 2023 Biennial CEIP Update.³⁷⁴ Dahl argues that the Company provided general information on expected customer benefits for each specific action, but it did not include more granular information about the projected impacts of each specific action on the distribution of customer benefits and burdens, and impacts on Named Communities.³⁷⁵
- 212 Dahl recommends that PSE be required to describe how each of the specific actions demonstrate progress towards clean energy transformation standards at the lowest reasonable cost.³⁷⁶ As part of the narrative description and table of specific actions (PSE’s CEIP Appendix L), PSE should list the CBI categories and metrics associated with each specific action, the values for the associated metrics, and the distributional impacts, particularly on Named Communities, and PSE should describe how each specific action will move PSE towards meeting its CBI goals and metric targets.³⁷⁷
- 213 NWECA and Front and Centered likewise argue that the CEIP fails to articulate specific actions in sufficient detail. McCloy testifies that the Company’s process for developing the CEIP means that specific actions will not be included until the 2023 Biennial CEIP Update. McCloy argues that this is two years too late.³⁷⁸ McCloy contends that the CEIP only provides an “illustrative description” because there will not be specific information available until the conclusion of the DER RFP process.³⁷⁹ Even within the illustrative programs, McCloy submits that PSE habitually and indiscriminately disregards feedback from the advisory groups and the public.³⁸⁰
- 214 McCloy testifies further that the process for selecting specific actions is “neither transparent nor even accessible . . .”³⁸¹ According to McCloy, PSE objected to many of

³⁷³ Dahl and Tam, Exh. CDAT-1T at 6:10-7:15.

³⁷⁴ *Id.* at 15:1-12.

³⁷⁵ *Id.* at 14:1-13.

³⁷⁶ *Id.* at 15:3-12.

³⁷⁷ *Id.*

³⁷⁸ McCloy, Exh. LCM-1T at 39:15-17.

³⁷⁹ *Id.* at 38:21-39:2.

³⁸⁰ *Id.* at 39:18-20.

³⁸¹ *Id.* at 40:3-5.

NWEC and Front and Centered’s data requests, making it impossible for intervenors to know what specific actions are being considered.³⁸²

- 215 McCloy recommends that PSE conduct an equity analysis for the All-Source RFP proposals so that it can be fairly compared to the DER RFP proposals.³⁸³ PSE should also describe how specific programs and actions will mitigate risk and reduce burdens to Named Communities.³⁸⁴
- 216 TEP recommends PSE be required to improve the connection between its identified specific actions for CBIs and DERs.³⁸⁵ Shah argues that the Company’s presentation of merely illustrative programs, with little explanation of benefits, fails to meet the Commission’s rules requiring a narrative description of specific actions.³⁸⁶ Shah concludes that PSE’s approach to this “key requirement of CETA” and Commission rules is “problematic.”³⁸⁷
- 217 In cross-answering testimony, McCloy agrees with Staff that the Commission should consider the proper timing between IRPs, RFPs, CEIPs, and multi-year rate plans (MYRPs), but McCloy maintains that the Commission should order the Company to implement improvements in the interim.³⁸⁸ At a minimum, these steps should enable the Company to provide specific actions in its CEIP and to file a draft CEIP on an appropriate timeline.³⁸⁹ McCloy submits that allowing PSE to wait until the 2023 Biennial CEIP Update to “finally disclose its specific actions presumes that there is no remedy for the Company’s failure to comply with WAC 480-100-640 in this case.”³⁹⁰
- 218 In its brief, PSE explains the difficulty of identifying specific actions in the CEIP while RFPs and other processes are still pending.³⁹¹ The Company anticipates that future CEIPs will include more detail, but will still need to rely on the biennial update to include actual

³⁸² McCloy, Exh. LCM-1T at 40:5-8.

³⁸³ *Id.* at 52:3-4.

³⁸⁴ *Id.* at 52:8-10.

³⁸⁵ Shah, Exh. LAS-1T at 15:3-4.

³⁸⁶ *Id.* at 10:17-11:3.

³⁸⁷ *Id.* at 11:15-17.

³⁸⁸ McCloy, Exh. LCM-7T at 7:20-8:5.

³⁸⁹ *Id.* at 8:2-7.

³⁹⁰ *Id.* at 8:7-9.

³⁹¹ *See* PSE Brief ¶¶ 62-64.

resources secured through the RFP process.³⁹² PSE notes, “In recognition of these timing issues, PSE contends the CEIP does not need to include highly specific actions on actual secured projects.”³⁹³

- 219 Staff’s Brief emphasizes that “[t]he specific actions *are* the plan” and that the rest of the CEIP is “mostly support and justification for these proposals.”³⁹⁴ Commission rules and General Order R-601 require that specific actions include details around location, estimated cost, and potential impact on Named Communities, among other factors.³⁹⁵ Staff argues that specific actions should include information comparable to pro forma plant that the Company seeks to include in rates provisionally as part of an MYRP.³⁹⁶
- 220 NWEC and Front and Centered argue that the Company’s specific actions are “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 mandate.”³⁹⁷
- 221 *Commission Determination.* PSE’s CEIP is missing its most central element: a description of the specific actions that the Company will take over the first CETA compliance period to reach its ambitious clean energy goals. WAC 480-100-640 clearly requires the Company to provide more than a general reference to a pending RFP or a merely “illustrative” portfolio, which may or may not occur. Specific actions are so critical to the CEIP that any future CEIP that fails to provide specific actions will likely be rejected and/or subject to penalties.
- 222 Pursuant to RCW 19.405.060(1)(b)(iii), a CEIP must “[i]dentify specific actions to be taken by the investor-owned utility over the next four years, consistent with the utility’s long-range integrated resource plan and resource adequacy requirements, that demonstrate progress toward meeting the standards under RCW 19.405.040(1) and 19.405.050(1) and the interim targets proposed under (a)(i) of this subsection.” The statute does not otherwise define the term “specific actions.”

³⁹² *Id.* ¶¶ 65-66.

³⁹³ *Id.* ¶ 66.

³⁹⁴ Staff Brief ¶ 9 (emphasis in original).

³⁹⁵ *Id.* ¶ 12.

³⁹⁶ *Id.* ¶ 17.

³⁹⁷ NWEC and Front and Centered Brief at 23.

- 223 Commission rules articulate this requirement in more detail. WAC 480-100-640(5) requires the utility to propose “specific actions” consistent with the clean energy transformation standards, the utility’s clean energy action plan, and the utility’s interim and specific targets in a tabular format. The table must describe “[t]he general location, if applicable, proposed timing, and estimated cost of each specific action or remaining resource need, including whether the resource will be located in Highly Impacted Communities, will be governed by, serve, or otherwise benefit Highly Impacted Communities or Vulnerable Populations in part or in whole.”³⁹⁸
- 224 WAC 480-100-640(6) also requires the utility to provide a narrative description of how the specific actions will meet clean energy transformation standards while maintaining a safe, reliable electric system at the lowest reasonable cost. The utility must consider issues of environmental health, equity, and energy justice.³⁹⁹ The utility must provide an “assessment of current benefits and burdens on customers, by location and population, and the projected impact of specific actions on the distribution of customer benefits and burdens during the implementation period.”⁴⁰⁰ The utility must also describe how its specific actions “mitigate risks to Highly Impacted Communities and Vulnerable Populations.”⁴⁰¹
- 225 Despite these clear regulatory requirements, PSE’s CEIP presents its “specific actions” for consideration primarily in terms of (1) soliciting bids for resources through the RFP process and (2) describing illustrative or hypothetical programs. Because this is the first CEIP subject to extensive litigation and review by the Commission, we explain the deficiencies with this approach so that it is not repeated.
- 226 We first discuss PSE’s choice to rely on its RFPs as specific actions. PSE characterizes its “All-Source RFPs” and “DER RFPs” as its “primary specific actions in the beginning of the CEIP period.”⁴⁰² In Appendix L, PSE also notes “Issue All-Source RFP” as a specific action for 2022.⁴⁰³
- 227 Because PSE relies primarily on RFPs for specific actions, the Company is unable to provide any meaningful narrative about the energy and nonenergy benefits of its

³⁹⁸ WAC 480-100-640(5)(a).

³⁹⁹ See WAC 480-100-640(6)(b) (incorporating WAC 480-100-610(4)).

⁴⁰⁰ WAC 480-100-640(6)(b)(i).

⁴⁰¹ WAC 480-100-640(6)(b)(ii) (citing WAC 480-100-620(11)(g), (12)(c)).

⁴⁰² CEIP at Chapter 4, page 105.

⁴⁰³ CEIP Appendix L.

proposals. The Company itself admits 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, which is dependent on the results of the All-Source RFP and Targeted DER RFP processes.”⁴⁰⁴ The Company does not provide any analysis of the effects of how DR programs might impact Named Communities.⁴⁰⁵ The Company does not commit to any specific actions following the RFP process either. The CEIP states, “nor is PSE committing in this CEIP to secure this proposed mix of renewable energy resources through the ongoing RFP processes.”⁴⁰⁶

228 Thus, NWEC and Front and Centered rightly observe that “PSE does not even offer a hypothetical portfolio of this tremendous build-out of its clean energy resources . . .” meaning that PSE’s analysis of the customer benefits of its utility-scale specific actions is “nonexistent.”⁴⁰⁷

229 The Company’s reliance on its RFPs as specific actions has also effectively short-circuited opportunities for meaningful public engagement and even for review by the non-Company parties to this proceeding. Unlike members of the public, the non-Company parties have the right to issue discovery requests and cross-examine Company witnesses. But PSE has objected to providing bidders’ analyses of customer benefits, despite the existence of a protective order in this Docket.⁴⁰⁸ The effects of this strategy are discussed directly, below.

230 PSE proposes to increase the percentage of its retail sales served by CETA-compliant renewable energy from 43 percent as of 2022 to 63 percent by 2025. This is a massive investment occurring over the first CETA compliance period. Yet the Company’s CEIP does not explain in any concrete terms how the Company will carry out these investments, or what these investments may look like. PSE admits that the CEIP “does not contain the specific projects and resources that PSE intends to pursue over the four-year implementation period.”⁴⁰⁹ By omitting the most crucial element of its CEIP, PSE has effectively side-stepped the intended public engagement process. It has even side-

⁴⁰⁴ CEIP at 25. *See also id.* (stating that PSE “does not currently have a specific forecast of the distribution of energy and non-energy benefits for each specific target, although certainly many of the energy and non-energy benefits are known generally for the resource types.”).

⁴⁰⁵ Archuleta, TR 221:19-23.

⁴⁰⁶ CEIP at 27.

⁴⁰⁷ *Id.* at 26.

⁴⁰⁸ *Id.* at 26 (citing Durbin, Exh. KKD-46X). *See also* Durbin, TR 177:7-17.

⁴⁰⁹ Durbin, Exh. KKD-6T at 35:16-17.

stepped, to a significant degree, the efforts by the parties to discover, review, examine, and comment on its plans for investments during this compliance period. The Company has therefore avoided the significant, meaningful public engagement and required specificity of “specific actions” contemplated by Commission rules for the first half of this implementation period.

- 231 The Commission may, under another set of facts, find an RFP to be a “specific action” consistent with WAC 480-100-640. The content requirements for RFPs partially overlap with the content requirements for the “specific actions” in a CEIP.⁴¹⁰ It is possible that a CEIP incorporating RFPs, as one action among others, could provide sufficient detail to allow for meaningful public participation and regulatory oversight. This would be particularly true in the case of a Targeted RFP focused on specific resources.⁴¹¹ These are not, however, the facts presented in this case.
- 232 Next, we discuss the Company’s choice to rely on an “illustrative” DER portfolio as a specific action.⁴¹² In many respects this is a more detailed, but apparently hypothetical, way for the Company to state that it is waiting for the results of RFP bids.
- 233 As witness Durbin explains, the Company has described what its DER portfolio “could look like” and gave some context for this proposal, but the Company intends to update the portfolio “specific to the results of the targeted DER RFP.”⁴¹³ The DER portfolio was “more meant to be illustrative than definitive on the programs we would pursue.”⁴¹⁴ The Company will continue to update its programs and its resource selection process in later filings.⁴¹⁵
- 234 Unfortunately, PSE’s illustrative DER portfolio contains limited detail. In Appendix L, PSE describes the location of 29 out of 33 specific actions as merely being “PSE Service

⁴¹⁰ Compare WAC 480-107-025(1) (requiring utilities to define resource needs in RFP solicitations) with WAC 480-100-640(5)(a) (requiring utilities to describe specific actions in terms of their general location, proposed timing, estimated cost, governance structure, and any benefits to named communities).

⁴¹¹ See Snyder, Exh. JES-1T at 13:14-22.

⁴¹² PSE Brief ¶ 32 (“The distributed energy resource preferred portfolio in the CEIP is properly illustrative at this stage; it is not definitive.”). Accord Durbin, Exh. KKD-6T at 14:14-15; Durbin, TR 162:4-8.

⁴¹³ Durbin, TR 163:9-13.

⁴¹⁴ *Id.* at 164:7-9.

⁴¹⁵ See *id.* at 168:10-170:4. Accord Durbin, TR 166:23-167:11.

Territory.”⁴¹⁶ There is no indication of the proposed location of these resources. In the “Named Community” column of Appendix L, 17 rows are marked “TBD” and eight are marked “N/A.”⁴¹⁷ There is no indication whether these proposed programs will benefit Named Communities. When we compare the Company’s table to the requirements of WAC 480-100-640(5), we find it lacking in several respects. As Dahl and other non-Company witnesses observe, there is a lack of analysis about the projected impacts of these specific actions.⁴¹⁸ It is similarly unclear whether the Company’s process for selecting DER resources will change, and if so, to what extent.⁴¹⁹

235 The Company’s use of illustrative or hypothetical portfolios undermines the CEIP process, much like its reliance on RFPs as specific actions. NVEC witness McCloy explains that, even if PSE plans to update the specific programs in the 2023 Biennial CEIP Update, the Company’s approach “eliminates the opportunity for meaningful public input on PSE’s actual specific actions, because the CEIP is finalized long before PSE selects those actions.”⁴²⁰

236 We conclude that the Company’s use of an “illustrative” portfolio is plainly contrary to WAC 480-100-480(5) for two reasons. The CEIP must include the specific actions the utility “*will take over the implementation period.*”⁴²¹ The language “will take” found in WAC 480-100-480(5) is not an anomaly. It is consistent with other long-range planning requirements for IRPs and CEAPs.⁴²² CETA’s vision of long-range planning for an equitable energy transition is not merely an exercise in hypotheticals because the mandates of CETA are actual. The process is centered around public participation in, and regulatory oversight of, a utility’s intended future investments. To the extent that PSE’s DER portfolio fails to represent actual, intended plans for investment over the first implementation period, the CEIP fails to comply with Commission rule.

⁴¹⁶ CEIP Appendix L.

⁴¹⁷ *Id.*

⁴¹⁸ *E.g.*, Dahl and Tam, CDAT-1T at 14:7-13.

⁴¹⁹ *See* Durbin, TR 166:5-169:2, 170:5-7.

⁴²⁰ McCloy, Exh. LCM-1T at 39:9-11.

⁴²¹ WAC 480-100-480(5) (emphasis added).

⁴²² *See* WAC 480-100-620(11)(g)(i) (requiring the utility to describe specific actions it “will take” to equitably distribute benefits in its IRP); WAC 480-100-620(12)(c)(i) (requiring the utility to describe specific actions it will take to equitably distribute benefits in its CEAP).

- 237 The CEIP must also provide “*proposed* program details”⁴²³ and the “*proposed* timing” of each specific action.⁴²⁴ As we have observed, PSE has provided scant detail regarding the features of its illustrative DER portfolio. It is not possible to evaluate the portfolio in a meaningful way when there is insufficient information about the location, timing, cost, or governance of these resources. In this respect, the CEIP again fails to comply with Commission rule. There is no basis for reading Commission rules requiring proposed program details and proposed timing for investments as contemplating a *hypothetical* proposal, with minimal associated details, which may or may not occur. We do not believe that the Legislature intended public comment and regulatory oversight of vague, hypothetical plans.
- 238 To the limited extent that PSE provides actual, specific actions in the CEIP, these programs generally pale in comparison to the scale of the Company’s planned investments over the first compliance period. For example, PSE notes a nameplate capacity contribution of 22 MW from non-wires alternatives proposed for Bainbridge Island, Issaquah, and Sumner.⁴²⁵ These projects represent only a fraction of the capacity the Company will require over the next few years.⁴²⁶ NWEC and Front and Centered correctly observe that the CEIP sets forth “virtually no specific actions, making any analysis of the equitable distribution of these actions impossible.”⁴²⁷
- 239 We have carefully considered PSE’s objections to providing more specific actions in its CEIP. While we find that the circumstances of this case support granting PSE an exemption from Commission rules rather than assessing penalties, we discuss PSE’s arguments here in some detail to provide needed guidance.
- 240 Although the Company suggests that the current Commission rules are unworkable, PSE has been somewhat inconsistent on this point. In direct testimony, PSE witness Durbin testifies that it is “*not likely*” that the 2025 CEIP will include more detail.⁴²⁸ Durbin argues that “the same structural problem remains” because RFP bids will not be available to inform the 2025 CEIP.⁴²⁹ Durbin indicates that the Company would rely on the

⁴²³ WAC 480-100-640(3)(a)(ii).

⁴²⁴ WAC 480-100-640(5)(a).

⁴²⁵ PSE CEIP, App. L.

⁴²⁶ See, e.g., CEIP at 120 (“PSE’s demand forecast demonstrates a need for 369 MW of new electric capacity resources in 2026, which we expect will increase to 527 MW in 2027.”).

⁴²⁷ NWEC and Front and Centered Brief at 23.

⁴²⁸ Durbin, Exh. KKD-1T at 29:10 (emphasis added).

⁴²⁹ *Id.* at 29:10-15.

biennial update to include actual, secured resources.⁴³⁰ This statement appears inconsistent with the CEIP itself. PSE avers, “In future CEIPs, when we can better align the timing of resource acquisition processes with the schedule for filing and seeking approval of a CEIP, PSE anticipates including more specific actions and details regarding the resources and costs associated with meeting these targets.”⁴³¹

241 Durbin also testifies on rebuttal that future CEIPs *will* contain more detail.⁴³² Durbin observes that PSE “anticipates relying on a combination of required and voluntary requests for proposals in the future to continually acquire necessary resources and better inform the CEIP development process.”⁴³³ PSE also “expects it will be further along in its product and program development processes, particularly for DERs and DR, in future CEIPs.”⁴³⁴ We find it notable that the Company has already proposed some solutions during this proceeding and that it admits, at least at times, that future CEIPs can include more detail. This tends to undermine the Company’s position that the current CEIP rules are somehow unworkable or that the timing of IRPs, RFPs, and CEIPs makes it impossible to include any “specific actions” in a CEIP.

242 We also observe that the Company made comments in the CETA rulemaking proceeding that appear to conflict with its position in its initial filing in this proceeding. On September 11, 2020, PSE noted that the specific actions in a CEIP “may stem from yet-to-be-filed requests for proposals or yet-to-be-developed programs.”⁴³⁵ On November 12, 2020, PSE noted that as the CETA-required processes matured, “utilities will be better positioned to identify and discuss *in some detail* in the CEAP and CEIP the specific actions the utility plans to take to equitably distribute benefits and reduce burdens for Highly Impacted Communities and Vulnerable Populations.”⁴³⁶ These statements suggest that the Company contemplated a more detailed approach to CEIP filings than what was submitted in this proceeding.

⁴³⁰ *Id.* at 29:17-19.

⁴³¹ CEIP at 5.

⁴³² Durbin, Exh. KKD-6T at 36:4-6.

⁴³³ *Id.* at 36:5-7. *Accord* Durbin, TR 203:6-12.

⁴³⁴ *Id.* at 36:7-9. *See also* PSE Brief ¶¶ 65-66 (raising similar arguments).

⁴³⁵ Dockets UE-190698 and UE-191023: Comments of Puget Sound Energy on Second Set of Discussion Draft Rules Relating to Clean Energy Implementation Plans and Integrated Resource Plans at 5 (Sept. 11, 2020).

⁴³⁶ Dockets UE-191023 and UE-190698 (consolidated) – Comments of Puget Sound Energy at 5 (Nov. 12, 2020) (emphasis added).

243 PSE has also objected to Staff’s recommendation that CEIPs should provide a level of detail comparable to a plant addition in a rate proceeding.⁴³⁷ Durbin argues that “the detailed information provided for plant additions in a rate proceeding is for resources that an electrical company has already acquired.”⁴³⁸ But PSE misunderstands Staff’s recommendation. Staff witness Snyder testifies that the CEIP’s specific actions “should have a comparable level of specificity to a pro forma plant addition a utility seeks to include provisionally in rates as part of a multiyear rate plan.”⁴³⁹ Staff’s comparisons to a provisional rate request, or to a BCP,⁴⁴⁰ is a persuasive example of an appropriate level of detail for future CEIPs. The Company has already indicated that the CEIP process may be compatible with provisional recovery under an MYRP.⁴⁴¹ This undermines the Company’s opposition to providing any definite, specific actions in CEIPs.

244 We would also observe that PSE has various options available under the current regulatory framework. The Company may seek continuances of deadlines set forth in rules, and it may seek exemptions from rules. McCloy explains that the Company has already requested continuances for several recent filings including IRPs, RFPs, and its inaugural CEIP, but there are reasons to believe that in this planning cycle the timing of the various continuances contributed to difficulties with the CEIP.⁴⁴² Snyder also explains that the Company could seek to file an IRP or RFP earlier than required, or the Company could file an RFP based on a two-year IRP progress report.⁴⁴³ Ultimately the burden for compliance falls on the Company, and it should consider all of these recommendations.

245 The Commission, however, is mindful that there may be opportunities to streamline or otherwise improve the various planning rules, and it will continue to consider this issue. This does not mean, however, that PSE should not follow existing rules in the interim.

246 We have discussed the regulatory requirements for “specific actions” at some length because of its importance to the Commission’s review of future CEIPs, the extent of the

⁴³⁷ Durbin, Exh. KKD-6T at 36:12-16 (citing Snyder, Exh. JES-1T at 12:11-14).

⁴³⁸ *Id.* at 36:14-16.

⁴³⁹ Snyder, Exh. JES-1T at 12:12-14.

⁴⁴⁰ *See id.* at 12:6-7.

⁴⁴¹ *Cf.* Durbin, Exh. KKD-45X at 2 (“If the intent of the [CETA] is for the Commission to approve specific actions (including large resource acquisitions) prior to the acquisition of those resources, this process will need to change. Once the decision-making process is determined, [PSE] agrees that recovering the cost of specific projects acquired as part of an approved [CEIP] on a provisional basis through a [MYRP] makes sense.”).

⁴⁴² McCloy, Exh. LCM-7T at 7:17-20.

⁴⁴³ Snyder, Exh. JES-1T at 26:17-27:5.

disputes between the Company and the non-Company parties, and the importance of the clean energy transformation envisioned by the Legislature. As Staff observes, “[t]he specific actions *are* the plan.”⁴⁴⁴ “The rest of the CEIP is mostly support and justification for these proposals.”⁴⁴⁵ Without specific actions, the CEIP becomes an abstract framework for how the Company *might* evaluate bid proposals or for how the Company *might* provide for public input on future proposals, without providing any substantive proposals for public comment or Commission review.⁴⁴⁶

247 The Commission therefore adopts two of Staff’s proposed conditions relevant to this issue, subject to certain modifications identified below. We observe that the Company does not oppose filing a draft CEIP prior to its 2025 CEIP.⁴⁴⁷

CONDITION 16. For the 2023 Biennial CEIP Update, PSE must update all specific actions and provide all available detail as required by WAC 480-100-640(5) as it relates to those specific actions.

CONDITION 17. For the 2025 CEIP, PSE must file a draft CEIP on a timeline the Company determines sufficient to incorporate comments on the draft CEIP into the final CEIP.⁴⁴⁸ PSE must also file a detailed narrative explaining why specific comments were not incorporated in the final CEIP.

248 Despite finding the CEIP fails to comply with WAC 480-100-640, the Commission declines to assess penalties for PSE’s violations at this time. Upon finding that a public service company has violated a statute, rule, order, or tariff, the Commission will consider “whether an enforcement action, beyond technical assistance, is appropriate and, if so, which action to take.”⁴⁴⁹ The Commission considers several factors when deciding whether an enforcement action is appropriate, including, *inter alia*, how harmful or serious the violation is to the public, whether the violation was intentional, whether the

⁴⁴⁴ Staff Brief ¶ 9.

⁴⁴⁵ *Id.*

⁴⁴⁶ Our discussion has also focused on the use of the term “specific actions” in WAC 480-100-640. We do not necessarily speak to the meaning of this term in other rules, such as WAC 480-100-650, which provides for clean energy compliance reports.

⁴⁴⁷ Durbin, TR 152:14-24.

⁴⁴⁸ Snyder, Exh. JES-3 at 1.

⁴⁴⁹ Docket A-120061, Enforcement Policy for the Washington Utilities and Transportation Commission ¶ 15. (January 7, 2013).

company promptly corrected the violation, the likelihood of recurrence, the company's past performance, and the size of the company.⁴⁵⁰

249 Some factors weigh in favor of assessing penalties in this case. For example, the Company's violation of WAC 480-100-640 appears willful and intentional and could harm or compound harm to Named Communities. Rather than seek an exemption prospectively, the Company submitted a CEIP that failed to comply with WAC 480-100-640 paragraphs (5) and (6). The CEIP indisputably "does not contain the specific projects and resources that PSE intends to pursue over the four-year implementation period."⁴⁵¹ PSE then argued in litigation that compliance with the statute was essentially not possible, or possible only to a degree.

250 The public should not tolerate an "ask for forgiveness rather than permission" approach from a sophisticated, large utility, and neither will the Commission. The Commission would be entitled to assess a penalty of \$1,000 a day for this violation for each day it continued.⁴⁵² From December 17, 2021, the continued deadline for PSE's Final CEIP, forward to the date of this Order, such a penalty would amount to approximately \$500,000.

251 However, the Commission is not precluded from considering other factors when deciding whether to penalize a public service company. In this case, we find it determinative that this is the Company's inaugural CEIP filing. The Commission has observed that "in the beginning, the CEIP will involve a new and significant process and document, one that the utilities have never prepared, and that. . ." parties, interested persons, ". . . and this Commission have never reviewed."⁴⁵³ We also observe that Commission rules do not define the term "specific actions" and that the Company has raised some concerns with the timing and interactions of different long-range planning documents such as IRPs, RFPs, and CEIPs.

252 We find that the inaugural and unique circumstances of this case weigh in favor of providing an exemption to WAC 480-100-640 paragraphs (5) and (6) rather than assessing penalties for the Company's deficient 2021 Final CEIP. Pursuant to WAC 480-07-110, the Commission may, in response to a request or on its own motion, grant an exemption from its own rules when "consistent with the public interest, the purposes

⁴⁵⁰ *Id.*

⁴⁵¹ Durbin, Exh. KKD-6T at 35:16-17v (emphasis added).

⁴⁵² RCW 80.04.380.

⁴⁵³ General Order R-601 ¶ 25.

underlying regulation, and applicable statutes.”⁴⁵⁴ This is the first adjudicated CEIP proceeding, and the first CEIP proceeding to raise extensive discussion around the regulatory requirements for “specific actions.” It is our judgment based upon our regulatory experience that approving the CEIP subject to conditions places the Company on a more appropriate path to compliance with the requirements of WAC 480-100-640. PSE will be required to carry out the conditions adopted in this Order for the approaching 2023 CEIP Biennial Update and future CEIPs, updating its specific actions and providing a draft 2025 CEIP, among other requirements. These actions are likely to bring more benefit to the public, and likely to better support CETA’s vision for an equitable clean energy transition, than rejecting the CEIP and leading to further litigation. For these reasons, we find that approving the CEIP subject to conditions and granting an exemption is consistent with the public interest, the purposes of Commission rules, and applicable statutes. If PSE fails to comply with WAC 480-100-640 in its 2025 CEIP filing, however, the Commission will assess penalties.

253 We decline to find that PSE has violated any statutory provisions, as Public Counsel contends. RCW 19.405.060(1)(b)(iii) provides that the CEIP must “[i]dentify the specific actions to be taken by the investor-owned utility over the next four years . . .” Because the statute does not define the term “specific actions,” we decline to find that PSE has violated any statutory requirements.

254 In future CEIP compliance periods, the Commission may very well reject a deficient CEIP and/or assess penalties. This holds true whether the CEIP is reviewed in an adjudication or at an open meeting. We expect PSE and other IOUs to submit CEIPs that describe the specific actions that the utility “will take” over the compliance period.⁴⁵⁵ Mere hypotheticals do not suffice. The CEIP must describe the specific actions in detailed tabular and narrative formats, addressing a number of factors such as proposed timing, governance, and whether the specific actions impact Named Communities.⁴⁵⁶

255 The CEIP must also provide sufficient actions that are consistent with the utility’s proposed interim targets and specific targets.⁴⁵⁷ In other words, the CEIP must propose specific actions in the areas of energy efficiency, demand response, and renewable

⁴⁵⁴ *Accord* WAC 480-100-008.

⁴⁵⁵ WAC 480-100-640(5).

⁴⁵⁶ WAC 480-100-640(5), (6).

⁴⁵⁷ WAC 480-100-640(6)(c).

energy.⁴⁵⁸ This is not an exhaustive list of CEIP requirements, and we direct PSE and other IOUs to the plain language of Commission rules for further guidance.

B. DER Portfolio

- 256 We next discuss PSE’s DER portfolio and the parties’ concerns with the programs and proposed methodology for evaluating bids. As we have observed, the Company proposes an “illustrative” rather than a definitive DER portfolio.⁴⁵⁹ It includes distributed solar, battery energy storage, and other programs described in the CEIP.⁴⁶⁰ The CEIP does not “outline the specific programs and associated costs,” and it does not request the pre-approval of any programs either.⁴⁶¹
- 257 Staff witness Nightingale generally supports the Company’s DER sub-target but is concerned that the Company has not provided sufficient detail and that the CBI scoring of the DER programs is opaque.⁴⁶² He recommends that the Commission require PSE to work with its Equity Advisory Group and another advisory group, with sufficient expertise, to develop a more transparent DER planning process prior to filing the 2023 Biennial CEIP Update.⁴⁶³
- 258 Public Counsel raises its own concerns with the illustrative DER portfolio. Witness Aaron Tam argues that the Company’s DER portfolio selection methodology may result in the selection of more expensive DER programs.⁴⁶⁴ Tam therefore recommends that the Company remove its DER preferred portfolio selection process from this CEIP, and that it consults with the EAG and other interested persons prior to the 2023 Biennial CEIP Update, among other conditions.⁴⁶⁵

⁴⁵⁸ See WAC 480-100-640(3)(a).

⁴⁵⁹ Durbin, TR at 164:7-9.

⁴⁶⁰ See, e.g., CEIP at 122, 132.

⁴⁶¹ Durbin, Exh. KKD-1T at 18:3-9.

⁴⁶² *Id.* at 17:5-8, 18:14-19.

⁴⁶³ *Id.* at 19:18-20:7.

⁴⁶⁴ *Id.* at 15:16-23, 16:5-7. See also Dahl and Tam, Exh. CDAT-4 at 12 (“Nothing in CETA or UTC rules requires CBIs to be maximized at the expense of lower cost resource options. While the statute requires the equitable distribution of customer benefits as well as reduction of burdens to vulnerable and Highly Impacted Communities, WAC 480-100-610(5) makes it clear that ‘[e]ach utility must demonstrate that it has made progress towards and has met the standards in [WAC 480-100-610] at the lowest reasonable cost.’”).

⁴⁶⁵ *Id.* at 17:3-18:4.

- 259 Tam recommends that the Commission impose certain conditions regarding the Company's selection of DER programs. Tam submits that PSE should present its assessment of the DER RFP proposals and consult with relevant advisory groups on the full suite of DER programs, the selection of DER proposals, and the implementation process no later than three months after a Commission order.⁴⁶⁶ Tam recommends that PSE should provide a detailed explanation in instances where PSE's selections diverge from commenters' suggestions,⁴⁶⁷ and that PSE should also include more details about program design in the description of the Residential Rooftop Solar Leasing program in its 2021 CEIP.⁴⁶⁸ Finally, Tam argues that the Commission should also require PSE to conduct a Distribution System Planning process in order to identify ways that DER may provide value for all customers and support the equitable distribution of benefits and burden.⁴⁶⁹
- 260 TEP witness Lorena Shah raises concerns with two of the Company's proposed DER programs, specifically battery storage and leasing solar resources.⁴⁷⁰ Shah questions whether household level programs are the best option; whether the programs could increase energy burdens; and whether the programs are presented in sufficient detail.⁴⁷¹
- 261 Shah observes that PSE proposes to provide lease payments to commercial customers for battery storage but not for residential customers.⁴⁷² Shah also raises concerns that landlords may pass through costs in multi-family housing programs.⁴⁷³ Finally, Shah argues that the specific actions related to these two programs are concepts, rather than specific plans, and, as such, do not comply with Commission rules regarding a narrative for specific actions.⁴⁷⁴
- 262 Testifying on behalf of NWECA and Front and Centered, McCloy generally supports the Company's 80 MW DER sub-target but argues that a greater portion, 50 MW of the sub-

⁴⁶⁶ Dahl and Tam, Exh CDAT-1T at 17:13-19.

⁴⁶⁷ *Id.*

⁴⁶⁸ Dahl and Tam, Exh CDAT-1T at 17:29-30.

⁴⁶⁹ *Id.* at 17:31-18:4.

⁴⁷⁰ Shah, Exh. LAS-1T at 7:1-3.

⁴⁷¹ *See id.* at 7:3-7.

⁴⁷² *Id.* at 7:8-13.

⁴⁷³ *Id.* at 7:14-17.

⁴⁷⁴ *Id.* at 7:19-21; 8:1-4.

target, should be allocated to Named Communities.⁴⁷⁵ If well-designed, community solar can be available to any customer and not just homeowners.⁴⁷⁶ McCloy also recommends targeting the community solar programs to Named Communities.⁴⁷⁷

263 McCloy does not support the Company's proposed solar rooftop leasing program because it does not direct energy benefits to participants, increase self-governance, or provide non-energy benefits such as increased property values.⁴⁷⁸ McCloy recommends that PSE remove the residential rooftop solar leasing and residential battery leasing program concepts from consideration in its list of DER programs and should instead develop rent-to-own or other options for Named Communities.⁴⁷⁹

264 Scott Reeves, testifying for NWECA and Front and Centered, similarly recommends that PSE increase its community solar target to 50 MW and that 40 to 60 percent of this portfolio should be designated for Named Communities.⁴⁸⁰ Reeves discusses the importance of minimum savings targets and the potential benefits of enrolling "anchor tenants" to reduce costs and maximize benefits.⁴⁸¹

265 Reeves notes that PSE's proposed residential rooftop solar leasing program includes a modest income-eligible component but no minimum designation for Named Communities.⁴⁸² Although participants will receive lease payments for use of their roof space, it would be more significant for these customers to receive savings on their electric bills or have a pathway to ownership through a rent-to-own program.⁴⁸³ Reeves recommends that PSE make similar modifications to its proposed residential battery leasing program, including minimum designations for Named Communities and

⁴⁷⁵ McCloy, Exh. LCM-1T at 46:13-14, 47:2-3.

⁴⁷⁶ *Id.* at 46:19-20.

⁴⁷⁷ *Id.* at 47:16-19.

⁴⁷⁸ *Id.* at 47:21-48:2.

⁴⁷⁹ McCloy, Exh. LCM-8 at 1:2.

⁴⁸⁰ Reeves, Exh. SR-1T at 34:8-12.

⁴⁸¹ *See id.* at 43:17-45:2.

⁴⁸² *Id.* at 46:7-10.

⁴⁸³ *Id.* at 46:20-47:3.

including more robust financial incentives.⁴⁸⁴ Reeves argues that PSE should co-deploy its proposed solar programs with energy efficiency.⁴⁸⁵

266 Roger Colton, also testifying on behalf of NWEC and Front and Centered, recommends a Geo-Targeting Pilot, modeled on an earlier example from Michigan.⁴⁸⁶ A Geo-Targeting Pilot could help PSE target its investments to the communities who would benefit the most.⁴⁸⁷

267 In its brief, Public Counsel maintains that PSE did not prioritize the lowest reasonable cost principle and selected questionable CBIs for use in rating DER programs.⁴⁸⁸ Public Counsel argues it is unclear “whether PSE intends to move forward with the program concepts in PSE’s illustrative CEIP DER preferred portfolio or if PSE will move forward with completely different programs using a new DER portfolio selection process.”⁴⁸⁹ Public Counsel also argues that “[i]f the DER portfolio selection process and resulting portfolio were truly illustrative, PSE should have been working to modify the process and refine its use of CBIs in the selection process for the last year and a half since the CEIP was first filed.”⁴⁹⁰

268 TEP’s brief strongly supports utility efforts to expand DER resources for low-income customers but again notes its concerns with PSE’s proposals for leasing battery storage and leasing solar resources.⁴⁹¹

269 NWEC and Front and Centered argue that PSE should have concrete provisions in its CEIP that ensure that its DER products will result in an equitable distribution of benefits.⁴⁹²

270 *Commission Determination.* We are concerned that the Company’s “illustrative” DER portfolio requires the Commission to enter a realm of hypotheticals. Our concerns are only compounded by the relative lack of detail around what hypothetical programs the

⁴⁸⁴ *Id.* at 50:18-22.

⁴⁸⁵ *Id.* at 51:17-19.

⁴⁸⁶ Colton, Exh. RDC-1Tr at 44:16-45:10.

⁴⁸⁷ *Id.* at 45:18-20.

⁴⁸⁸ Public Counsel Brief ¶ 13.

⁴⁸⁹ Public Counsel Brief ¶ 15.

⁴⁹⁰ *Id.* ¶ 16.

⁴⁹¹ TEP Brief ¶¶ 52-54.

⁴⁹² Revised NWEC and Front and Centered Brief ¶ 82.

Company may be considering and what methodology it may use to evaluate future bids. Nonetheless, given the importance of DER to a just and equitable clean energy transition, we are compelled to discuss several of the issues raised by parties.

271 First, we agree with Staff and Public Counsel that there is a lack of detail around the specific DER programs that may be offered in the future and the methodology for how bids might be evaluated.⁴⁹³ As discussed above in Section VI, we require the Company to update its specific actions in the 2023 Biennial CEIP Update. PSE itself represents that the 2023 Biennial CEIP Update will provide more specificity about DER programs.⁴⁹⁴ Although we would normally expect these specific actions to be described more fully in the CEIP itself, rather than a biennial update, we are adjusting our expectations for the first CETA compliance period. However, future CEIPs must fully describe the actual specific actions.

272 We must also recognize that there is relatively little time remaining before the 2023 Biennial CEIP Update to allow for thorough public comment and EAG consultation on specific DER programs. For this reason, we decline to adopt proposed conditions that require more extensive consultations prior to the 2023 Biennial CEIP Update, even if those recommendations are consistent with our expectations for future CEIPs.

273 We do not adopt Public Counsel’s recommendation to require PSE to remove the DER portfolio from the CEIP, because the evidence as discussed in this Section indicates significant potential benefits for these programs. We will also observe that the Company remains responsible for demonstrating the prudence of its investments in any later cost-recovery proceedings and demonstrating its adherence to the lowest-reasonable cost principle.

274 Second, we agree with NWECA and Front and Centered that a greater portion of the DER portfolio should be allocated to Named Communities.⁴⁹⁵ For example, NWECA and Front and Centered observe that “[i]t is simply not equitable to designate something less than 15% of PSE’s new distributed solar products to the more than 40% of PSE’s customers who live in Named Communities.”⁴⁹⁶ After considering all of the evidence, we similarly conclude that the CEIP’s various proposals for income-eligible DER programs and other similar programs appear inadequate given the percentage of PSE customers in Highly

⁴⁹³ *E.g.*, Nightingale, Exh. JBN-1T at 17:5-8, 18:14-19.

⁴⁹⁴ PSE Brief ¶ 32.

⁴⁹⁵ *E.g.*, McCloy, Exh. LCM-1T at 46:13-14, 47:2-3.

⁴⁹⁶ Revised NWECA and Front and Centered Brief ¶ 87 (citing CEIP at 62, 63).

Impacted Communities and Vulnerable Populations. Income level is an important, but not the only, relevant indicator of need.⁴⁹⁷ This is the reason why Highly Impacted Communities and Vulnerable Populations are defined using a broad range of additional criteria.⁴⁹⁸

275 Because we find it fair, just, reasonable, and equitable to direct a greater portion of the Company's DER portfolio to Named Communities, we must address the appropriate mechanism for doing so. The CEIP does not currently include minimum designations but focuses on more modest spending designations. Given the proportion of customers in Named Communities, we find these measures generally inadequate. It is more reasonable and equitable to apply a minimum designation for the entire DER portfolio, which will help assure an equitable distribution of benefits.

276 In this case, NWECA and Front and Centered recommend a minimum designation for PSE's DER portfolio of 30 percent.⁴⁹⁹ We find this to be a reasonable recommendation given the percentage of PSE's customers in Highly Impacted Communities and Vulnerable Populations.

277 Third, to the extent that PSE describes its illustrative DER portfolio, the evidence shows that community solar provides relatively greater benefits than leasing of solar or battery storage resources. As NWECA and Front and Centered witness Scott Reeves testifies, community solar programs are "recognized nationally as tried and true approaches to provide affordable solar energy to households" and provide the "biggest potential impact on customer energy burden relative to other energy products."⁵⁰⁰ By contrast, it is not clear that solar leasing and battery storage leasing provide the same benefits.

278 We therefore adopt the following conditions as proposed by NWECA and Front and Centered with minor language modifications:

CONDITION 18. Community Solar. PSE will increase its community solar target from 25.4 MW to 50 MW by 2025.

CONDITION 19. Eliminate Leasing. PSE will remove the residential rooftop solar leasing and residential battery leasing program concepts from consideration in its list

⁴⁹⁷ *Id.* ¶ 85.

⁴⁹⁸ *Id.*

⁴⁹⁹ McCloy, Exh. LCM-1T at 49:10-12.

⁵⁰⁰ Reeves, Exh. SR-1T at 39:14-40:3. *See also* McCloy, Exh. LCM-1T at 47:21-48:2 (discussing benefits of community ownership versus leasing of solar resources).

of DER programs and will instead develop rent-to-own or other options for Named Communities and other residential customers.

CONDITION 20. Minimum Designations. PSE will file with the Commission an amendment to this CEIP to designate for Named Communities a minimum of 30% of the energy benefits of its DER solar, DER storage, DR, and EE programs, with benefits measured across each tranche of resources. PSE will commit to developing a targeting approach to identify the customers and communities with deepest need within the broader category of Named Communities in consultation with interested persons and advisory groups. By the 2023 Biennial CEIP Update, PSE will designate a minimum percentage of energy benefits that will flow to Named Communities with deepest need.⁵⁰¹

CONDITION 21. DER Program Design. To implement the 30% energy benefit minimum designations for Named Communities discussed above, PSE will develop mechanisms for intentionally serving customers in Named Communities in each of its individual DER programs, including carve-outs for program costs (including outreach/education) and minimum participation thresholds. PSE will also modify its program design for solar and storage DER programs to better ensure benefits flow to Named Communities, including by developing targeting for Named Communities beyond using income as the sole criterion for program eligibility; offering higher incentives for low-income customers and Named Communities; ensuring benefits flow to tenants in affordable multifamily housing; and targeting storage programs to Vulnerable Populations where increased reliability would reduce vulnerabilities.

279 To be clear, this Order does not make any determination regarding the prudence of PSE's costs or investments. PSE has at times requested a prudence determination for DER resources, and at other times it has indicated that it is not requesting a prudence determination.⁵⁰² Regardless, we agree with Public Counsel that it is premature to make any such finding in this proceeding.⁵⁰³ We anticipate that prudence determinations will continue to take place in general rate cases, MYRP filings, and similar cost-recovery proceedings.

⁵⁰¹ McCloy, Exh. LCM-8 at 5-6.

⁵⁰² Compare Final PSE CEIP at 28 (“As such, PSE seeks WUTC approval that our investment in DERs and the DER enabling costs associated with these investments is reasonable and prudent at the level proposed in this plan.”) with Durbin, Exh. KKD-1T at 30:11-12 (“[A]pproval is not, however, a prudence determination for specific resources acquired pursuant to the plan.”).

⁵⁰³ Public Counsel Brief ¶ 40.

C. Demand Response

- 280 Next we consider the Company's analysis of possible Demand Response (DR) programs and the non-Company parties' responses.
- 281 The Company's CEIP proposes a variety of direct load control (DLC) DR programs for the first CETA compliance program.⁵⁰⁴ The Company will provide additional details after receiving bids in response to its Targeted DER RFP.⁵⁰⁵ The CEIP explains, however, that because the Company is a winter-peaking utility, its CPA focused on programs that would reduce winter peak demand.⁵⁰⁶
- 282 In direct testimony, Durbin testifies that specific DR programs will be guided by the results of the Company's DER RFP and that PSE may update its DR target as part of its 2023 Biennial CEIP update.⁵⁰⁷
- 283 Staff witness Nightingale observes that more recent evidence suggests that there is more cost-effective DR available than the Company anticipated.⁵⁰⁸ Nightingale raises concerns about the absence of both critical peak pricing and time-of-use programs in PSE's DR target.⁵⁰⁹
- 284 Testifying on behalf of NWECA and Front and Centered, Reeves recommends that PSE increase its DR target for direct load control (DLC) offerings, which include increased bring-your-own-device pathways for smart thermostats and water heaters.⁵¹⁰ Reeves also suggest that PSE attempt to leverage current energy efficiency programs.⁵¹¹
- 285 Reeves testifies that DR resources can provide additional grid flexibility not just to mitigate peak loads, but to support distribution system processes and planning.⁵¹² DLC

⁵⁰⁴ CEIP at 109.

⁵⁰⁵ *Id.*

⁵⁰⁶ *Id.*

⁵⁰⁷ Durbin, Exh. KKD-1T at 21:5-7.

⁵⁰⁸ Nightingale, Exh. JBN-1T at 10:15-17.

⁵⁰⁹ *Id.* at 9:10-19.

⁵¹⁰ Reeves, SR-1T at 5:11-12.

⁵¹¹ *Id.* at 5:12-15.

⁵¹² *Id.* at 13:5-6.

programs can provide nominal financial incentives for enrollment and seasonal participation.⁵¹³

- 286 Reeves argues, however, that PSE's proposed DLC programs do not include focused strategies targeting Named Communities.⁵¹⁴ Reeves maintains that the Company underestimated the potential benefits of smart thermostat DLC compared to switch-based DLC.⁵¹⁵ He also raises concern that the proposed water heater DLC offerings do not leverage existing energy efficiency initiatives or opportunities for co-deployment, which could improve cost-effectiveness, increase enrollment, and help reach Named Communities.⁵¹⁶
- 287 Reeves observes that none of the DR residential DLC offerings in the PSE CEIP include explicit detail regarding program design, delivery strategy, or targets and goals for including customers within Named Communities or by income eligibility.⁵¹⁷ Intentional planning for inclusion of these populations will be key to ensure they receive services and associated benefits of investments in flexible load resources like DR.⁵¹⁸ Reeves recommends that PSE work with its EAG, Named Communities, and other interested persons to tailor education and outreach by specific customer segments; coordinate with local community-based organizations (CBOs) to co-deliver program launch and outreach, leveraging word-of-mouth from trusted organizations; and develop dedicated targeting for Named Communities, rather than just using household income.⁵¹⁹
- 288 PSE proposed two residential DLC offerings aimed at curtailing HVAC load, specifically heating load: Residential DLC Heat-Switch and Residential DLC Heat-Bring Your Own Thermostat (BYOT). Residential DLC Heat-BYOT programs curtail peak HVAC loads using temperature setbacks, allowing utilities to remotely adjust thermostat setpoints and set a curtailment strategy where HVAC units will turn off until indoor temperature changes within a few degrees of a threshold temperature.⁵²⁰

⁵¹³ *Id.* at 13:16-17.

⁵¹⁴ *Id.* at 12:1-2.

⁵¹⁵ *Id.* at 12:7-9.

⁵¹⁶ *Id.* at 12:13-18.

⁵¹⁷ *Id.* at 16:1-3.

⁵¹⁸ *Id.* at 16:3-5.

⁵¹⁹ *Id.* at 16:8-14.

⁵²⁰ *Id.* at 19:13-18.

289 Reeves submits that PSE should allocate a higher portion of its DR target and budget to smart thermostats rather than its proposed Residential DLC Heat-Switch program. Residential DLC Heat-Switch is a dispatchable, event-based switch program wherein utilities can call load control events (typically over a one to four-hour event period) and curtail HVAC loads.⁵²¹ The Company's Residential DLC Heat-Switch program accounts for 69 percent of the proposed DR portfolio MW target and 77 percent of the proposed DR budget.⁵²² However, PSE's Residential DLC Heat- BYOT program accounts for only approximately 1.5 percent of the proposed DR portfolio MW target and less than 1 percent of the proposed DR budget.⁵²³

290 Reeves identifies several relevant benefits to smart thermostat DLC technology:

- Smart thermostat DLC is common and has been piloted with respect to both winter and summer capabilities in the Pacific Northwest.⁵²⁴
- Smart thermostat DLC can leverage existing saturations of smart thermostats to easily recruit and scale its BYOT channel.⁵²⁵
- The Company can leverage its energy efficiency efforts for smart thermostats to increase installations, recruitment, and conversion of DR enrollment.⁵²⁶
- Smart thermostat BYOT programs rely on existing equipment, are easy to recruit, and have lower recruitment/installation costs.⁵²⁷
- Smart thermostat DLC programs involve dispatch strategies aimed at reducing impacts on customer comfort during load control events, helping maximize load impact by increasing the potential to ride through an event.⁵²⁸
- Smart thermostat DLC provides incremental benefits through the smart thermostat device beyond the peak capacity value of DLC.

⁵²¹ *Id.* at 19:4-6.

⁵²² *Id.* at 20:4-8.

⁵²³ *Id.* at 20:6-8.

⁵²⁴ *Id.* at 20:14-16.

⁵²⁵ *Id.* at 20:21-22.

⁵²⁶ *Id.* at 21:9-11.

⁵²⁷ *Id.* at 22:20-21.

⁵²⁸ *Id.* at 23:14-15.

- PSE could also consider a direct install pathway for smart thermostat DLC.⁵²⁹

291 On rebuttal, PSE witness Gilbert Archuleta testifies that PSE received nine bids for DR resources in response to its Targeted DER RFP and that it is currently evaluating them.⁵³⁰ PSE proposes to manage its DR offerings in its Biennial Conservation Plan (BCP).⁵³¹

292 Archuleta maintains that the Company has already responded to many of the parties' concerns.⁵³² For example, the Company is considering DR programs for commercial and industrial customers.⁵³³ The Company plans to enroll customers with existing smart devices or provide smart devices if needed.⁵³⁴ It plans to discuss potential improvements with the EAG, roll out Behavior Demand Response to Named Communities, and co-deploy DR programs with energy efficiency programs.⁵³⁵

293 *Commission Determination.* The Commission is again placed in the difficult position of opining about the possible costs and benefits of relatively abstract proposals, with little supporting detail. None of the DR residential DLC offerings in the PSE CEIP include explicit detail regarding program design, delivery strategy, or targets and goals for including customers within Named Communities.⁵³⁶ Nonetheless, we are charged with evaluating the CEIP and regulating in the public interest. It is appropriate to provide the Company additional guidance for this first CETA compliance period.

294 As an initial matter, we find it appropriate to consider and comment on proposed DR programs in the context of the CEIP proceeding. We are mindful that the Company is also required to file BCPs and that the Conservation Resource Advisory Group (CRAG) is the primary advisory group for receiving feedback on these measures. But WAC 480-100-640(3)(a)(ii) makes clear that the CEIP must provide "proposed program details, program budgets," and other relevant details in support of its specific target for DR. It is appropriate for the Commission to consider the proposed program details in CEIP filings, as contemplated by our rule.

⁵²⁹ *Id.* at 25:1-3.

⁵³⁰ Archuleta, Exh. GA-1T at 20:5-9.

⁵³¹ *Id.* at 20:13-16.

⁵³² *Id.* at 22:8.

⁵³³ *Id.* at 22:8-10.

⁵³⁴ *Id.* at 23:6-7.

⁵³⁵ *See id.* at 23:17-19, 24:3-7.

⁵³⁶ Reeves, Exh. SR-1T at 16:1-3.

295 To the extent we consider the parties’ arguments about PSE’s DR proposals in this proceeding, NWEAC and Front and Centered have presented evidence about the benefits of smart thermostat DLC programs. PSE may be able to scale its DLC resources more quickly and at a lower cost with smart thermostats than with heat switches.⁵³⁷ This may be particularly true if smart thermostats are co-deployed with energy efficiency programs.⁵³⁸ The Company should carefully consider whether smart thermostat programs should comprise a larger portion of its DR portfolio. We find that this testimony supports NWEAC’s and Front and Centered’s proposed condition 3, which we adopted as Condition 4 above in Section II of this Order. We emphasize that our findings on this issue are based on the evidence in the record. PSE may be able to demonstrate greater benefits from heat switch-based technologies in future proceedings.

296 We have also discussed the non-Company parties’ concerns that the CEIP does not provide more definite plans for ensuring an equitable distribution of benefits. In Section IV.B, above, we adopted NWEAC’s and Front and Centered’s proposed condition 23 as Condition 20, which would apply minimum designations to DR programs as well.

297 We also agree with Public Counsel’s modified conditions, which require the Company to provide more detail and analysis about its DR programs in the 2023 Biennial CEIP Update.

CONDITION 22. In the 2023 Biennial CEIP Update, PSE will include information regarding any planned DR programs for commercial and industrial customers as required by WAC 480-100-640(5) and (6) as well as information regarding the expected cost-effectiveness of these programs.

CONDITION 23. PSE must include a narrative in the 2023 Biennial CEIP update and 2025 CEIP describing anticipated impacts on customer benefits and burdens from DR programs.⁵³⁹

298 The conditions adopted in this Order are largely consistent with the Company’s testimony. On rebuttal, Archuleta testifies that the Company is considering DR programs for commercial and industrial customers.⁵⁴⁰ It plans to present proposed DR and energy efficiency programs to the CRAG and EAG and incorporate their feedback into the plan or to “provide detailed explanation where proposals diverge from” parties’ and interested

⁵³⁷ *Id.* at 21:5-8.

⁵³⁸ *Id.* at 21:9-11.

⁵³⁹ Public Counsel Brief ¶ 25. *See also* Public Counsel Brief App. A, Condition 13.

⁵⁴⁰ Archuleta, Exh. GA-1T at 22:8-10.

persons’ “suggestions.”⁵⁴¹ PSE also plans to administer DR programs and energy efficiency programs from the same “Customer Energy Management” department, responding to suggestions to co-deploy DR and energy efficiency programs.⁵⁴² The conditions formalize our expectation that the Company will follow through on these commitments.

D. Time Varying Rates

299 Public Counsel observes that a Time Varying Rates (TVR) pilot was approved as part of PSE’s last GRC.⁵⁴³ Public Counsel argues that because the TVR pilot may be considered a “specific action” for the CEIP, it is appropriate for the Company to evaluate the benefits and burdens of this pilot on Named Communities.⁵⁴⁴

Commission Determination. PSE’s TVR pilot was discussed more fully in its last GRC.⁵⁴⁵ The Commission planned to evaluate the success of the pilot primarily in terms of lowering peak demand, load reduction, and other metrics.⁵⁴⁶ We are persuaded that in the context of the CEIP process the Company should provide more explanation as to how the pilot may gather data about and impact Named Communities. We therefore adopt Public Counsel’s proposed condition:

CONDITION 24. PSE must include in its 2023 Biennial CEIP Update an explanation of the TVR pilot program and how the program will be structured to gather data about the program’s impacts on benefits and burdens for Named Communities.⁵⁴⁷

E. Non-Wire Alternatives

300 The CEIP explains that PSE has identified Non-Wires Alternatives (NWAs) to support the integration of 22 MW of DER resources.⁵⁴⁸ The Company proposes specific NWAs in Bainbridge Island, Issaquah, and Sumner.⁵⁴⁹ Durbin explains that these programs are not

⁵⁴¹ *Id.* at 25:4-8.

⁵⁴² *Id.* at 25:12-16.

⁵⁴³ Public Counsel Brief ¶ 27.

⁵⁴⁴ *Id.* See also Dahl and Tam, Exh. CDAT-1T at 23:3–24:8.

⁵⁴⁵ Final Order 24/10 ¶¶ 291-97.

⁵⁴⁶ *Id.* ¶ 297.

⁵⁴⁷ Public Counsel Brief ¶ 27. See also Public Counsel Brief App. A, Condition 14.

⁵⁴⁸ CEIP at 130.

⁵⁴⁹ *Id.*

being implemented directly because of CETA but help the Company meet its CETA compliance obligations.⁵⁵⁰

- 301 Public Counsel witness Dahl raises concerns that the CEIP does not clearly distinguish between DERs and NWAs or why the two types of investments are treated differently in the portfolio selection process.⁵⁵¹ Dahl argues that PSE should be required to explain why NWAs planned prior to CETA should be included in the CEIP.⁵⁵² According to Dahl, PSE also does not explain why the NWA evaluation tool is necessary or how it is different than the current selection process.⁵⁵³
- 302 In its brief, Public Counsel argues that PSE did not adequately respond to any of its concerns with NWAs.⁵⁵⁴ Public Counsel argues that it is also unclear how the Distributional Equity Analysis, discussed in the Company's last GRC, will apply to the Company's CEIP and its selection of NWAs.⁵⁵⁵
- 303 *Commission Determination.* We agree with Public Counsel that the CEIP does not clearly distinguish between DERs and NWAs or explain why these two types of investments are treated differently. The CEIP does not explain why NWAs developed prior to CETA should be included in the CEIP or why the NWA evaluation Tool is necessary. The Company does not provide any direct response to Public Counsel's concerns. We therefore adopt the following conditions proposed by Public Counsel.

CONDITION 25. In the 2023 Biennial CEIP Update, PSE must explain the selection process for NWA projects developed prior to preparing the CEIP and clarify how the Company views DERs as compared to NWAs. PSE must also describe the differences between the DER selection process and the NWA selection process and why they follow different evaluations and selection processes. PSE must also explain how it distinguishes between NWA projects that are necessary to meet CETA requirements and NWA projects that should be considered part of the Company's core business operations (*i.e.*, reliability, etc.).

⁵⁵⁰ Durbin, Exh. KKD-1T at 32:10-12.

⁵⁵¹ Dahl and Tam, Exh. CDAT-1T at 20:9-14.

⁵⁵² *Id.* at 21:2-4.

⁵⁵³ *Id.* at 21:5-9.

⁵⁵⁴ Public Counsel Brief ¶ 28.

⁵⁵⁵ *Id.* ¶ 29. *See also* Public Counsel Brief, App. A Condition 18.

CONDITION 26. In the 2023 Biennial CEIP Update, PSE must explain why the NWAs evaluation tool and associated costs are included in the CEIP and explain why the tool is necessary for CETA compliance.

304 We largely agree with Public Counsel, as well, that it is unclear how the Distributional Equity Analysis will apply to the Company's CEIP and its selection of NWAs. However, in the Company's last GRC, the Commission modified the proposal for a Distributional Equity Analysis and indicated that this would be a broad, Commission-led collaborative process.⁵⁵⁶ The Company should participate in this process, and we expect the Company to incorporate any pertinent results into its 2025 CEIP and its future selection of NWAs. But we decline to adopt Public Counsel's proposed condition 18 from Appendix A of its brief because the timeline for the collaborative is not yet determined.

F. Public Participation

305 The CEIP describes PSE's efforts to engage the public and its updated public participation plan for the implementation phase between January 2022 and April 2023.⁵⁵⁷ PSE plans to use surveys, focus groups, online open houses, community meetings, and several other tools to gather feedback from customers.⁵⁵⁸ The Company plans to mitigate barriers to participation by, among other means, translating materials, partnering with community-based organizations, and compensating low-income or under-resourced customers for their participation.⁵⁵⁹ In PSE's Appendix C-1, the Company provides greater detail on its public participation plans and commits to filing an updated plan on May 1, 2023.⁵⁶⁰

306 Public Counsel witness Dahl generally supports the Company's public participation plan and acknowledges that the process requires great effort.⁵⁶¹ Dahl observes, however, that a number of comments from interested persons were not incorporated into the Final CEIP,

⁵⁵⁶ Final Order 24/10 ¶¶ 234-36.

⁵⁵⁷ CEIP at 222.

⁵⁵⁸ *Id.* at 223.

⁵⁵⁹ *Id.*

⁵⁶⁰ CEIP App. C-1 at 31.

⁵⁶¹ Dahl and Tam, Exh. CDAT-1T at 26:10-12.

particularly with the development of CBIs.⁵⁶² Dahl recommends that the Commission condition the approval of the CEIP on a more detailed community outreach plan.⁵⁶³

307 NWEC and Front and Centered likewise support many aspects of the CEIP's public participation plan.⁵⁶⁴ McCloy testifies that PSE's approach "demonstrates an understanding of the needs and opportunities in its service territory" and that if the plan is carried out it would represent "a significant improvement on past efforts."⁵⁶⁵

308 McCloy testifies, however, that PSE should make more of a concerted effort to incorporate feedback in its processes.⁵⁶⁶ McCloy therefore recommends that the Company develop and implement a DER Public Engagement Pilot, working in conjunction with the EAG and other interested persons.⁵⁶⁷ McCloy also recommends that the Company develop a community outreach plan, much like Public Counsel.⁵⁶⁸

309 *Commission Determination.* While the parties generally support PSE's public participation plan, there are concerns that the Company is not adequately responding to feedback from the EAG and other interested parties. We require the Company to carry out a DER Public Engagement Pilot and to retain a third-party Facilitator for the EAG. As provided in Section IV.B above, we require PSE to provide a detailed narrative as to why specific comments were not incorporated in the final CEIP.

310 Pursuant to WAC 480-100-655(2), the utility must file a public participation plan with the Commission on or before May 1 of each odd-numbered year, outlining its plans for public engagement during the development of its CEIP and the subsequent implementation period. The utility must identify barriers to participation, and it must provide a proposed schedule of meetings, a list of significant topics to be discussed, and other information as to how the public might participate.⁵⁶⁹

⁵⁶² *Id.* at 26:15-17.

⁵⁶³ *Id.* at 27:3-17.

⁵⁶⁴ McCloy, Exh. LCM-1T at 28:1.

⁵⁶⁵ *Id.* at 28:8-10.

⁵⁶⁶ *Id.* at 28:14-16.

⁵⁶⁷ *Id.* at 29:1-13.

⁵⁶⁸ *Id.* at 29:14-30:4.

⁵⁶⁹ *Id.*

- 311 PSE filed its updated public participation plan on May 1, 2023, in this Docket. This updated plan is not at issue in this proceeding.
- 312 To the extent that we consider PSE’s public engagement plan as set forth in its CEIP, for the period ending in April 2023, the evidence shows that PSE’s public participation plan is largely supported by Public Counsel, NWECA, and Front and Centered. The public participation plan set forth in PSE’s Appendix C-1 is sufficiently detailed to permit meaningful review, and it considers a number of issues required by WAC 480-100-655(2), such as potential barriers to customer participation. Given the non-Company parties’ general support of the Company’s efforts, we are not persuaded that a more detailed condition for a community engagement plan is necessary.
- 313 On this same point, we observe that in Chapter 8 of the CEIP, PSE commits to work with its EAG, Named Communities, and other interested persons to develop the “building blocks” for an equity assessment in the 2023 Biennial CEIP Update.⁵⁷⁰ We rely on the Company’s commitments and expect that its 2023 Biennial CEIP Update will reflect meaningful engagement with these groups.
- 314 Public Counsel, NWECA, and Front and Centered raise concerns though that the Company is not sufficiently responding to feedback from interested persons.⁵⁷¹ We share this same concern and discussed it above in Section III. Thuraisingham explains, for example, that EAG members raised concerns about “rising costs of services impacting fixed income households disproportionately, misinformation about gas being a clean power source, siting undesirable facilities in neighborhoods with higher concentrations of low-income residences and people of color, and clean energy programs targeted to landlords and property owners with no clear benefit to residents . . .”⁵⁷² Yet Thuraisingham felt like much of the EAG members’ feedback “fell into a void.”⁵⁷³
- 315 It is crucial that the Company not only allow for public comment from communities, advisory groups and interested persons who engage in the CEIP process, but that it respond to these comments. The level of public participation envisioned by WAC 480-

⁵⁷⁰ CEIP at 234.

⁵⁷¹ Dahl and Tam, Exh. CDAT-1T at 26:15-17; McCloy, Exh. LCM-1T at 28:14-16; Thuraisingham, Exh. MFT-1T at 17:3-4 (noting that there was a “missed opportunity” to influence decision making); McCloy, Exh. LCM-7T at 28:12-14 (“A key missing element of PSE’s Public Participation Plan is a commitment to outcomes from PSE’s community engagement, to ensure that participation is meaningful and worthwhile for the public.”).

⁵⁷² Thuraisingham, Exh. MFT-1T at 17:13-20.

⁵⁷³ *Id.* at 17:8-10.

100-640 and WAC 480-100-655(2) does not place the final decision for utility investments in customers' hands, but it requires collaboration with Named Communities and other interested persons.⁵⁷⁴ We have interpreted CETA through our rules as requiring more than merely informing the public and acknowledging their comments in passing.

316 We therefore adopt NVEC and Front and Centered's proposed condition 26:

CONDITION 27. PSE commits to developing and implementing a DER Public Engagement Pilot to gain experience with and understanding of engaging Named Community members at the "Empowerment" level on the International Association for Public Participation's Public Participation Spectrum in developing DER offerings specifically for Named Communities.⁵⁷⁵ PSE will collaborate with the EAG, other relevant advisory groups, and interested persons to develop this pilot. PSE will begin work on the design of the pilot within three months of a final Commission order and will implement the pilot after the 2023 Biennial CEIP Update.⁵⁷⁶

For the same reasons, we place a further condition on our acceptance of the CEIP:

CONDITION 28. Within 60 days of this Order, PSE must retain a facilitator for the EAG. Among other tasks, the facilitator would document EAG members' feedback and PSE's responses to that feedback. PSE must select a neutral, third-party facilitator that is mutually acceptable to both the Company and to Public Counsel.

V. Incremental Cost

317 To project the incremental cost of compliance, PSE uses "baseline portfolio" and "CEIP portfolio."⁵⁷⁷ The "baseline portfolio" is the portfolio of generic resources selected by the model in a lowest reasonable cost analysis that does not include the requirements to comply with the clean energy.⁵⁷⁸ The "CEIP portfolio" is the portfolio that considers the need to meet the clean energy transformation standards.⁵⁷⁹ These standards are set forth

⁵⁷⁴ See McCloy, Exh. LCM-1T at 29:3 n. 7 (citing International Association for Public Participation Spectrum USA, IAP2 Public Participation Spectrum, *available at* <https://iap2usa.org/cvs>).

⁵⁷⁵ See *id.* (citing International Association for Public Participation Spectrum USA, IAP2 Public Participation Spectrum, *available at* <https://iap2usa.org/cvs>).

⁵⁷⁶ McCloy, Exh. LCM-8 at 6.

⁵⁷⁷ CEIP at 173.

⁵⁷⁸ *Id.*

⁵⁷⁹ *Id.*

in RCW 19.405.040 and RCW 19.405.050. PSE used the differences between the baseline and CEIP portfolios to calculate the incremental cost for each CETA-related investment in the CEIP.⁵⁸⁰

- 318 In direct testimony, Durbin clarifies that both the baseline portfolio and the CEIP portfolio include the SCGHG emissions in their modeling.⁵⁸¹
- 319 Staff witness Nightingale opines that the 2 percent incremental cost alternative compliance pathway should *not* be used in the CEIP base portfolio selection process, in keeping with the Commission’s CETA rule adoption order.⁵⁸² Incremental cost should not be used as a target, cap, or guidepost.⁵⁸³
- 320 Snyder testifies that equity related expenses should be included in the “baseline” portfolio and are no longer attributable uniquely to CETA.⁵⁸⁴ Snyder requests clarification regarding whether future incremental cost calculations should include any equity-related costs in the baseline portfolio.⁵⁸⁵
- 321 Public Counsel likewise requests Commission guidance on the Company’s projected incremental cost calculation. Tam testifies that the Company’s cost estimates for renewable energy, DER, and other resources are too uncertain to rely on.⁵⁸⁶ Tam also expresses concern that PSE includes \$46 million in DER enablement, \$117 million in grid modernization, and approximately \$31 million in communication and education costs in its incremental cost calculation without establishing how these investments comply with, or make progress towards, CETA’s clean energy transformation standards.⁵⁸⁷
- 322 Testifying on behalf of AWEC, Kaufman raises concerns with PSE’s request for guidance in the implementation of the incremental cost cap. Kaufman submits that providing guidance on exceeding the incremental cost cap is “wholly inappropriate,”

⁵⁸⁰ *Id.*

⁵⁸¹ Durbin, Exh. KKD-1T at 22:15-18.

⁵⁸² Nightingale, Exh. JBN-1T at 22:6-16.

⁵⁸³ *Id.* at 23:3-5.

⁵⁸⁴ Snyder, Exh. JES-1T at 20:4-7.

⁵⁸⁵ *Id.* at 20:8-11.

⁵⁸⁶ Dahl and Tam, Exh. CDAT-1T at 35:1-2.

⁵⁸⁷ *Id.* at 35:2-7.

particularly given the lack of information at this point.⁵⁸⁸ PSE remains responsible for making prudent business decisions in meeting CETA requirements.⁵⁸⁹ Kaufman also argues that PSE's approach to CETA compliance, if adopted, will cost customers an additional \$500 million above the compliance costs identified in PSE's 2021 IRP.⁵⁹⁰

323 NWEC and Front and Centered also request that the Commission review PSE's projected incremental cost calculation in this proceeding. Like Public Counsel, McCloy recommends that PSE should not attribute certain DER enablement and grid modernization costs to CETA.⁵⁹¹

324 NWEC and Front and Centered also provide testimony from Elaine Hart, Ph.D., who argues that the Company's SCGHG modeling methodology and assumptions undervalue clean energy resources.⁵⁹² Dr. Hart recommends that PSE be required to directly apply the SCGHG to fossil fuel dispatch within the portfolio optimization model, rather than estimating the SCGHG associated with fossil fuel resources based on fixed cost adders.⁵⁹³ Dr. Hart submits that this will account for the full value of avoiding GHG emissions with clean energy resources.⁵⁹⁴ This testimony is discussed in greater detail below.

325 Dr. Hart also raises concerns with PSE's modeling of the effective load carrying capability (ELCC) for energy storage resources. ELCC values affect the amount of storage resources selected for the CEIP Preferred Portfolio and the "No CETA" or "baseline" portfolio, which are both used for calculating the Company's incremental cost.⁵⁹⁵

326 Dr. Hart observes that PSE's ELCC value for four-hour energy storage (24.8 percent), as provided in the CEIP and the Company's 2021 IRP, is among the lowest of the utility plans that she reviewed.⁵⁹⁶ Most utilities provide a value of 70 percent or higher.⁵⁹⁷ Dr.

⁵⁸⁸ Kaufman, Exh. LDK-1T at 10:2-4.

⁵⁸⁹ *Id.* at 10:4-6.

⁵⁹⁰ *Id.* at 10:7-13.

⁵⁹¹ McCloy, Exh. LCM at 5:21.

⁵⁹² Hart, Exh. EKH-1T at 3:7-12.

⁵⁹³ *E.g.*, Hart, Exh. EKH-1T at 30:9-17.

⁵⁹⁴ *Id.*

⁵⁹⁵ *Id.* 32:15-18.

⁵⁹⁶ *Id.* at 34:1-2.

⁵⁹⁷ *Id.* at 34:2-4.

Hart notes that PSE updated its methodology for the draft 2023 Electric IRP Progress Report and arrived at ELCC values for storage resources above 80 percent.⁵⁹⁸

- 327 Dr. Hart concludes that updated ELCC values show two-hour lithium-ion batteries as being more cost-effective than gas peaker plants.⁵⁹⁹ If the CEIP used updated ELCC values as Dr. Hart suggests, this could result in higher energy storage acquisition targets and lower incremental costs.⁶⁰⁰
- 328 On rebuttal, Durbin maintains that PSE will pursue interim and specific targets approved by the Commission regardless of whether the costs are higher or lower than anticipated.⁶⁰¹ PSE does not view the incremental cost calculation as a viable alternative compliance pathway and instead considers it as “an approximate spending guide” used to develop interim targets.⁶⁰²
- 329 Durbin submits that PSE’s grid modernization, DER enablement, marketing, and promotional costs are reasonable and necessary.⁶⁰³ The Company’s marketing and promotional costs are based on feedback from the EAG about engaging Named Communities.⁶⁰⁴
- 330 PSE did not include equity expenses in its 2021 CEIP No-CETA portfolio for incremental cost calculation purposes because PSE was following explicit direction provided by the Commission at the time.⁶⁰⁵ Durbin acknowledges that, given both RCW 80.28.425 and the 2021 Cascade GRC Order, this decision may need to be revisited.⁶⁰⁶
- 331 PSE also provides testimony from Phillip Popoff regarding its modeling of the SCGHG. Popoff testifies that PSE’s approach to SCGHG modeling is reasonable and preferable.⁶⁰⁷ According to Popoff, treating the SCGHG as an externality (or cost “adder”) reflects how

⁵⁹⁸ *Id.* at 35:1-8.

⁵⁹⁹ *Id.* at 36:13-14.

⁶⁰⁰ *Id.* at 37:15-16.

⁶⁰¹ Durbin, Exh. KKD-6T at 29:12-15.

⁶⁰² *Id.* at 31:16-18.

⁶⁰³ *Id.* at 30:3-9.

⁶⁰⁴ *See id.* at 31:1-7.

⁶⁰⁵ *Id.* at 32:6-8.

⁶⁰⁶ *See id.* at 32:9-13.

⁶⁰⁷ Popoff, Exh. PJP-1Tr at 2:7-10.

power plants are expected to operate.⁶⁰⁸ Popoff submits that CETA does not require utilities to consider the SCGHG when making economic dispatch decisions, only when making intermediate to long-term decisions.⁶⁰⁹

332 Popoff performed additional analysis to understand how greenhouse gas emissions would be different if the SCGHG were treated as a dispatch cost. After modeling the SCGHG as a dispatch cost, as recommended by Dr. Hart, Popoff concludes that this had “very little” impact on the CETA case.⁶¹⁰ However, modeling the SCGHG as a dispatch cost “adds 800 MW of Washington Wind in 2025, and moves one Frame Peaker unit (237 MW) from 2025 to 2026.”⁶¹¹ Popoff asserts that this increased the cost of the No-CETA case by \$89.4 million over the implementation period.⁶¹² Popoff maintains that PSE’s existing methodology is reasonable and consistent with economic price signals that drive dispatch decisions.⁶¹³

333 With respect to the ELCC of storage resources, Popoff testifies that Dr. Hart’s recommendation would require “comprehensive changes” to the modeling used for the CEIP,⁶¹⁴ and that simply updating the ELCC for storage resources in the modeling would not be reasonable.⁶¹⁵ Popoff notes, however, that the Company’s 2023 Electric IRP Progress Report will reflect updated ELCC values and that the Company has committed to providing updated ELCC values in the 2023 Biennial CEIP Update.⁶¹⁶

334 In its brief, Staff maintains that the incremental cost calculation should not be used as a constraint for the base portfolio selection process and that equity related costs are no longer directly attributable to compliance with CETA.⁶¹⁷ Staff also raises a concern with whether hypothetical costs for complying with the CCA should be included in the

⁶⁰⁸ *Id.* at 2:18-21.

⁶⁰⁹ *Id.* at 5:10-6:2.

⁶¹⁰ *Id.* at 8:6-7.

⁶¹¹ *Id.* at 9:4-8.

⁶¹² *Id.* at 9:8-9.

⁶¹³ Popoff, Exh. PJP-1Tr at 9:4-13.

⁶¹⁴ *Id.* at 13:12-13.

⁶¹⁵ *Id.* at 14:15-17.

⁶¹⁶ *Id.* at 15:6-10.

⁶¹⁷ Staff Brief ¶¶ 39-41.

Alternative Lowest Reasonable Cost Portfolio (LRCP) for the incremental cost calculation.⁶¹⁸

- 335 AWEC argues in its brief that that the Commission should reject the modeling of the SCGHG in dispatch.⁶¹⁹ AWEC submits that PSE does not consider the SCGHG when dispatching resources and that the effect of this modeling change increases costs and double counts the SCGHG.⁶²⁰
- 336 *Commission Determination.* In this proceeding, we are merely reviewing PSE’s projected incremental cost calculation. Nevertheless, the non-Company parties raise a number of concerns with the Company’s calculations that warrant discussion.
- 337 RCW 19.405.060(3)(a) provides that an investor-owned utility “must be considered to be in compliance” with CETA’s clean energy transformation standards “if, over the four-year compliance period, the average annual incremental cost of meeting the standards or the interim targets . . . equals a two percent increase of the investor-owned utility’s weather-adjusted sales revenue to customers for electric operations above the previous year, as reported by the investor-owned utility in its most recent commission basis report.” All costs included in this incremental cost calculation should be “directly attributable to actions necessary” to comply with CETA’s clean energy transformation standards.⁶²¹
- 338 WAC 480-100-660 provides detailed guidance on incremental cost calculations. The utility must compare a baseline portfolio with a lowest reasonable cost portfolio that complies with CETA, and it must demonstrate which investments and expenses are directly attributable to compliance with CETA.⁶²² The CEIP must include a projected incremental cost calculation,⁶²³ and it must describe any plans the utility is making to rely on the alternative compliance pathway.⁶²⁴

⁶¹⁸ *Id.* ¶¶ 42-43.

⁶¹⁹ AWEC Brief ¶ 17.

⁶²⁰ *Id.* ¶¶ 18-19.

⁶²¹ RCW 19.405.060(3)(a).

⁶²² WAC 480-100-660(1).

⁶²³ WAC 480-100-640(7).

⁶²⁴ WAC 480-100-640(9).

- 339 In this proceeding, the Commission is merely reviewing the Company’s projected incremental cost calculation, which is a required element of the CEIP.⁶²⁵ If PSE seeks to rely on this alternative compliance pathway in the future, it must make that request in its clean energy compliance report.⁶²⁶
- 340 It also bears repeating that the incremental cost calculation is “not a strict cost cap nor is it a floor, but . . . an alternative compliance pathway.”⁶²⁷ Under CETA, the utility must, to the maximum extent possible, achieve its targets at the lowest reasonable cost.⁶²⁸ The Commission has accordingly found that “[i]n most cases, the actual costs of achieving those targets, not the annual incremental cost threshold amount, will determine the real cost impact of CETA on customer rates.”⁶²⁹
- 341 We decline to speculate, at this time, about how the Company should proceed if its actual costs of achieving interim targets are markedly higher than the 2 percent incremental cost threshold.⁶³⁰ The Company is required to comply with CETA at the lowest reasonable cost. Our traditional prudence standards are applied retrospectively, after investments are placed into service and have become used and useful.
- 342 We are therefore concerned that PSE continues to portray the incremental cost of compliance as a spending target or as guidance about the appropriate amount to spend each year. The CEIP, for example, states that PSE “iterated on various permutations to *maximize spending* to the incremental cost guidance.”⁶³¹ While we agree that climate change requires urgent action, the plain language of CETA emphasizes meeting clean energy transformation standards through lowest reasonable cost principles. We again reject any suggestion that the incremental cost pathway invites utilities to continually increase spending year over year.
- 343 Next, we turn to the parties’ specific challenges to PSE’s projected incremental cost calculation and its comparison of the baseline and CEIP portfolios.

⁶²⁵ WAC 480-100-640(7); WAC 480-100-660(4).

⁶²⁶ See generally WAC 480-100-660(5).

⁶²⁷ General Order R-601 ¶ 107. See also *id.* ¶ 119 (“Relying on projections from the beginning of the implementation period to determine compliance would not be consistent with statute.”).

⁶²⁸ RCW 19.405.040(6)(a)(i).

⁶²⁹ General Order R-601 ¶ 105.

⁶³⁰ See PSE Brief ¶ 19 (requesting Commission guidance “on how PSE should proceed if actual costs of achieving its approved CEIP targets are markedly different than planned.”).

⁶³¹ CEIP at 27 (emphasis added).

344 First, we agree with Staff that incremental cost should not be used in the preferred portfolio selection process.⁶³² Incremental cost is an alternative compliance pathway, rather than a year-by-year spending target. The Commission has already observed that it is possible that a time-limited opportunity for a large investment may temporarily exceed the compliance threshold, while being cost-effective over the long-term.⁶³³ The Company risks overlooking these opportunities by using incremental cost as a planning constraint. We therefore adopt NWECE's and Front and Centered's proposed condition, which is consistent with Staff's proposed condition:

CONDITION 29. PSE will not use the projected incremental cost of compliance as a planning constraint in the 2025 CEIP.

345 Second, we address the issue of whether the Company has included costs in its calculation that are not directly attributable to CETA. A cost is "directly attributable" to CETA when it is incurred during the implementation period; it is part of the lowest reasonable cost CETA portfolio; it is additional to the costs in the baseline portfolio; and it is not required to meet any statutory, regulatory, or contractual obligation other than CETA.⁶³⁴

346 Based on the evidence in this proceeding, we find that PSE should not attribute certain DER enablement and grid modernization to CETA. PSE describes various grid modernization technologies in PSE's CEIP Appendix G.⁶³⁵ PSE witness Durbin defends these investments as necessary for integrating planned investments in DR and DER over the next ten years.⁶³⁶ However, Public Counsel witness Tam argues that PSE has failed to demonstrate that several of these proposed investments are directly attributable to CETA.⁶³⁷ NWECE and Front and Centered raise similar arguments and provide detailed, persuasive testimony on this issue from witness Josh Keeling.

⁶³² See Nightingale, Exh. JBN-1T at 22:1-23:9.

⁶³³ General Order R-601 ¶ 107, n. 49 ("For example, a utility may have a time-limited opportunity for an investment that may be large, such as a generation asset, that would cause the utility to greatly exceed the compliance threshold. The Commission would likely look favorably on such an investment if the utility can demonstrate that the investment is beneficial to the company and its ratepayers over the long run.").

⁶³⁴ WAC 480-100-660(3).

⁶³⁵ CEIP, App. G, at 11-12.

⁶³⁶ Durbin, Exh. KKD-6T at 30:6-9.

⁶³⁷ Dahl and Tam, Exh. CDAT-1T at 36:16-29.

347 Keeling testifies, for example, that there are many examples of utilities integrating DER without the tools PSE proposes.⁶³⁸ Keeling also notes that enabling technologies such as Supervisory Control And Data Acquisition (SCADA) and operation analytics are not truly driven by CETA but instead represent PSE “catching up to best practice for a utility of its size.”⁶³⁹ Keeling concludes that several of the specific grid modernization technologies proposed by PSE are “very typical for a modern utility.”⁶⁴⁰ Keeling notes, “[W]hile many of these investments benefit clean energy deployment, they also simply provide cost savings and reliability improvements to all ratepayers.”⁶⁴¹ We therefore agree with the positions taken by Public Counsel, NWECA, and Front and Centered that certain DER enablement and grid modernization investments, as provided in the condition below, are not directly attributable to CETA. When a typical, prudent utility would make these same investments, it is not appropriate to exclude them from the baseline portfolio for purposes of the incremental cost calculation, or to suggest that these costs are directly attributable to the clean energy transformation standards set forth in CETA. Investments bringing a utility up to “best practices,” as Keeling offers, should not be attributed to CETA even if the Company states that these investments are being accelerated due to CETA.⁶⁴²

348 We therefore adopt Public Counsel’s proposed condition, which provides additional clarity on any future prudency review compared to NWECA’s and Front and Centered’s proposed condition:

CONDITION 30. PSE must remove the following costs from the CETA portfolio: Hosting Capacity Analysis (\$6.19m); Virtual Power Plant (\$9.62m); Data Lake and Analytics (\$3.65m); Substation SCADA – Accelerated (\$41.36m); and Circuit Enablement-DER and Microgrid (\$57.5m). The removal of these costs from the projected incremental cost of compliance with CETA in this Docket should not impact PSE’s ability to request cost recovery for these investments in a future filing.

349 We are also concerned regarding certain marketing and promotional costs included in the incremental cost calculation. As Tam testifies, “marketing and PR campaigns primarily intended for corporate image should never be paid for by ratepayers, and the PSE Final

⁶³⁸ McCloy, Exh. LCM-5 at 7:21-22 (Testimony of Josh B. Keeling (Exh. JBK-1T) in PSE’s General Rate Case (Docket UE-220066/UG-220067/UG-210918)). *See also id.* at 24:20-25:1.

⁶³⁹ *Id.* at 8:5-8.

⁶⁴⁰ *Id.* at 26:3-10.

⁶⁴¹ *Id.* at 26:13:15.

⁶⁴² *See id.* at 11:19-12:1.

CEIP does not adequately explain how these activities are tied to specific actions that result in PSE attaining its renewable energy targets, reducing energy burdens for customers, or ensuring the equitable distribution of energy benefits for all customers.”⁶⁴³ The record in this proceeding does not provide sufficient detail to fully resolve this issue. But we share Public Counsel’s concerns that, at a minimum, certain marketing and promotional costs must be removed and other costs should be explained in more detail. The Commission accordingly adopts Public Counsel’s proposed condition.

CONDITION 31. PSE must remove corporate marketing and promotional costs from its Communications and Education costs that are categorized under the PSE CEIP incremental cost calculation. At a minimum, PSE must remove all actions and costs associated with “In-language marketing partnerships” from this CEIP. PSE must explain in the 2023 Biennial CEIP Update how it derived its Communications and Education costs, what the Communications and Education actions specifically entail, and demonstrate how these costs are directly attributable to specific actions that are necessary to comply with or make progress toward CETA requirements.

350 PSE, Staff, and other parties also request that we provide guidance on how equity-related costs should be considered in the incremental cost calculation. The incremental cost calculation is specifically concerned with the costs of meeting CETA’s requirements.⁶⁴⁴ These include ensuring that all customers benefit from the transition to clean energy through the equitable distribution of energy and non-energy benefits and the reduction of burdens to Named Communities.⁶⁴⁵

351 In 2021, however, the legislature enacted RCW 80.28.425, which allows the Commission to consider various factors including equity and environmental health.⁶⁴⁶ In Cascade’s 2021 GRC, the Commission considered RCW 80.28.425, the recent creation of the Washington Office of Equity, and emphasized the “core tenets” of energy justice: distributional justice, procedural justice, recognition justice, and restorative justice.⁶⁴⁷

⁶⁴³ Dahl and Tam, Exh. CDAT-1T at 37:9-13. *See also* Dahl and Tam, CDAT-4 at 31 (“Despite the exponential growth in these costs, PSE does not explain how these costs are tied to any particular specific action related to CETA compliance.”).

⁶⁴⁴ *See* RCW 19.405.060(3)(a).

⁶⁴⁵ RCW 19.405.060(1)(c)(iii).

⁶⁴⁶ RCW 80.28.425(1).

⁶⁴⁷ 2021 Cascade GRC Order ¶¶ 52-58.

The Commission also committed to applying an “equity lens” in public interest considerations going forward.⁶⁴⁸

352 When we consider all of these authorities, we find that only a subset of equity-related costs are directly attributable to compliance with CETA. The costs of preparing the CEIP is attributable to the requirements of RCW 19.405.060(1).⁶⁴⁹ Likewise, the costs of developing CBIs and costs for supporting the EAG are attributable to Commission rules, which implement CETA’s requirements.⁶⁵⁰ The requirement for utilities to identify “Vulnerable Populations” is a unique feature of CETA.⁶⁵¹ These costs are properly attributed to compliance with CETA and should be excluded from the “baseline” or No-CETA portfolio.

353 It is likely that other equity-related costs should be included in the baseline portfolio and should not be included as incremental costs. In-language marketing, for example, may represent marketing efforts that are not related to compliance with CETA in any clear manner.⁶⁵² The record before us provides relatively little detail on which other equity-related costs the Company may submit,⁶⁵³ and this issue likely requires further discussion and consideration.

354 Third, we address the parties’ arguments regarding the Company’s modeling of the SCGHG. An electric utility must incorporate the SCGHG as a “cost adder” when evaluating conservation policies and targets; when developing IRPs and CEAPs; and when evaluating intermediate and long-term resource options.⁶⁵⁴ There are several possible ways a utility may model the SCGHG in compliance with CETA, and Commission rule WAC 480-100-620 does not prescribe any specific approach.⁶⁵⁵

⁶⁴⁸ *Id.* ¶ 58.

⁶⁴⁹ *See* Snyder, Exh. JES-1T at 20, n. 36 (“Regarding the question of whether a subset of equity related costs remain incremental- there may be reasonable arguments to be made that, for example, costs related to preparing the CEIP, or the Company’s costs related to equity advisory groups, are still incremental costs, and therefore should not be included in the baseline portfolio.”).

⁶⁵⁰ *See* WAC 480-100-640(4), (8).

⁶⁵¹ *See* RCW 19.405.060(1)(c)(iii). *See also* RCW 19.405.020(40) (defining “Vulnerable Populations”).

⁶⁵² Dahl and Tam, Exh. CDAT-4 at 32.

⁶⁵³ *See generally* CEIP, App. E.

⁶⁵⁴ RCW 19.280.030(3)(a).

⁶⁵⁵ General Order R-601 ¶ 37.

- 355 In this case, PSE has primarily modeled the SCGHG as an externality cost.⁶⁵⁶ Although the CEIP includes a simplified modeling of SCGHG as a dispatch cost, NWECA witness Dr. Hart explains that this simplified modeling of dispatch costs is not truly persuasive. The CEIP's simplified modeling merely compares the fossil fuel resource to itself under two different methodologies, and it does not provide adequate information about the attractiveness of a clean energy resource relative to a fossil fuel resource.⁶⁵⁷
- 356 On rebuttal, PSE performed the modeling recommended by Dr. Hart. PSE witness Popoff testifies that this had very little impact on the Company's CETA case,⁶⁵⁸ but the modeling added 800 MW of wind resources and \$89.4 million in costs to the No-CETA case.⁶⁵⁹ Using the terminology from our rules, the "No-CETA case" would refer to the "alternative lowest reasonable cost and reasonably available portfolio."⁶⁶⁰ We have also referred to this concept as the "baseline" portfolio in this Order.
- 357 As NWECA and Front and Centered explain, the Company did in fact miss value and fail to identify the alternative lowest reasonable cost portfolio.⁶⁶¹ The issue is not merely the increased costs of purchasing additional wind resources in the "No-CETA case" but the avoidance of additional externality costs created by greenhouse gas emissions. This is the very purpose of the Legislature's direction to consider the SCGHG in evaluating intermediate and long-term resource options.⁶⁶² As the Company admits, modeling the SCGHG as a fixed cost adder results in a 20-year net present value (NPV) for the No-CETA case of \$16.06 billion.⁶⁶³ But modeling the SCGHG as a dispatch cost, as Hart advocates, results in a 20-year NPV for the No-CETA case of \$15.45 billion, indicating a cost difference of \$-0.61 billion.⁶⁶⁴
- 358 Because modeling the SCGHG in dispatch results in lower overall portfolio costs (including the SCGHG), we agree with Dr. Hart's conclusions that the Company's No-

⁶⁵⁶ See, e.g., Popoff, Exh. PJP-1T at 5:4-6.

⁶⁵⁷ Hart, Exh. EKH-1T at 24:21-25:10.

⁶⁵⁸ Popoff, Exh. PJP-1Tr at 8:6-7.

⁶⁵⁹ *Id.* at 9:5-9.

⁶⁶⁰ See generally WAC 480-100-660.

⁶⁶¹ See Revised NWECA and Front and Centered Brief ¶ 153.

⁶⁶² See RCW 19.280.030(3)(a)(iii).

⁶⁶³ Popoff, Exh. PJP-22X.

⁶⁶⁴ Popoff, Exh. PJP-23X.

CETA case does not reflect that actual, lowest reasonable cost “baseline” portfolio.⁶⁶⁵ It also indicates that applying SCGHG to dispatch provides more optimized portfolios and that this methodology should be adopted for the present time.⁶⁶⁶

359 Nevertheless, General Order R-601 requires the Company to continue to provide an alternative scenario, modeling the SCGHG as a fixed cost adder.⁶⁶⁷ The modeling of SCGHG is a complex issue, and our decision in this Order does not necessarily resolve this issue. We encourage the parties to continue to consider and evaluate different approaches to modeling the SCGHG. It is possible that, over time, with greater regulatory experience in this area, the Commission may arrive at a more definitive approach to modeling the SCGHG.

360 We are not persuaded by the Company’s rejoinder that its modeling of SCGHG as a fixed cost adder is more consistent with actual operations. Dr. Hart explains that her recommendation is to apply the SCGHG to dispatch in the Company’s long-term capacity expansion model, not to apply the SCGHG to dispatch in the separate dispatch simulation that reflects how the resources might perform in actual operations.⁶⁶⁸

361 We are not persuaded, either, by AWEC’s argument that Dr. Hart’s recommendation creates additional costs or that it has the effect of double-counting the SCGHG. NWECC has established that that Dr. Hart’s methodology results in a lower 20-year NPV of both the No-CETA and CETA cases when the SCGHG is included.⁶⁶⁹

362 Even if we set aside the SCGHG, which we should not, modeling the SCGHG in dispatch primarily affects the Company’s No-CETA case, which is a hypothetical “baseline” portfolio used for purposes of the incremental cost calculation. Using Dr. Hart’s methodology establishes that the Company *could* spend \$89.4 million more before hitting the 2 percent incremental cost threshold.⁶⁷⁰ This does not mean the Company is required

⁶⁶⁵ See Hart, Exh. EKH-1T at 27:2:5 (“If the re-optimized No CETA Portfolio yields a total portfolio cost (including the SCGHG) that is lower than the No CETA Portfolio in the CEIP, this would indicate that PSE’s No CETA Portfolio in the CEIP was not the lowest reasonable cost portfolio.”).

⁶⁶⁶ *Id.* at 27:5-7.

⁶⁶⁷ General Order R-601 ¶ 38.

⁶⁶⁸ Hart, Exh. EKH-1T at 30:9-17.

⁶⁶⁹ Compare Popoff, Exh. PJP-22X with Popoff, Exh. PJP-23X.

⁶⁷⁰ Popoff, Exh. PJP-1Tr at 11:8-11.

to. The Company is still required to achieve CETA's requirements at the lowest reasonable cost.

- 363 Furthermore, we do not agree that Dr. Hart's methodology results in double-counting the SCGHG. The Climate Commitment Act (CCA) allocates "no cost" allowances to electric utilities, which may be consigned to auction for the benefit of ratepayers.⁶⁷¹ We do not discern any conflicts or inconsistencies between the CCA and CETA, which requires utilities to model the SCGHG as a cost adder.⁶⁷²
- 364 Fourth, we address the ELCC of storage resources. Dr. Hart has testified that the CEIP provides ELCC values for storage resources well below those of other utilities,⁶⁷³ and that more recent analysis provides far higher ELCC values.⁶⁷⁴
- 365 Although Popoff defends the CEIP's reliance on lower ELCC values from the 2021 IRP, the Company has already committed to updating ELCC values in its 2023 Electric IRP Progress Report,⁶⁷⁵ which was recently filed with the Commission.⁶⁷⁶ There would be little purpose to require the Company to refile the 2021 CEIP with updated modeling, but we do require the Company to incorporate these updated ELCC values in the 2023 Biennial CEIP Update. We therefore adopt NWEC's and Front and Centered's proposed condition:

CONDITION 32. PSE will rerun its portfolio optimization models with an updated methodology for incorporating the Social Cost of Greenhouse Gas Emissions and updated capacity values for energy storage. PSE will recalculate its interim clean energy targets and energy storage sub-target, and its projected incremental cost of compliance with CETA, based on these new model runs. PSE will incorporate any changes in its 2023 Biennial CEIP Update.⁶⁷⁷

⁶⁷¹ RCW 70A.65.120.

⁶⁷² RCW 19.280.030(3)(a).

⁶⁷³ *Id.* at 34:1-2.

⁶⁷⁴ *Id.* at 35:1-8.

⁶⁷⁵ CEIP at 234.

⁶⁷⁶ *See* PSE's 2023 Electric IRP Progress Report, Docket UE-200304 (Mar. 31, 2023).

⁶⁷⁷ McCloy, Exh. LCM-8 at 5.

366 We observe that the Company has not objected to similar requirements, as proposed by
Staff in its proposed conditions.⁶⁷⁸

FINDINGS OF FACT

367 Having discussed above in detail the evidence received in this proceeding concerning all
material matters, and having stated findings and conclusions upon issues in dispute
among the parties and the reasons therefor, the Commission now makes and enters the
following summary of those facts, incorporating by reference pertinent portions of the
preceding detailed findings:

- 368 (1) The Commission is an agency of the State of Washington vested by statute with
the authority to regulate rates, regulations, practices, accounts, securities, transfers
of property and affiliated interests of public service companies, including electric
and natural gas companies.
- 369 (2) PSE is a “public service company” and an “electrical company” as those terms are
defined in RCW 80.04.010 and used in Title 80 RCW. PSE provides electric and
natural gas utility service to customers in Washington.
- 370 (3) The CEIP’s Interim Targets, including the 63 percent Interim Target for 2025,
appear reasonable in light of forecasted costs.
- 371 (4) The CEIP’s Specific Targets for Energy Efficiency are supported by an
appropriate record and should be approved subject to update in the 2023 Biennial
CEIP Update.
- 372 (5) The CEIP’s Specific Target for DR is unreasonably low and does not reflect all
cost-effective DR available.
- 373 (6) The evidence indicates likely benefits from evaluating potential DR resources for
summer peak demand, commercial customers, and industrial customers.
- 374 (7) The CEIP’s Specific Target for Renewable Energy is supported by the evidence
and largely unopposed by the non-Company parties.
- 375 (8) The CEIP’s Specific Target for DER is reasonable and supported by the evidence.

⁶⁷⁸ Compare Snyder, Exh. JES-3 at 2 (proposed condition 20) with Durbin, TR 150:1-13
(indicating that the Company does not oppose Staff’s proposed conditions 14 through 31).

- 376 (9) The evidence indicates that PSE should engage further with the EAG to refine its methodology for identifying Vulnerable Populations.
- 377 (10) The evidence shows likely benefits of re-expanding or disaggregating data to consider the vulnerability experienced by customers in particular Census Blocks.
- 378 (11) A geographic analysis of Vulnerable Populations is consistent with the Department of Health’s designation of Highly Impacted Communities and likely provides the most useful information for issues reasonably within the Company’s control.
- 379 (12) The CEIP’s CBI focused on reducing median electric bills does not provide sufficient, helpful information for the Commission.
- 380 (13) The record does not contain sufficient information to set interim targets or goals for CBIs at this juncture.
- 381 (14) The CEIP does not provide a description of the “specific actions” that PSE will take over the first compliance period.
- 382 (15) The CEIP’s reliance on RFPs and an illustrative DER portfolio as “specific actions” has frustrated the public engagement process and the ability of the non-Company parties to review the Company’s plans for the first CETA implementation period.
- 383 (16) The CEIP’s illustrative DER portfolio lacks program details and an analysis of potential impacts on Named Communities.
- 384 (17) The Company has provided inconsistent testimony as to whether future CEIPs may contain more detailed “specific actions.”
- 385 (18) PSE’s DER portfolio does not sufficiently allocate planned investments to Named Communities given the extent of Named Communities in the Company’s service territory.
- 386 (19) The evidence in this proceeding demonstrates that community solar provides greater benefits to customers compared to leasing of solar resources or leasing of battery storage resources.
- 387 (20) None of the CEIP’s DR residential DLC offerings include explicit details regarding program design, delivery strategy, or goals for including Named Communities.

- 388 (21) The evidence in this proceeding demonstrates that smart thermostat DLC programs have relatively greater benefits compared to heat switch DLC programs.
- 389 (22) The evidence demonstrates that there are likely benefits of co-deploying DR programs alongside energy efficiency programs.
- 390 (23) The CEIP provides little detail about how the Company's TVR pilot may impact Named Communities.
- 391 (24) The CEIP does not clearly distinguish between DERs and NWAs or explain why these investments are considered differently under the CEIP.
- 392 (25) The CEIP's public engagement plan is sufficiently detailed and properly considers potential barriers to customer participation.
- 393 (26) The credible evidence demonstrates that PSE is not adequately responding to feedback from EAG members and other interested persons.
- 394 (27) RCW chapter 19.405 provides for incremental cost as the standard for an alternative compliance pathway. Incremental cost is not a cost cap, a floor, or a budget.
- 395 (28) Using incremental cost as a constraint in the preferred portfolio selection process may result in the Company and the Commission overlooking opportunities for long-term portfolio savings.
- 396 (29) PSE has not established that certain marketing and promotional costs are directly attributable to CETA.
- 397 (30) Only a subset of equity-related costs, such as costs involved in supporting the EAG or identifying Vulnerable Populations, are directly attributable to CETA's requirements for purposes of the incremental cost calculation.
- 398 (31) Modeling the SCGHG in dispatch results in lower overall portfolio costs for the No-CETA case.
- 399 (32) The CEIP's ELCC values for storage resources are well below the ELCC values used by other utilities in the region and well below the ELCC values indicated by the Company's more recent analyses.

CONCLUSIONS OF LAW

400 Having discussed above all matters material to this decision, and having stated the
following summary conclusions of law, incorporating by reference pertinent portions of
the preceding detailed conclusions:

- 401 (1) The Commission has jurisdiction over the subject matter of, and parties to, this proceeding.
- 402 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 403 (3) Pursuant to RCW 19.405.060(1)(c), the Commission, after a hearing, must approve an investor-owned utility's CEIP, reject the CEIP, or approve the CEIP subject to conditions. The Commission may require more stringent targets than those proposed by the investor-owned utility.
- 404 (4) The CEIP's Interim Targets should be approved subject to Public Counsel's proposed conditions 1, 2, and 3, which require additional explanation of the Company's Interim Targets.
- 405 (5) The CEIP's Specific Target for Energy Efficiency is supported by an appropriate record and should be approved.
- 406 (6) The CEIP's Specific Target for DR should be approved subject to the condition that the Company updates the target to include all cost-effective DR bids submitted in response to its recent RFP.
- 407 (7) The CEIP's Specific Target for DER should be approved subject to Staff's proposed condition 4.
- 408 (8) The Commission should require PSE to continue to refine its methods for identifying Vulnerable Populations, adopting NWEC's and Front and Centered's proposed conditions 10 and 11, subject to certain modifications.
- 409 (9) PSE should be required to remove its CBI that measures climate change impacts by multiplying the social cost of carbon by reduced greenhouse gas emissions from the 2023 Biennial CEIP Update and future CEIPs.
- 410 (10) PSE should be required to include additional CBIs on energy burden and energy security as set forth in Public Counsel's modified conditions 24, 25, 26, and 29.

- 411 (11) A CEIP must include the specific actions that the Company “will take” over the implementation period.
- 412 (12) A CEIP must provide proposed program details and the proposed timing of its specific actions.
- 413 (13) The CEIP fails to comply with Commission rules because it relies on RFPs and an “illustrative” DER portfolio as its primary specific actions.
- 414 (14) PSE should be required to update all specific actions in its 2023 Biennial CEIP Update.
- 415 (15) PSE should be required to file a draft CEIP with the Commission on a timeline the Company deems sufficient to incorporate feedback into the final 2025 CEIP.
- 416 (16) PSE should be required to file a detailed narrative explaining why specific comments were not incorporated into its CEIP.
- 417 (17) The Commission should grant PSE an exemption from WAC 480-100-640(5) and (6).
- 418 (18) At this time, the Commission should decline to penalize PSE for violations of Commission rule given that this is the Company’s first CEIP.
- 419 (19) The Commission should require PSE to modify its DER portfolio by adopting NWEC’s and Front and Centered’s proposed conditions 1, 2, 23, and 24.
- 420 (20) The Commission should require PSE to modify its DR portfolio by adopting Public Counsel’s proposed conditions 13 and 14.
- 421 (21) The Commission should adopt Public Counsel’s proposed condition 15 regarding the implications of the TVR pilot for Named Communities.
- 422 (22) The Commission should adopt Public Counsel’s proposed conditions 16 and 17 regarding NWAs.
- 423 (23) The Commission should adopt NWEC’s and Front and Centered’s proposed condition 26, which provides for a Public Engagement Pilot.
- 424 (24) PSE should be required to retain a facilitator for the EAG, who is mutually agreeable to both the Company and Public Counsel.

- 425 (25) The Commission declines to provide guidance as to how PSE should proceed if its costs for achieving Interim or Specific Targets are markedly higher than the 2 percent incremental cost threshold.
- 426 (26) The Commission should adopt NWEC's and Front and Centered's proposed condition 22 regarding the use of incremental cost as a planning constraint.
- 427 (27) The Commission should adopt Public Counsel's proposed condition 32.b., which provides that certain DER enabling technologies are not directly attributable to CETA for purposes of the incremental cost calculation.
- 428 (28) The Commission should adopt Public Counsel's proposed condition 33 requiring the Company to remove certain marketing and promotional costs from the incremental cost calculation.
- 429 (29) The Commission should provide guidance to the Company that only a subset of equity-related costs are directly attributable to compliance with CETA.
- 430 (30) In the 2023 Biennial CEIP Update and future CEIPs, PSE should be required to model the SCGHG in dispatch, and the Company should provide an alternative scenario where SCGHG is modeled as a fixed cost adder.
- 431 (31) The Commission should adopt NWEC's and Front and Centered's proposed condition 20, which requires the Company to update ELCC values for storage resources.
- 432 (32) The Commission should authorize the Commission Secretary to accept by letter, with copies to all parties to this proceeding, a filing that complies with the requirements of this Order.
- 433 (33) The Commission should retain jurisdiction over the subject matters and the parties to this proceeding to effectuate the terms of this Order.

ORDER

THE COMMISSION ORDERS That:

- 434 (1) Puget Sound Energy's Final CEIP filed on December 17, 2021, in this Docket is accepted, subject to the conditions set forth in paragraphs 52, 86, 94, 109, 153, 200, 202, 203, 247, 278, 297, 299, 303, 316, 344, 348, 349, and 365 in this Order, and set forth in Appendix A to this Order.

- 435 (2) Puget Sound Energy is authorized and required to make a compliance filing in this Docket within 10 business days as set forth in paragraph 203 of this Order.
- 436 (3) Puget Sound Energy is authorized and required to make compliance filings within 60 days of the entry of this Order as set forth in paragraphs 86, 94, 153, and 316 of this Order.
- 437 (4) The Commission Secretary may accept by letter, with copies to all parties in this proceeding, a filing that complies with the requirements of this Final Order.
- 438 (5) Puget Sound Energy is granted an exemption from WAC 480-100-640(5) and (6) for Puget Sound Energy's Final CEIP filed on December 17, 2021.
- 439 (6) The Commission retains jurisdiction over the subject matters and parties to this proceeding to effectuate the terms of this Order.

Dated at Lacey, Washington, and effective June 6, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner

NOTICE TO PARTIES: This is a Commission Final Order. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-07-870.