



EXECUTIVE SUMMARY

CHAPTER ONE

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1. Introduction

Puget Sound Energy (PSE) is Washington State’s largest and oldest utility, serving 1.5 million customers in ten counties over 6,000 square miles. We were an early leader in clean energy — from establishing one of the largest energy efficiency programs in the nation to building our first wind facility, Hopkins Ridge in 2005, to establishing a pathway to remove coal-fired generation by the end of 2025. Our commitment to clean energy and reducing greenhouse gas emissions has only strengthened in recent years, as evidenced by our support of the passage of the Clean Energy Transformation Act (CETA) and the Climate Commitment Act (CCA).

In 2021, PSE developed and filed its first Clean Energy Implementation Plan (the 2021 CEIP). The 2021 CEIP described PSE’s initial plan to implement CETA for the first compliance period (2022–2025). It charted new directions in our electricity supply and included new and diverse voices in planning. It aimed to find affordable, clean energy solutions that benefit all customers, while reducing burdens on highly impacted communities and vulnerable populations.

The Washington Utilities and Transportation Commission (the Commission) approved the 2021 CEIP with conditions in Order 08 in Docket UE-210795 on June 6, 2023. This 2023 Biennial CEIP Update (the Biennial Update) is an opportunity to update goals and targets, address conditions in Order 08, and report progress on specific actions, equity, and public engagement.

2. Meeting our clean energy obligations

PSE is on track to meet the CETA obligation that all retail electric load¹ be greenhouse gas neutral by 2030,² and that by January 1, 2045 all retail electric load be supplied by clean energy, defined as either renewable³ or nonemitting electric generation⁴ resources.⁵ In the 2022-2025 compliance period, we expect to deliver about 3.5 million more megawatt-hours (MWh) of clean energy to our electric customers than projected in the 2021 CEIP.

PSE proposed annual goals for the 2022-2025 compliance period as a measure of progress towards CETA compliance in the 2021 CEIP. Table 1.1 compares the annual goals presented in the 2021 CEIP with some adjustments in this Biennial Update.

1. See RCW 19.405.020(36) (defining “retail electric load”)
2. RCW 19.405.040(1)
3. See RCW 19.405.020(34) (defining “renewable resource”)
4. See RCW 19.405.020(28) (defining “nonemitting electric generation”)
5. RCW 19.405.050(1)

Table 1.1: Clean energy goals and interim target

Document	2022	2023	2024	2025	Interim target (average)*
2021 CEIP	43%	53%	59%	63%	54.5%
2023 Biennial Update	45.4% (actual)	53% (actual + projected)	60% (projected)	60% (projected)	54.5% (projected)

* The average may differ slightly based on rounding.

As shown in Table 1.1, PSE proposes to adjust the 2025 annual goal from 63 percent to 60 percent. Furthermore, PSE proposes that the interim target for the four-year compliance period be the average of the annual targets. Although the 2021 CEIP did not express the interim target as an average over the four-year compliance period, the use of such an average is consistent with CETA, which relies upon multiyear compliance periods.⁶ Accordingly, this Biennial Update expresses annual clean energy percentages as “annual goals,” and the interim target for the four-year compliance period as the four-year average of annual goals.

The reduction in the annual goal for 2025 from 63 percent to 60 percent is the product of a significant increase in retail electric load — an increase of approximately 7 percent — since publication of the 2021 CEIP. An increase in retail electric load requires significantly more clean energy generation resources to achieve the annual goal than originally projected in the 2021 CEIP. Other factors have contributed to the adjustment to the 2025 annual goal. For example, many clean energy resources under development in the region have delayed their commercial operating dates for a variety of reasons, such as delays related to interconnection and transmission issues and supply chain constraints. Additionally, the demand for electricity from clean energy resources has increased faster than supply, thereby tightening the market for these resources.

PSE continues to work diligently to acquire more electricity from clean energy resources, but many such resources under active consideration by PSE now fall outside the 2022-2025 compliance period. Accordingly, PSE seeks to adjust the 2025 annual goal from 63 percent to 60 percent. However, this proposed adjustment in the 2025 annual goal does not affect PSE’s interim target of serving 54.5 percent of retail electric load with clean energy resources over the four-year compliance period.

In this Biennial Update, PSE seeks to adjust the 2025 annual goal from 63 percent to 60 percent but maintain an interim target to serve at least 54.5 percent of retail electric load with clean energy resources over the 2022-2025 compliance period.

6. See, e.g., RCW 19.405.040(1)(a) (requiring electric utilities to achieve compliance with the greenhouse gas neutral standards over three four-year compliance periods and one three-year compliance period beginning January 1, 2030, and ending December 31, 2044).

- Additional details on PSE’s clean energy goals and targets can be found in [Chapter 2: Updating the Clean Energy Targets](#).

3. Refining specific targets for customer programs

In the 2021 CEIP, PSE identified specific targets for energy efficiency, demand response, and distributed energy resources — all of which provide customers the ability to participate in some way in the clean energy journey.

In this Biennial Update, PSE proposes to update three of these targets:

- **Energy Efficiency:** Total energy efficiency of 934,337 MWh over the four-year compliance period (536,717 MWh in the 2022-2023 period and 397,620 MWh in the 2024-2025 period)⁷
- **Demand Response:** An increase in the demand response target from 23.7 MW to 86 MW by 2025
- **Renewable Energy:** An increase in the renewable energy target as a percent of new utility-scale renewable energy, from 10.5 percent to 11 percent

Table 1.2: Specific targets for customer resources 2022-2025 biennium

Category	2021 CEIP	2023 Biennial Update	Notes
Energy efficiency	1,073,434 MWh	934,337 MWh	Updated based on 2024-2025 Biennial Conservation Plan
Demand response by 2025	23.7 MW	86 MW	Increased based on cost-effective RFP resources consistent with direction in Order 08, Condition 4.
Renewable energy (%)	10.5% as a percent of <u>new</u> utility-scale renewable energy (updated in 60-day compliance filing)	11% as a percent of <u>new</u> utility-scale renewable energy	Updated to reflect the percentage of new utility-scale renewable energy to contribute to the updated targets.
Distributed energy resources – solar by 2025	80 MW	80 MW	On track
Distributed energy resources – storage by 2025	25 MW	25 MW	On track

In this Biennial Update, PSE seeks to update the specific targets for energy efficiency, renewable energy, and demand response. PSE’s specific targets of 80 MW for distributed solar and 25 MW of distributed storage remain unchanged.

7. See PSE’s 2024-2025 Biennial Conservation Plan, filed on November 1, 2023, at [UE-230892](#) and [UG-230893](#).

→ Additional details on these specific targets can be found in [Chapter 2: Updating the Clean Energy Targets](#).

4. Complying with Commission Order 08

On June 6, 2023, the Commission approved the 2021 CEIP, subject to conditions, in Order 08.⁸ The approval solidified our path to meeting the targets and sub targets developed in the first CEIP. Through these conditions, detailed in [Appendix B: Commission Order 08 Conditions and Status](#), the Commission instructed PSE to make several adjustments and revisions to its plan in the Biennial Update and in the 2025 CEIP.

The following sections outline key conditions addressed in this Biennial Update. In addition, throughout this document, PSE discusses how it is fulfilling the conditions relevant to the Biennial Update and provides updates regarding progress on longer-term conditions.

→ Please see [Appendix B: Commission Order 08 Conditions and Status](#) for additional details on specific conditions.

4.1. Named communities

The Commission included two conditions in Order 08 related to named communities:

- Condition 9, which requires PSE to include certain metrics within the list of vulnerable populations⁹
- Condition 10, which requires PSE to include certain modifications to the designation methodology for vulnerable populations¹⁰

PSE initially implemented the requirement of Condition 9 by including a specific list of additional factors in the definition of named communities. We found that such inclusion, however, resulted in a reclassification of nearly all of the block groups in PSE’s service territory as high vulnerability, which did not seem to be the result intended by the Commission in Order 08.

Upon reflection on the intent of Condition 9, we refined the approach to incorporate factors that, in the words of the Commission, “truly renders communities vulnerable.”¹¹ To meet the requirements of Condition 10, we modified the vulnerability classification. The modifications required by Conditions 9

8. See Order 08, *infra* note 3.

9. See Order 08, Appx A at ¶ 11.

10. See Order 08 at ¶ 12.

11. See Order 08, *infra* note 3, at ¶ 154.

and 10 resulted in adjustments to classifications at the census block group level. Of the 1,613 census block groups in PSE's electric service territory:

- 74 percent of the census block groups retained the same vulnerability classification
- 12 percent of the census block groups increased in vulnerability
- 14 percent census block groups decreased in vulnerability

In the new classification, approximately

- 342,000 residential customers (33 percent of all residential electric customers) are in high vulnerability block groups
- 386,000 residential customers (36 percent of all residential electric customers) are in medium vulnerability block groups
- 337,000 residential customers (31 percent of all residential electric customers) are in low vulnerability block groups

None of the changes in vulnerability designations were concentrated in any single part of PSE's electric service territory.

➔ Details on this definition and minimum designation can be found in [Chapter 3: Equity](#).

4.2. Deepest need and minimum designation

Through collaboration with our advisory bodies and interested parties in the summer and fall of 2023, we developed a methodology to understand and identify our customers who are in the deepest need, and to focus our engagement and resources towards making sure they benefit from the clean energy transition.

PSE also identified a minimum designation of energy benefits (2.5 percent) that must be dedicated to customers who are in the deepest need. We consider this percentage an initial goal for the remainder of the 2022-2025 compliance period. Prior to this Biennial Update, PSE has never designated a minimum designation of energy benefits for customers in the deepest need. Additionally, there is no precedent for PSE to follow.

We will strive to meet this minimum designation of 2.5 percent by the end of the 2022-2025 compliance period but also realize we have a lot of new work to do in this space. PSE also recognizes that conversations and collaboration with interested parties and advisory bodies must continue as we refine and develop programs to reach our customers with the deepest need. PSE expects to update the

minimum designation — and, perhaps, the definition of customers in the deepest need — in the 2025 CEIP.

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- Details on this definition and minimum designation can be found in [Chapter 3: Equity](#); the collaborative process used is described in [Chapter 4: Public Participation](#).
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5. Embedding equity

Since filing the 2021 CEIP, PSE has continued to research and understand energy equity. This research and understanding have resulted in a better understanding of the subject, has informed a framework for energy justice, and has provided insights into how to operationalize equity within the clean energy transition.

A Commission order in a proceeding involving Cascade Natural Gas Company¹² has also provided important guidance. This order suggests that utilities in Washington start with four tenets of energy justice: recognition, procedural, distributional, and restorative justice. This Biennial Update includes references to these four tenets of energy justice and provides specific implementation examples of how PSE has advanced equity work, such as:

- In recognition justice, we have updated the definition of vulnerable populations to streamline the factors of vulnerability and identify challenges facing the most severely disadvantaged customers.
- In procedural justice, we have prioritized efforts towards education and awareness for programs focused on named communities and advanced efforts in partnering with community-based organizations and customers.
- In distributional justice, we have added measures to track the progress made through programs and actions and designated a percentage of energy benefits to named communities and customers in deepest need.*

This focused approach on equity accelerates the ability of customers in named communities to participate and realize the benefits of the energy transition. By executing on these three tenets as described above, PSE will advance the fourth tenet, restorative justice, by providing benefits for and reducing existing barriers to PSE's most vulnerable customers.

12. WUTC v. Cascade Natural Gas Corp., Docket UG-210755, Order 09 (Aug. 23, 2022).

6. Delivering equitable and meaningful engagement

In alignment with the concept of procedural justice, PSE developed a strategy for conversations and dialogue with community members, with an emphasis on further understanding existing barriers and building relationships through community organizations. Since 2021 we have thoughtfully engaged with our customers, particularly in named communities, in conversations supporting our ongoing engagement, program design, and specific topics like defining deepest need. These engagements resulted in recommendations and decisions supporting new and refined programs and critical definitions and approaches.

Since filing the 2021 CEIP, PSE has explored a range of new approaches and tactics, including but not limited to joint meetings with advisory bodies and empowering Equity Advisory Group (EAG) members to form a steering committee, participate in grant selection panels, and host two equity forums. We are proud of the results of this dialogue and conversations with interested parties, advisory bodies, and customers, including a greater understanding of how best to develop and design programs, products, and services, and deliver a more just clean energy transition.

We also recognize we are still in the early stages of a long journey. Using the lessons learned, we will continue to engage with customers, especially in named communities, as we work to achieve our goals and targets.

→ Additional details on our engagement efforts can be found in [Chapter 4: Public Participation](#).

7. Designing specific actions

PSE has collaborated with customers in named communities to develop and deliver programs and products to deliver energy from renewable and nonemitting electric generation resources and provide benefits to such customers.

Programs developed include:

- Four (4) new demand response programs
- Two (2) new DER – solar programs to accompany four (4) existing DER – solar programs
- Two (2) DER – storage programs
- The continuance of a variety of energy efficiency programs

We designed programs based on feedback from customers in named communities, and these programs reflect specific-design elements developed in response to such feedback. New programs —

such as the residential rent-to-own program — will provide customers an opportunity to power their residences directly from solar resources. Other programs — such as the Flex Reward demand response program — will provide customers with incentives to reduce energy usage. Together, these programs offer greater opportunities for customers, especially our customers in named communities, to participate in the clean energy transition.

→ Specific actions are further detailed in [Chapter 5: Specific Actions](#).

8. Delivering customer benefits

The customer benefit indicators (CBIs) developed in the 2021 CEIP are important to distributional justice. CBI metrics illustrate how PSE’s customers benefit from the clean energy transition and document progress over time. Most of the initial CBI metrics remain in place for the Biennial Update. The Commission’s Order 08, however, required PSE to add two CBIs, two new metrics to an existing CBI and remove one CBI.

The new CBIs and metrics required by Order 08 include:

- Arrearages and disconnections
- Energy burden
- Residential rebates

→ Customer benefit indicators are further detailed in [Chapter 6: Customer Benefit Indicators](#).

9. Next steps

This Biennial Update is the second milestone in a clean energy journey that will span almost a quarter century. We are pleased to share updates on specific actions accomplished so far and what is planned for the remainder of the compliance period. We are on track to meet our CETA obligations for 2030 and 2045, while recognizing there is much work still ahead. PSE must continue to acquire new customer-scale and commercial-scale resources, partner and collaborate with customers and interested parties, including those in named communities and deepest need. And, alongside all this important work, we need to maintain and provide affordable, safe, and reliable service now and in the years to come.