



September 13, 2021

The Honorable Kim Schrier
1123 Longworth House Office Building
Washington DC 20515

Dear Congresswoman Schrier:

Puget Sound Energy (PSE) is Washington State's oldest and largest investor-owned energy utility, serving over 1.1 million electric and over 850,000 natural gas customers with safe and reliable energy services. We strive to be our customers' clean energy partner of choice and are deeply committed to helping them reach their energy goals – whether those be helping them better manage their energy usage, reducing the carbon content of the energy that we deliver, or providing assistance with their utility bills during these challenging times.

Earlier this year, PSE set an aspirational goal to be a “Beyond Net Zero Carbon” company by 2045: PSE will target reducing its own carbon emissions to net zero and go beyond by helping other sectors, such as transportation, reduce their carbon footprint. Furthermore, we are at a critical junction in Washington State. The state's Clean Energy Transformation Act (CETA), which our company supported in the legislature in 2019, pushes our company in an exciting direction – to meet an 80% carbon-free and 100% carbon neutral goal by 2030, and to achieve a 100% carbon-free electric portfolio by 2045. At this time, our company is developing its first ever Clean Energy Implementation Plan and continuing to work through our state's administrative process to ensure we meet all applicable CETA goals as expected by our customers.

Indeed, our state strives to go further and faster than others. We believe that our commitment to meet the requirements of CETA and the expectation of Washington State customers matches or exceeds the clean electricity goals laid out by the Biden Administration and the Congressional majority. However, we are concerned by the hastened introduction of the legislation, short review period, and lack of clarity provided to stakeholders in the Energy & Commerce Committee's bills release on September 9th. We write you today to share the following concerns and to commit to working through them with you if the proposal is deferred for later consideration by the Committee or throughout the budget reconciliation process.

Clean Electricity Performance Program

We appreciate the effort to further incentivize and finance the clean energy transition, but we are concerned that the proposed Clean Electricity Performance Program (CEPP) envisioned in Subtitle D may fail to achieve its objectives by punishing companies that are leading efforts to reduce their carbon emissions. Our company is committed to reach 100% carbon neutrality in our electric portfolio by 2030 with at least 80% carbon-free resources. In fact, meeting that commitment may well translate to achieving yearly averages of 4% to 5% reductions (or more) throughout the process, but there are many other factors and uncertainties that can affect yearly averages, or percentage reductions, on a short term basis; even if our carbon trajectory remains constant.

First, the methods of calculating energy supply content and the details of which types of resources will be eligible can have a significant impact on whether any utility achieves the goals. While this is an administrative issue, these details can significantly impact the ability of industry leaders to achieve the CEPP's targets and need to be made clear. Second, the year-to-year variability of resources such as hydroelectric and wind power may disrupt that variable progression in any short period of time that could trigger our company to pay a penalty despite investing in, seeking, and procuring clean power toward our goal of at least 80% renewable or non-carbon emitting energy within the CEPP time period¹. Third, the CEPP's uniform, annual 4% emission reduction target does not appear to fairly assess, or flexibly account for, the decades of work and continued commitment toward carbon reductions that early actor companies and companies in states that developed renewable portfolio standards have already invested.

PSE wishes to further engage on this important program, and commits to working with you, the Energy & Commerce Committee, and the U.S. Department of Energy on the details of this program to ensure that it meets the intent of reducing carbon emissions; and it accounts for factors and uncertainties specific to the Pacific Northwest.

EPA Methane Fee

PSE is a provider of safe, affordable, and reliable natural gas service in western Washington and an industry leader in reducing the emissions associated with our natural gas distribution system. In fact, PSE's Beyond Net Zero goal aspires to reach net zero carbon emissions for natural gas sales by 2045—customer use in homes and businesses—with an interim target of 30% emissions reduction by 2030. PSE is clearly seeking a path to reduce emissions from the natural gas sector; however, we have concerns with the application of the methane fee described in Subtitle A, especially considering that this policy was not well socialized nor heard by the Committee prior to inclusion in the Subtitle.

For example, we are concerned that the fee could broadly increase the cost of all natural gas purchased by our company for the use and benefit of our customers – the burden of which may disproportionately fall on low- to moderate-income

¹ In regions such as the Pacific Northwest that are highly hydropower dependent, an outlier low snowpack year could significantly impair what would otherwise be carbon reductions on a temporary basis. As a result, an energy supplier could be penalized for weather impacts completely out of the supplier's control and that do not reflect the supplier's commitment to, and investment in, renewable energy.

customers who rely on affordable and reliable gas service during our region's fall-to-spring home heating season. We are also concerned that increasing costs while we are accelerating procurement of alternative fuels, such as renewable natural gas or hydrogen, could have unintended consequences and may detrimentally impact the demand for investment needed to further drive innovation and accelerate decarbonization in our region.

PSE is exploring hydrogen as part of a balanced solution that involves renewable natural gas and conservation efforts to lower the carbon intensity of our gas service, and we are sharing findings with industry partners to accelerate research and drive further innovation. Indeed, opportunities such as those envisioned in the Senate-passed bipartisan infrastructure bill signify an intent to invest in the innovation and adoption of hydrogen resources; innovation that will utilize the strength of the existing natural gas distribution system and, according to various analyses, lower the cost of overall regional decarbonization in the Pacific Northwest.

We appreciate the intention of this policy, but given the incredibly short timeframe for review and comment – and the impact it could potentially have on the rates charged to our customers – we ask that the Committee consider this important policy at a later date.

High-Efficiency Electric Home Rebate Program

PSE notes a clear drive toward an electric-only or electrification-preferred outcome for energy efficiency investments and home energy upgrades in Sections 30421 and 30422 of Subtitle D. We have done, and continue to do, extensive analysis on how to best decarbonize our grid while maintaining affordability and reliability. We strongly believe in the need for a dual energy system that can utilize both the electric grid and the natural gas pipeline infrastructure that exists in the Pacific Northwest. While we see a benefit to targeted and thoughtful electrification, we consider broad assumptions about electrification biases misguided for our region and customers, and suggest that the policies laid out in electrification sections of Subtitle D be discussed first in a full committee hearing before being considered in a markup.

More specifically, various analyses have shown, and continue to show, that managed decarbonization using hybrid heat pumps and more hydrogen and renewable natural gas in the Pacific Northwest allows utilities to maximize complementary energy systems to mitigate large electric peak demand impacts at a lower cost to customers. The value of the gas system infrastructure is most beneficial on the coldest days of the year in our region (i.e., temperatures below 35F) when electric heat pump efficiency decreases significantly. For these reasons, we believe – at a minimum – hybrid heat pumps must be an integral component of all energy efficiency-related rebate programs in this bill.

Transmission, Electric Transportation Incentives

The majority of carbon emissions in Washington State come from the transportation sector which, unlike the electric sector, has not made significant carbon reductions over the past 20 years. We strongly believe that addressing

transportation sector emissions is imperative if we are going to make significant carbon reduction progress in Washington State. For this reason, PSE added a “Beyond” component to our company’s net zero goal.

We appreciate that the legislation before the Committee would make significant additional investments to expand transmission capacity in our region, accelerate the adoption of electric vehicles, and further transportation electrification programs. These are important investments that PSE supports. These policies could ensure our region’s ability to decarbonize on a schedule – and at a cost – that meets our customers’ expectations and boosts customer confidence in electric vehicles and charging capabilities. We look forward to working with your office, the Committee, and relevant agencies on all aspects to implement these important programs.

Thank you for the opportunity to convey our thoughts on the Energy & Commerce Committee’s Budget Reconciliation provisions. We hope that our perspective, and our company’s commitment to leading the clean energy transition in a way that works for our customers and our region, provides guidance to you and your colleagues as you consider this important bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Adrian J. Rodriguez". The signature is fluid and cursive, with a large, stylized initial "A" and "R".

Adrian J. Rodriguez
Senior Vice President, Regulatory and Strategy
Puget Sound Energy