

Topic	Topic Primer
<p>Defining key societal impacts for the ISP cost test</p> <p>Kara Durbin, Director, Clean Energy Strategy</p> <p>Brian Tyson, Manager, Clean Energy Planning & Implementation</p>	<p><u><i>Why is this topic being presented to the EAG?</i></u></p> <p>State regulations require PSE to use a "Cost Test" when comparing different clean energy portfolios in our Integrated System Plan (ISP). This test may include societal impacts like equity and economic development, but the regulations don't specify exactly how to define or measure these impacts. PSE needs EAG input on how and whether to best consider equity impacts and economic development effects as part of the cost test. PSE is also seeking input from other advisory groups, such as the RPAG and CRAG, on other parts of the cost test. The cost test will be used later in the ISP process to help PSE select its preferred portfolio among different portfolio options.</p> <p><u><i>What will you be asked to advise on?</i></u></p> <p>How might PSE define and/or measure equity and economic development impacts when comparing different resource portfolios? Specifically:</p> <ul style="list-style-type: none"> • How might we assess equitable distribution of benefits and reduction of burdens" for Named Communities? Should we focus on energy burden, community benefits, or other equity measures? • How should we assess economic development impacts? Example: job creation at the portfolio level? • Are there quantitative methods to measure these things, or are they better evaluated on a qualitative basis? <p><u><i>Key Terms & Acronyms in the Presentation</i></u></p> <p>ISP: Integrated System Plan, PSE's required 20-year plan that combines gas and electric planning to achieve clean energy targets while maintaining reliable, affordable service</p> <p>Cost Test: State-required tool that quantitatively compares clean energy portfolios across multiple impact categories (financial, environmental, societal)</p> <p>Societal Impacts: Effects on society beyond just utility costs (equity, jobs, health, environment, etc.). The ISP team refers to the various societal impacts that may be included in the cost test as "cost test elements."</p> <p>Portfolio: A complete package of energy resources and programs based on a range of approaches (scenarios to compare could include, for example, projections based on things like "continue current approach," "focus is on building electrification," "transition to 100% clean energy"). The "preferred portfolio" is the one that PSE will recommend in its final ISP.</p> <p>Portfolio Level: Large-scale, system-wide impacts (rather than local or regional effects)</p> <p>Generic portfolios of resources: Modeling outputs that identify the amounts of different resources (e.g., wind, solar, storage, thermal) that best fit the system needs. These are conceptual approaches rather than detailed project lists.</p> <p>Monetized/Quantitative/Qualitative: Three options to measure impacts - in dollars, in numbers, or in descriptive analysis</p> <p>Other terms in the presentation:</p> <p>SCGHG: Social Cost of Greenhouse Gas emissions (dollar value assigned to environmental impact from carbon emissions)</p> <p>Host Customer: Individual customers who have utility equipment on their property (like rooftop solar panels or battery storage)</p>

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	<p>Risk Reduction Premium: Special costs related to Washington State's Climate Commitment Act cap-and-trade program allowance prices</p> <p>Equity Impacts: The equitable distribution of benefits and reduction of burdens for Named Communities (WAC 480-100-610 (4)(c)).</p> <p><u>Relevant context & details</u></p> <p>Legal Requirements: State regulation WAC 480-96-030 includes requirements related to the Cost Test. The regulation requires "engagement and consultation with advisory groups" to determine how these impacts should be considered.</p> <p>Decision Framework: The Cost Test results are considered in PSE's selection of a preferred portfolio, which must demonstrate how it serves the public interest and achieves an equitable distribution of benefits.</p> <p>Commission Expectations: The UTC expects meaningful advisory group engagement on consideration of societal impacts for the cost test. Past EAG Efforts: The ISP team takes into consideration your contributions to Customer Benefit Indicators (CBIs) in the Clean Energy Implementation Plan (CEIP) planning process, which are used to measure progress (backward looking). The ISP builds upon the work of CBIs, adding some similar and new impacts to consider across the system on a forward-looking basis.</p>
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The slide deck and agenda are available on the [website](#).

Additional questions or concerns? Please reach out to EAG@PSE.com

Frequent Acronyms & Key Terms

PSE's Energy Glossary is [here](#).

Relevant Policy & Legislation

UTC (Utilities and Transportation Commission): The state agency that regulates utilities in Washington, setting rates and ensuring companies follow state energy laws.

CETA (Clean Energy Transformation Act): Passed in 2019 and commits WA state to a carbon-neutral electric supply by the first compliance period of 2030-2033 and 100% clean electricity by 2045 (RCW 19.405)

CCA (Climate Commitment Act, "Cap and invest"): Passed in 2021, state law that seeks to reduce greenhouse gas emissions from the largest emitting sources and industries, to work towards the state's greenhouse gas limits set in state law, through a market-based carbon allowance compliance cap-and-invest program. (RCW 70A.65)

HB 1589 (Decarb Bill for Large Combined Investor-Owned Utilities) – passed in 2024, it streamlines the planning processes by requiring PSE to prepare a first in the nation Integrated System Plan (ISP), to support the future energy choices of our customers in alignment with Washington state's clean energy goals.

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Energy Equity Tenets: Identified by the University of Michigan [Energy Equity Project](#) and adopted by the Washington Utilities and Transportation Commission in [Docket UG-210755, Final Order 09](#), they are: Recognition Justice, Procedural Justice, Distributional Justice, and Restorative Justice.

PSE Terms

ISP (Integrated System Plan): a plan that considers gas and electric systems as a whole, which includes electric integrated resource plan (IRP), gas integrated resource plan, and clean energy implementation plan (CEIP).

CEIP (Clean Energy Implementation Plan): PSE's 4-year detailed plan for achieving CETA requirements and clean energy goals. It was previously a stand-alone document but now is a component of the larger ISP.

Named Communities (NCs) are a combination of Highly Impacted Communities and Vulnerable Populations. Customers in highly impacted communities as outlined in CETA.

Highly impacted communities (HICs) are areas identified by the Washington State Department of Health as facing high environmental and health risks or located on tribal lands. Census tracts scoring 9 or 10 on a cumulative impact scale are included.

Vulnerable populations (VPs) are communities facing greater cumulative risks from environmental burdens due to socioeconomic challenges (like unemployment, high living costs, limited access to food and healthcare, and language barriers) and health sensitivities (such as low birth weight and higher hospitalization rates).

Customers and communities with deepest need are those living in areas identified as clusters of severe energy burden and multiple compounding factors hindering the ability to access adequate resources

Energy Burden: The percentage of household income spent on energy bills. Higher percentages indicate greater financial stress from energy costs.

Community Terms

CBO (Community Based Organizations): Community-led groups that serve local communities and understand their unique needs.

Suggest new acronyms/terms you'd like to see on the hot sheet list by emailing them to EAG@pse.com.