

**EXHIBIT NO. ___(LYN-3)
DOCKETS UE-151871/UG-151872
PSE EQUIPMENT LEASING SERVICE
WITNESS: LIZ Y. NORTON**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Dockets UE-151871
UG-151872**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
LIZ Y. NORTON
ON BEHALF OF PUGET SOUND ENERGY**

JULY 1, 2016

Upon approval of Schedules 75, PSE will implement Lease Solutions as set forth below to demonstrate delivery of net benefits, customer interest, fair pricing, and how leasing is part of a viable pathway to the utility of the future.

1. Increase overall system energy efficiency and deliver net benefits through customer choice

Annual Tracking and Reporting

- Track and report annually to the Commission the age and estimated efficiency of replaced equipment and the count and efficiency rating of the new leased equipment.
- Track and report annually to the Commission the share of leased equipment that qualifies for energy efficiency rebates

Current Rental Program Transition (as detailed in McCulloch Exhibit No. (MBM-22))

- Upon equipment failure: these customers will be given the opportunity to transition to Lease Solutions or terminate their rental.
- Upon service life completion: These customers will be provided the option to transition to Lease Solutions or terminate their rental. PSE will work to transition within five years from approval all ~15,000 rental customers whose equipment is currently beyond its service life. The remaining ~17,000 customers will be provided the option to transition or terminate once their equipment has met its service life.

Conservation Target Setting

- Discuss as a part of the 2018-2019 Biennial Conservation Planning process how the leasing service may influence rebate target setting.

2. Utilize the leasing service to pilot customer energy generation storage demand response/management solutions.

Demand Response/Demand Management

- 100% of the leasing customers will be offered the opportunity to participate in Bonneville's demand response technology demonstration project as well as other demand response/load control pilots that will result from PSE's recently filed Request for Proposals with the WUTC.¹

¹ Dockets UE-160808 <http://www.utc.wa.gov/docs/Pages/DocketLookup.aspx?FilingID=160808> & UE-160809 <http://www.utc.wa.gov/docs/Pages/DocketLookup.aspx?FilingID=160809>

- Simplify customer recruitment for demand response/management pilots by utilizing leasing customers
- Utilize leased Wi-Fi equipment to test technical connectivity and communication platforms for demand management pilots

Customer Generation and Energy Storage

- Utilize the leasing platform to test the viability of leasing customer generation and storage equipment such as batteries, both independently and in combination.

3. Confirm final pricing and product selection through compliance filing within 60 days of approval

- Submit a compliance filing with updated rates for Schedule 75 based on the results of final contract execution.
- Provide additional equipment options aligned to those products already filed in these schedules; i.e. include higher input capacity natural gas furnaces

4. Evaluate the leasing service's value to other policy priorities

- Leverage the leasing service as a real pilot to study and develop further regulatory policy to help shape the “utility of the future”
- In Year 5, report additional value of the leasing platform and its contribution to additional policy priorities such as:
 - Financial value of the leasing platform to ratepayers
 - Affordable access to natural gas service
 - Core service reliability
- Conduct regional workshops with Commission, utilities, and parties to continue the dialogue on the industry transition