

**EXH. AEW-7  
DOCKETS UE-220066/UG-220067  
2022 PSE GENERAL RATE CASE  
WITNESS: AMY E. WHEELLESS**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Docket UE-220066  
Docket UG-220067**

**SIXTH EXHIBIT (NONCONFIDENTIAL) TO  
THE PREFILED RESPONSE TESTIMONY OF**

**AMY E. WHEELLESS**

**ON BEHALF OF NW ENERGY COALITION, FRONT AND CENTERED, AND  
SIERRA CLUB**

**JULY 28, 2022**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-220066 & UG-220067  
Puget Sound Energy  
2022 General Rate Case**

**PUBLIC COUNSEL DATA REQUEST NO. 156:**

**RE: Performance Measures and Incentive Mechanisms, Lowry Exh. MNL-1T at 21:12–16.**

Regarding the statement in Dr. Lowry’s Testimony, Exhibit MNL-1T, that “[p]olicy PIMs are proposed in two areas where NWEAC made proposals, although specifics of the PSE and NWEAC proposals differ,” please list the differences and explain why PSE believes its proposals are more appropriate.

**Response:**

**Demand Response PIM**

Puget Sound Energy (“PSE”) notes that NWEAC proposed elements of Demand Response (“DR”) and Electric Vehicle (“EV”) performance incentive mechanisms (“PIMs”) during the PIM stakeholder process to offer some specific guidance and spur discussion. With that caveat in mind, the differences between the NWEAC and PSE proposals regarding the demand response PIM are provided below:

*1. Seasonal Metrics*

NWEAC suggests metrics for both the reduction to winter peak demand and the reduction to summer peak demand. PSE proposes a single metric based on the reduction to winter (annual) peak demand.

Please see the Prefiled Direct Testimony of Mark Newton Lowry at page 32:7-15, for an explanation of why PSE proposed an annual metric instead of two seasonal metrics. PSE also notes that a single metric simplifies PIM administration.

*2. Residential-Only Metric*

NWEAC suggests both a total-system metric and a residential-only metric while PSE proposes a total-system metric only.

Please see the PSE's Response to Public Counsel Data Request No. 122 for an explanation of why PSE is not proposing a separate PIM for the residential class. Additionally, a single metric simplifies PIM administration.

### 3. *Target*

NWEC suggests an annual target equal to the incremental demand reduction *in excess of* the Clean Energy Implementation Plan ("CEIP") targets. PSE proposes an annual target based on a wider range of incremental demand reductions.

NWEC's suggested approach prevents any reward for achievement levels below the goals in the CEIP. This threshold is too restrictive given the effort, risks, and financial disincentives inherent in the DR initiatives. An incentive applied only to achievement levels beyond the CEIP goals also appears to offer insufficient rewards, unless very high percentages of expenses or shared savings are specified. It is unclear how NWEC would structure a reward that is based on its proposed metrics and targets.

### 4. *Reward Threshold*

NWEC suggests that no reward be provided unless the Company exceeds 110 percent of the target. Alternatively, PSE proposes that it begin to earn a reward at achievement levels of at least 90 percent of the target.

Establishing a reward threshold at 110 percent of the target is too restrictive, for the reasons provided above.

### 5. *PIM Cap*

NWEC suggests that the award be capped at an achievement level of 125 percent of the target while PSE proposes a cap at 150 percent of the target.

PSE's proposal provides strong encouragement for PSE to exceed its targets, while still protecting customers against very large rewards because targets turn out to be too low based on achievable demand reductions. In contrast, NWEC's suggestion confines PSE's reward to a narrow band of achievement levels, i.e., 110 percent to 125 percent of the target.

## **Electric Vehicle PIM**

Since neither PSE nor NWEC has proposed a fully developed EV PIM, a detailed discussion of differences between PSE's ultimate proposal and NWEC's suggestion is not possible. However, one difference is the metric. NWEC suggests using the percentage reduction in peak load as a metric, while PSE proposes to use the number of EV chargers enrolled in managed load programs or TOU rates. It is unclear as to how NWEC's metric would be measured, what the administrative cost

would be, or how it would dovetail with a shared savings mechanism. Consequently, PSE is reluctant to compare the merits of the two metrics at this time. Nonetheless, PSE's proposed metric is an effective and administratively straightforward approach to encouraging beneficial load shifting for EV chargers.