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September 1, 2016

*Via Electronic Mail*

Steven V. King, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
1300 S. Evergreen Park Drive S.W.  
Olympia, Washington 98504-7250

**Re: Docket UE-160808 — Puget Sound Energy Response to Public Comments and Proposed Changes to the Request for Proposals for Technology and Implementation Services in Support of Puget Sound Energy (PSE) Direct Load Control (DLC) Program**

**Docket UE-160809 — Puget Sound Energy Response to Public Comments and Proposed Changes to the Request for Proposals for Technology and Implementation Services in Support of Puget Sound Energy (PSE) Commercial & Industrial Demand Response Program**

Dear Mr. King:

Puget Sound Energy (“PSE”) wishes to update its (i) draft Request for Proposals for Technology and Implementation Services in Support of PSE’s Direct Load Control (DLC) Program (the “Direct Load Control RFP”) and (ii) the draft Request for Proposals for Technology and Implementation Services in Support of PSE’s Commercial & Industrial Demand Response Program (the “C&I Demand Response RFP”). The list of revisions outlined below are non-material clarifications and technical changes made in response to comments from Washington Utilities and Transportation Commission (“Commission”) Staff and to provide clarity to potential bidders. In addition, PSE has provided responses and clarifications to several themes raised in public comments. Vendors who choose to participate in the solicitation process will also have an opportunity to submit specific questions regarding the RFPs during a formal question and answer period.

PSE asks the Commission to direct PSE to include these and any other pertinent changes to the RFPs in its final order(s). Upon receiving the Commission’s final order(s), PSE will make the Commission-ordered changes and issue each of the Direct Load Control RFP and the Commercial & Industrial Demand Response RFP.

**A. Docket UE-160808 —Proposed Changes to the Direct Load Control Program RFP**

PSE proposes the following changes to the Direct Load Control Program RFP in Docket UE-160808:

1. Cover page, Section 7.1, Section 7.4
  - a. Revise proposal due date to October 28, 2016
2. Section 2.4
  - a. Add reference and web link for the NEEA Residential Building Stock Assessment
  - b. Revise saturation data for electric space heating
3. Section 3.1, Evaluation, Measurement and Verification (EM&V)
  - a. Revise vendor responsibility to require vendor to provide participant data to PSE and 3<sup>rd</sup> party evaluator
4. Section 4
  - a. Clarify requirement for bidders to provide responses conforming to the provided alpha-numeric outline
5. Section 4.1 G. Load Curtailment Performance and Impact Assessment
  - a. Add table to be included in the proposal: Winter Load Curtailment Estimate per Year by End Use (MW)
  - b. Add table to be included in the proposal: Winter Load Curtailment Estimate per year by Customer Segment (MW)

**B. Docket UE-160808 —Proposed Changes to the C&I Demand Response RFP**

PSE proposes the following changes to the C&I Demand Response RFP in Docket UE-160809:

1. Cover page, Section 7.1, Section 7.4
  - a. Revise proposal due date to October 28, 2016

2. Section 3.1, Evaluation, Measurement and Verification (EM&V)
  - a. Revise vendor responsibility to require vendor to provide participant data to PSE and 3<sup>rd</sup> party evaluator.
3. Section 4
  - a. Clarify requirement for bidders to provide responses conforming to the provided alpha-numeric outline.

### **C. PSE's Responses to Comments**

PSE has reviewed public comments submitted in this docket, and would like to provide clarification on several identified themes.

#### **1. Capacity**

PSE's 2015 IRP identifies a capacity shortfall and forecasts acquiring 121 MW of demand response by 2021. CENSE, UMC Energy & Environment and Enwave Seattle suggested that PSE should seek to acquire distributed energy resources in addition to demand response. PSE included distributed photovoltaic generation and electric energy storage in the 2015 IRP analysis, along with other generation- and demand-side resources. PSE's 2015 IRP found cost-effective levels of demand response across nearly all scenarios and selected demand response as a capacity resource addition. PSE developed request for proposals for electric demand response programs to acquire peak capacity to meet the anticipated resource need.

#### **2. Cost-effectiveness**

CENSE, Energy Hub, EnerNOC, UMC Energy & Environment and Enwave Seattle requested clarification of cost-effectiveness considerations for demand response programs. Some commenters also recommended that the value demand response provides for transmission and distribution deferral be included in cost effectiveness calculations. Cost-effectiveness for PSE's demand response program will consider avoided energy costs, avoided capacity costs, and system level transmission and distribution deferral costs. PSE could consider avoided ancillary services costs if bidders include ancillary services as part of a proposed program for PSE.

#### **3. Size and Performance of the Resource**

CENSE, Energy Hub, EnerNOC, UMC Energy & Environment and Enwave Seattle submitted comments regarding the size and performance of PSE demand response programs. PSE clarifies that up to 121 MW of winter peak capacity will be developed with demand response programs by 2021. Minimum performance requirements are identified within



section 2.3 of the RFPs. Further, PSE clarifies that (i) one vendor is not required to fulfill the entire resource block; (ii) the RFPs do not include a minimum resource bid size; and (iii) bidders may also provide pricing for capacity that exceeds the identified targets in the RFPs.

In response comments from CENSE regarding the scale of the acquisition, the solicitation/acquisition process may reveal costs or attributes different from those assumed in the 2015 IRP, and this could lead to adjusting the amount of demand-response acquired up or down. Changes to the resource need are driven by updates to the long-term load forecast and revisions to the regional resource adequacy analysis, both of which may also affect the quantity of demand-response.

#### **4. Selecting Multiple Bidders**

In response to a comment from EnerNOC regarding the selection of one bidder versus multiple bidders, PSE clarifies that multiple bidders may be selected to meet the resource need. As stated above, one vendor is not required to fulfill the entire resource block. The structure of the RFPs allows for proposals to focus on a specific technology or implementation strategy, but would not require a proposal to meet the entire resource need as a stand-alone program. PSE could select multiple vendors in order to provide different services to customers or different resource benefits to PSE.

#### **5. Program Implementation – Customer Incentives**

EnerNOC and Energy Hub sought clarification as to customer incentive structures that would be acceptable to PSE. Although PSE would like to administer the incentive payment to the customer, PSE is willing to consider any incentive structure proposed by the bidders including negotiated incentives with commercial/industrial customers, and fixed incentive payments on a seasonal or annual basis. The RFP pricing attachment asks that any proposed incentives be normalized on a \$/kW-year basis in order to enable comparison between proposals with different incentive structures.

#### **6. Program implementation – Direct Load Control End-Uses**

The NW Energy Coalition commented that the Direct Load Control RFP may be overly constrained by requiring that all proposals include control of electric water heaters, heat pumps, and electric furnaces. PSE would like to clarify that at least one, but not necessarily all, of these end uses should be included in the control strategy proposed by vendors.

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Questions regarding the draft Direct Load Control Program RFP should be addressed to Elaine Markham, PSE Energy Efficiency Program Development, at 425-424-6866.

Sincerely,

*Chris Schaefer* / for  
Manager, Regulatory Planning & Compliance

Ken Johnson

Director, State Regulatory Affairs

cc: Jason Kuzma