

**EXH. JM-9T
DOCKETS UE-240004/UG-240005 et al.
2024 PSE GENERAL RATE CASE
WITNESS: JOHN MANNETTI**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Docket UE-240004
Docket UG-240005
(consolidated)**

In the Matter of the Petition of

PUGET SOUND ENERGY

**For an Accounting Order Authorizing
deferred accounting treatment of
purchased power agreement expenses
pursuant to RCW 80.28.410**

**Docket UE 230810
(consolidated)**

PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF

JOHN MANNETTI

ON BEHALF OF PUGET SOUND ENERGY

SEPTEMBER 18, 2024

PUGET SOUND ENERGY

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
JOHN MANNETTI**

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PUGET SOUND ENERGY

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
JOHN MANNETTI**

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1 **PUGET SOUND ENERGY**

2 **PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF**
3 **JOHN MANNETTI**

4 **I. INTRODUCTION**

5 **Q. Are you the same John Mannetti who submitted Prefiled Direct Testimony**
6 **on February 15, 2024 on behalf of Puget Sound Energy (“PSE” or “the**
7 **Company”) in this proceeding?**

8 A. Yes, on February 15, 2024, I filed the Prefiled Direct Testimony of John
9 Mannetti, Exhibit JM-1CT and seven supporting exhibits (JM-1CT through JM-
10 8).

11 **Q. What is the purpose of your rebuttal testimony?**

12 A. My rebuttal testimony responds to testimony submitted by:

13 (1) Bradley Cebulko on behalf of Joint Environmental Advocates, Exh. BTC-1T,
14 who requests clarification on PSE’s spending for its current Targeted
15 Electrification Activities and suggests significant and immediate expansion of
16 PSE’s proposed Targeted Electrification Pilot Phase 2;

17 (2) Dr. Lance D. Kaufman on behalf of Alliance of Western Energy Consumers,
18 Exh. LDK-1T, who rejects PSE’s Targeted Electrification Pilot Phase 2 as
19 premature, but also suggests that costs for Phase 2, should it move forward, be
20 borne only by customers that benefit from the Pilot;

21 (3) Shaylee N. Stokes on behalf of The Energy Project, Exh. SNS-1T, who
22 suggests expansion of PSE’s low-income electrification program to all income-
23 qualified gas customers (not just dual-fuel customers); and

24 (3) Wesley Franks on behalf of Staff of Washington Utilities and Transportation
25 Commission (“Staff”), Exh. WF-1T, who suggests requiring PSE to conduct a
26 distributional equity analysis (“DEA”) for the Targeted Electrification Pilot Phase

2 and rejects PSE's request to establish a tracker for Phase 2 costs (Schedule 141DCARB).

II. UPDATE ON CURRENT TARGETED ELECTRIFICATION ACTIVITIES

Q. Is PSE on track to spend its entire \$15 million budget for Targeted Electrification Activities by the end of 2024?

A. Yes, as explained in my initial testimony, Mannetti, Exh. JM-1T at 11:1-12, PSE is on track to invest \$15 million on Targeted Electrification Activities, which consist of PSE's Updated Decarbonization Study, Targeted Electrification Pilot, and Targeted Electrification Strategy, by the end of 2024, as required by Stipulation O of the UE-220006 Settlement.¹ Table 1 below summarizes the amount spent on Targeted Electrification Activities as of July 2024 and the forecasted spends through the rest of the year. *See also* Mannetti, Exh. JM-10 (providing additional details regarding the actual and projected budget).

Table 1. Summary of Actual and Projected Budget for Targeted Electrification Activities			
	Actual (2023-Jul 2024)	Forecast (2024 Remaining)	Total
Updated Decarbonization Study	\$578,584	\$0	\$578,584
Targeted Electrification Strategy	\$1,326,685	\$554,419	\$1,881,104
Targeted Electrification Pilot	\$8,124,824	\$4,415,400	\$12,540,22
Total	\$10,030,093	\$4,969,819	\$14,999,91

¹ *WUTC v. Puget Sound Energy*, Dockets UE-220066, *et al.* Final Order 24/10, Appx. A, Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE's Green Direct Program ¶ 65 (Dec. 22, 2022) ("UE-220066 Settlement").

1 Thus, I disagree with JEA witness Cebulko's concern that PSE will not spend the
2 entirety of the funds on Targeted Electrification Activities. *See* Cebulko, Exh.
3 BTC-1T at 63:6-10, 64:16-7.

4 **Q. Can you please provide some context for the Targeted Electrification**
5 **Strategy?**

6 A. Yes. I will briefly summarize the scope of the Targeted Electrification Strategy
7 and changes made along the way. The Targeted Electrification Strategy is a
8 requirement of Stipulation O and must be filed in Dockets UE-220066, et al. by
9 January 2025, leveraging insights from the Updated Decarbonization Study and
10 the Targeted Electrification Pilot.² In May 2023, PSE engaged Guidehouse Inc. to
11 assist in developing a Targeted Electrification Strategy in compliance with the
12 requirements outlined in PSE's 2022 General Rate Case Settlement Agreement.
13 The scope of this collaboration has encompassed:

- 14 • Developing a comprehensive vision for the Targeted Electrification
15 Strategy;
- 16 • Establishing a portfolio of Targeted Electrification Strategy programs;
- 17 • Identifying effective implementation strategies, including approaches to
18 minimize rate impacts, prevent cost shifting, and promote electrification
19 through targeted marketing and outreach efforts;
- 20 • Facilitating internal and external stakeholder engagement, including
21 consultations with the 2022 settlement parties and PSE's Conservation
22 Resource Advisory Group;
- 23 • Actively keeping interested parties informed of the strategy's scope and its
24 evolution, ensuring transparency and ongoing communication as the

² *See* UE-220066 Settlement at ¶ 68.

1 Targeted Electrification Strategy has developed. This has included four
2 dedicated meetings to date, to update interested parties on the Targeted
3 Electrification Strategy's development and changes made along the way;
4 and

- 5 • Preparing the Targeted Electrification Strategy report, including an
6 explanation of the Decarbonization Study's and Targeted Electrification
7 Pilot's influence on the Strategy's development.

8 In 2024, the scope of the Targeted Electrification Strategy was adjusted to
9 include:

- 10 • Conducting industry benchmarking for programs addressing non-
11 pipeline alternatives in gas-constrained areas, hybrid heat pumps,
12 and financing options; and

13 **Q. Can you provide more detail regarding the budget for the Targeted**
14 **Electrification Strategy, as requested by Cebulko?**

15 A. Yes, I can address Cebulko's request that PSE "provide more detail about the
16 need for its \$2 million Targeted Electrification Strategy budget." Cebulko, Exh.
17 BTC-1T at 4:1-3; *see also id.* at 64:1-15. In lieu of the adjusted scope, the total
18 budget for the Targeted Electrification Strategy was reduced from \$1,975,000 to
19 \$1,881,104 as some of the program development work that was originally part of
20 Guidehouse's scope was done in-house at PSE. As noted above, the \$1,881,104
21 will be spent on the Targeted Electrification Strategy, in compliance with
22 Stipulation O, and the remaining \$93,896 originally budgeted for the Targeted
23 Electrification Strategy have been reallocated to the Targeted Electrification Pilot.
24 Given this explanation, there is no basis for redirecting any other funds from the
25 Targeted Electrification Strategy to the Targeted Electrification Pilot efforts, as
26 suggested by Cebulko. *See* Cebulko, Exh. BTC-1T at 64:1-15 (suggesting that if

1 PSE cannot explain the \$2 million budget, then funding should be used to
2 supplement the Pilot efforts).

3 **Q. In general, do you agree with Cebulko's claim that PSE did not provide**
4 **sufficient information regarding the Targeted Electrification Strategy?**

5 A. No. *See* Cebulko, Exh. BTC-1T at 64:1-15. PSE conducted regular stakeholder
6 engagement throughout the Targeted Electrification Strategy development
7 process, consulting regularly with the settlement parties and the Conservation
8 Resource Advisory Group ("CRAG"). PSE held four meetings from July 2023 to
9 July 2024 to update all stakeholders on the Targeted Electrification Strategy
10 progress. The feedback received from the settlement parties, including members
11 of the Joint Environmental Advocates, have been instrumental in shaping the
12 strategy work.

13 **III. TARGETED ELECTRIFICATION PILOT PHASE 2 IS INTEGRAL TO**
14 **PSE'S CONTINUED ELECTRIFICATION EFFORTS**

15 **Q. Why is PSE proposing a Targeted Electrification Pilot Phase 2?**

16 A. As discussed in my prefiled direct testimony, Mannetti, Exh. JM-1T at 15:1-
17 21:10, PSE's proposed Targeted Electrification Pilot Phase 2 utilizes the
18 momentum generated by the Company's initial Targeted Electrification Pilot,
19 aligns with PSE's clean energy goals, and presents an opportunity to continue
20 exploring the effectiveness of certain targeted electrification efforts and how to
21 focus and leverage such efforts going forward to maximize customer benefits.

1 PSE is proposing the specific programs included in the Targeted Electrification
2 Pilot Phase 2 in order to continue to learn more about targeted electrification
3 programs effectiveness and to determine how to maximize benefits and shape
4 future policies in a manner that best supports our customers from both a
5 decarbonization and cost perspective. The Pilot Phase 2 will also continue funding
6 for low-income weatherization agencies to continue to complete residential
7 electrification projects.

8 **Q. Can you summarize Staff's and intervenor's suggestions relating to the**
9 **programs offered as part of the Targeted Electrification Pilot Phase 2?**

10 A. Yes. In general, the testimony from Staff and intervenors on the Targeted
11 Electrification Pilot Phase 2 is not uniform and some suggestions directly conflict
12 with other suggestions. For example, JEA witness Cebulko recommends that PSE
13 "transition immediately from small scale electrification pilots to scaled-up
14 electrification programs" and specifically proposes a much broader general
15 electrification pilot that scales until 2030 with a performance incentive
16 mechanism, expanded electrification targets (e.g., 182,000 customers by 2030),
17 and semi-annual progress reports. *See* Cebulko, Exh. BTC-1T at 2:12-16. In
18 contrast, AWEK witness Kaufman opines that "PSE's proposal to significantly
19 expand its Targeted Electrification Program at this time is premature at best."
20 Kaufman, Exh. LDK-1T at 19:8-9. The Energy Project witness Stokes is
21 generally supportive of the programs offered as part of the Targeted
22 Electrification Pilot Phase 2, but would recommend "extending the low-income

1 electrification program to all income-qualified gas customers.” Stokes, Exh. SNS-
2 1T at 18-23. I will address each of these below more specifically, but note that
3 fundamental disagreement as to how the Company should pursue electrification
4 and how costs should be recovered further illustrate why a pilot at this juncture
5 continues to be appropriate, as some of these and other issues around
6 electrification continue to be worked out.

7 **Q. Do you agree with AWEC witness Kaufman’s suggestion that the Company’s**
8 **proposal to implement the Targeted Electrification Pilot Phase 2 is**
9 **“premature”?**

10 A. No. As explained in my initial testimony, Mannetti, Exh. JM-1T at 15:1-24:19,
11 the Targeted Electrification Pilot Phase 2 will allow PSE to maintain its existing
12 programs contracts/relationships, build on momentum from the current Targeted
13 Electrification Pilot, and enable the Company to continue to learn the most
14 effective approaches to assist gas customers with electrifying end-uses.

15 **Q. Why is it important to continue certain existing programs through the**
16 **Targeted Electrification Pilot Phase 2?**

17 A. PSE wants to maintain efforts already established in the marketplace focused on
18 targeted electrification projects through low-income weatherization agencies and
19 the energy efficiency small business direct install program. The Company also
20 wants to maintain heat pump rebates for income qualified customers through the
21 energy efficiency rebates. These income-qualified offerings would otherwise be

1 discontinued at the end of 2024 if the Targeted Electrification Pilot Phase 2 is not
2 approved.

3 **Q. Why is it important to implement certain new programs through the**
4 **Targeted Electrification Pilot Phase 2?**

5 A. There are certain market areas where PSE has limited targeted electrification
6 experience, including multi-family rebates, commercial/industrial opportunities,
7 and targeted electrification in PSE dual fuel gas capacity constrained areas. It is
8 important for the Company to broaden its market experience in targeted
9 electrification implementation in these areas, if PSE is going to expand
10 electrification efforts in the future as part of its efforts to meet statewide clean
11 energy mandates.

12 **Q. And why is it important to implement these targeted electrification efforts**
13 **now?**

14 A. As already indicated by the current pilot, these programs further PSE's
15 understanding of the costs, customer demand, and obstacles related to
16 implementing electrification initiatives for participating customers. Learnings
17 from these early programs are critical to informing program design, customer
18 education needs, contractor training requirements, and grid integration challenges
19 that will help PSE develop holistic strategies to provide safe, affordable and
20 reliable energy to its customers while decreasing greenhouse gas emissions and
21 reducing PSE's Climate Commitment Act ("CCA") compliance obligation for the

1 gas utility. For further discussion regarding electrification in relation to CCA
2 compliance, please see the prefiled rebuttal testimony of Matt Steuerwalt, Exh.
3 MS-4T.

4 **Q. Do you agree with JEA witness Cebulko's suggestion that the Targeted**
5 **Electrification Pilot Phase 2 should be a broader General Electrification**
6 **Program that scales until 2030?**

7 A. No. Please refer to the prefiled rebuttal testimonies of Phillip Popoff, Exh. PJP-
8 1T, and Matt Steuerwalt, Exh. MS-4T, which explain why PSE disagrees with
9 Cebulko's general electrification program proposal.

10 **Q. Does the Company have a credible plan for CCA compliance without**
11 **immediate implementation of a more scaled up general electrification**
12 **program?**

13 A. Yes. Please refer to the prefiled rebuttal testimony of PSE witness Matt
14 Steuerwalt (Exh. MS-4T), who addresses CCA compliance and electrification in
15 the context of PSE's planning process, including its forthcoming Integrated
16 System Plan ("ISP"). It is PSE's intent to comply with legal requirements,
17 including the CCA, and to continue making progress towards electrification with
18 approval of its proposed Targeted Electrification Pilot Phase 2. To address
19 Cebulko's testimony, it is neither the intent of PSE nor consistent with state law
20 to "pursue small-scale electrification indefinitely."

1 **Q. Does PSE's proposed Targeted Electrification Pilot Phase 2 risk**
2 **noncompliance with ESHB 1589, per AWEC witness Kaufman's testimony?**

3 A. No, PSE does not agree that its proposed pilot risks noncompliance with ESHB
4 1589. *See* Kaufman, Exh. LDK-1T at 19:7-13. ESHB 1589 passed in March 2024.
5 Planning for the Targeted Electrification Pilot Phase 2 was already underway, and
6 does not conflict with ESHB 1589, which is a planning bill that involves three
7 years of rulemaking and work before PSE will submit an ISP in 2027. PSE
8 intends to comply with its obligations under ESHB 1589, but is not trying to
9 achieve the goals of ESHB 1589 with this temporary pilot, which was designed
10 and initiated prior to the adoption of ESHB 1589.

11 **Q. Does PSE agree with The Energy Project witness Stokes' proposal to expand**
12 **the low-income electrification program to all income-qualified gas**
13 **customers?**

14 A. No, PSE does not agree with this proposal at this time. *See* Stokes, Exh. SNS-1T
15 at 22:10-23:13. PSE is limiting its targeted electrification pilot activities to dual-
16 fuel territory because the cost for the targeted electrification program is borne by
17 both electric and natural gas customers. Having PSE electric customers share the
18 cost burden for gas only territories to electrify would be inappropriate as those
19 costs should be allocated to and borne by the electric Public Utility
20 Districts/Municipal Utilities serving PSE's gas only territories. At this time, a
21 mechanism to recover costs from electric Public Utility Districts/Municipal
22 Utilities does not exist. Therefore, all Targeted Electrification Pilot Phase 2

1 programs are limited to PSE's dual fuel territories until inter-utility cost sharing
2 mechanisms are developed.

3 **Q. Does PSE agree with Staff witness Franks' suggestion that PSE should be**
4 **required to conduct a distributional equity analysis on its Targeted**
5 **Electrification Pilot Phase 2?**

6 A. No, PSE does not agree that it should be required to conduct a distributional
7 equity analysis on its Targeted Electrification Pilot Phase 2. *See* Franks, Exh. WF-
8 1T at 23:18-26:6. Please see the prefiled rebuttal testimony of Troy A. Huston,
9 Exh. TAH-10T, for PSE's response to the suggestions related to conducting a
10 distributional equity analysis at this time. It bears noting that the majority of
11 programs in the Targeted Electrification Pilot Phase 2 are focused on low-income
12 and named communities. *See* Stokes, Exh. SNS-1T at 1921:20:2 (commending
13 PSE on its collaboration with agencies and community stakeholders in designing
14 and implementing the initial Targeted Electrification Pilot).

15 **Q. How does PSE propose to recover the costs of the Targeted Electrification**
16 **Pilot Phase 2?**

17 A. PSE proposes to recover the costs of the Targeted Electrification Pilot Phase Two
18 through Electric and Gas Schedules 141DCARB Decarbonization Rate
19 Adjustment. Please refer to the Prefiled Rebuttal Testimony of Susan E. Free,
20 Exh. SEF-28T, for additional information regarding this cost recovery mechanism
21 and to the prefiled rebuttal testimony of Christopher Mickelson, Exh. CTM-13T,
22 for information regarding how costs will be allocated.

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1 Funding). In July 2024, PSE hired a dedicated full-time employee, Shannon
2 Guthrie (Public Funding Manager), to continue building out PSE's public funding
3 portfolio and program capacity. Shannon joins PSE with a background in grant
4 writing, including having worked on utility-sector grants at Seattle City Light.

5 **Q. Please describe PSE's strengthened business processes as it relates to**
6 **monitoring funding opportunities?**

7 A. PSE continues to have a robust public funding review and application process.
8 New opportunities are monitored through listservs, grant resources, and
9 relationships with agency staff and fellow utilities. On a daily basis, PSE's Public
10 Funding Manager monitors new grant announcements from the following sources:
11 grants.gov; the U.S. Department of Energy's ("DOE") Grid Deployment Office;
12 DOE's Energy Efficiency and Renewable Energy Office (includes solar, wind,
13 and hydropower opportunities); DOE's Office of Indian Energy; the U.S.
14 Environmental Protection Agency; Washington State Department of Ecology;
15 Washington State Department of Transportation; and the Washington State
16 Department of Commerce.

17 Opportunities are reviewed for eligibility and applicability to PSE and then
18 circulated to subject matter experts ("SME") for further review. PSE's Public
19 Funding Manager works cross-functionally with SMEs to strategically assess
20 whether a grant opportunity aligns either with a planned project or PSE's strategic
21 priorities. The Public Funding team and SMEs then seek approval for a grant
22 application from a director-level steering committee that meets monthly. This is

1 particularly important given the competitive nature and cost-share requirements
2 that are typical of most grant applications. Participants in the Public Funding
3 Steering Committee include the directors and managers of: Customer Energy
4 Innovation; Grid Modernization; Customer Energy Management; Wildfire Risk
5 Management; Generation; Energy Equity; Planning; Regulatory; Finance &
6 Accounting; and Government and Community Affairs.

7 Additionally, a biweekly email update covering key developments (i.e. grant
8 application outcomes), opportunities in review, applications in development, and
9 opportunities not being pursued is shared with an internal distribution list that
10 includes all directors at PSE, key managers, and SMEs. PSE tracks all reviewed
11 opportunities, including documenting the key decision points that determine
12 whether or not PSE pursues each opportunity.

13 As stated, the Public Funding Team, with additional capacity, is looking to further
14 strengthen our program and business processes. In the near term, the team is
15 refining a scoring rubric to further standardize the grant review process and
16 working with customer-facing groups to share funding opportunities that are more
17 appropriate for PSE's customers. In these instances, PSE is connecting targeted
18 customers (businesses, community-based organizations, Tribes, municipalities,
19 etc.) to relevant funding opportunities, exploring partnerships and/or providing
20 limited technical assistance and letters of support for these applications.

21 Finally, PSE understands the importance of harnessing the incentives and funding
22 being made available through the IRA, IIJA and CCA for the benefit of

1 customers. To that point, PSE is preparing for internal ideation sessions to prepare
2 for the third round of funding for the Grid Resilience and Innovation Partnerships
3 (“GRIP”) program expected in Fall 2024.

4 **V. CONCLUSION**

5 **Q. Does that conclude your prefiled rebuttal testimony?**

6 **A.** Yes, it does.