2025 Demand Response Equity Action Plan

I. Introduction

Puget Sound Energy (PSE or the Company) is committed to delivering 30% of demand response (DR) energy benefits within Named Communities in compliance with the Clean Energy Transformation Act (CETA).

PSE outlined its strategy to achieve the above-mentioned targets. However, testimony from Washington Utilities and Transportation Commission (UTC or Commission) staff member Paul Koenig in the 2025 General Rate Case (GRC), Dockets UE-240004 and UG-240005, stated that PSE did not sufficiently illustrate how it is working with its selected DR vendors to achieve its 30% energy benefit requirement to Named Communities.

This testimony was accepted in Commission Order 09. In response to this requirement and the above-mentioned testimony, PSE is filing this 2025 Equity Action Plan to demonstrate:

- How PSE will accomplish the 30% standard DR energy benefit distribution
- How PSE plans to quantitatively measure the 30% of energy benefit requirement

II. Demand Response Program Introduction

Demand response (DR) is broadly defined as a measure for reducing energy load in response to supply constraints, generally during periods of peak demand. DR provides an opportunity for consumers to play a significant role in the operation of the energy grid by reducing or shifting their energy usage during peak periods in response to time-based rates or other forms of financial incentives. By shifting load away from the grid-constrained peak usage period, DR helps manage and maintain system reliability.

PSE's Customer Energy Management (CEM) team began designing, implementing, and marketing DR programs in 2023 to help meet the needed capacity shortfall forecast in the Integrated Resource Plan (IRP) and detailed in PSE's Clean Energy Implementation Plan (CEIP). PSE's DR program team is committed to delivering 86 MW of capacity by 2025 through the DR portfolio of programs that consists of a combination of:

- Automated Demand Response (ADR)
 - Flex Smart
 - Flex EV
 - Flex Water Heater (new)
- Behavioral Demand Response (BDR), which consists of two separate programs
 - o Flex Rewards
 - Flex Events
- Residential Battery Energy Storage (Flex Batteries)
- Business Demand Response (BDRP)

Demand Response Programs and Road Map



III. Demand Response Named Community Target Measurement

In this section, PSE details how it will quantitatively measure the distribution of energy benefits to Named Communities and Deepest Need customers. It is important to note that energy benefits are a direct result of customer choice to participate in PSE's programs.

A. Named Communities Distributional Equity Two-Year Target

The table below shows the minimum amount of energy benefits that will be delivered to Named Communities and customers with the Deepest Need by the DR tranche of resources. The DR tranche is defined in the CEIP, and the calculated Named Communities Distributional Equity Target number meets the 30% energy benefit minimum designation requirement in Condition 20 of CEIP Order 08 Docket UE-210795.

The Named Communities minimum designation is calculated by taking the total utility DR target, 86 MW by 2025, which is the same as the CEIP DR target, and multiplying it by 30%.

	Savings	Notes
PSE Demand Response 2025 CEIP Target	86 MW	
Named Communities Distributional Equity DR Target	25.8 MW	Named communities applicable total savings x 30%

Named Communities Distributional Equity Two-Year Target

B. Deepest Need Distributional Equity Two-Year Target

The table below calculates the Deepest Need minimum designation of energy benefits for the DR tranche. It is calculated by using only residential program savings because customers with the Deepest Need do not experience energy burden reduction from commercial and industrial (C&I) projects. The applicable residential savings number is then multiplied by 2.5% to arrive at the Deepest Need distributional equity target. This methodology was derived from a series of joint advisory group meetings about the Deepest Need in 2023.

Deepest Need Distributional	Equity 2025 Target
-----------------------------	--------------------

	Savings	Notes
PSE DR Target	86 MW	
Subtract Commercial DR Forecast	40 MW	Commercial DR does not meet the definition of "Deepest Need"
Deepest Need Applicable Total Savings	46 MW	
Deepest Need Distributional Equity Target	1.15 MW	Deepest need applicable total savings x 2.5%

C. Specific Goals and Metrics

As part of a strong adaptive culture, PSE consistently tracks progress toward meeting equityrelated goals and remaining true to proposed metrics. For example, mid-year Distributional Justice diagnostic assessments allow all CEM teams to address participation barriers and propose solutions to keep outcomes in check via updating program logic models and a participation dashboard. PSE's strategy is to turn human-centered approaches into data-driven practices that effectively address the needs of customers in Named Communities in real time. As a tool and measure of adaptive design and delivery, the logic model will track equity-related goals and metrics — at the program and tranche levels — aimed at improving participation to increase trust and traction of DR programs within Named Communities.

IV. Specific Demand Response Programs and Equity Actions

This chapter describes PSE's DR and co-deployment programs and provides further details on specific equity focus actions by program. While not all of PSE's programs have specific equity-focused components currently, the overall portfolio performance demonstrates PSE's strong commitment to serving these populations. PSE's current portfolio is measured at the tranche level and is exceeding established targets for energy benefits among customers in Named Communities and with the Deepest Need.

The following program overviews also explain PSE's methods to identify and address barriers to participation while ensuring that programs remain accessible and beneficial to all customers.

A. Behavioral Demand Response

Opt-Out, Non-Incentivized

Flex Events is an opt-out behavioral DR (BDR) program that has enrolled approximately 560,000 residential customers by default into day-ahead email, text, and/or phone call notifications about conserving energy during peak hours. Enrolled customers may be participants in up to 10 events in the program's winter season, Nov. 1 – March 31, and up to five events in the summer season, May 1 – Sept. 30. After events, customers will be shown what their energy usage is compared to similar homes in the area based on PSE-provided advanced metering infrastructure (AMI) data.

Equity Focus

PSE works with the implementer of its opt-out, non-incentivized program and enrolls a minimum of 30% of Named Community customers not already participating in a different DR program each season. This ensures that customers in this segment will have the ability to engage with and participate in load flexibility pursuits while learning more about how to enroll in other programs like PSE's incentivized Behavioral and Automated DR programs.

Opt-In, Incentivized

Flex Rewards is an opt-in, incentivized BDR program that rewards residential customers for making adjustments to their energy usage during a defined DR event that is communicated via email and SMS. These events take place during summer and winter DR seasons, which last from Nov. 1 – March 31 and May 1 – Sept. 30, respectively. Customers may log into their customer account to review their event participation statistics and learn what incentives they earned for their participation. This program will expand in the summer of 2025 to include small-to-medium business (SMB) customers.

Equity Focus

The current efforts to encourage enrollments in the Opt-In, Incentivized BDR (Flex Rewards) program include standard marketing correspondence to customers that includes general accessible program education. Customers may also receive communications as a component of PSE's Opt-Out, Non-Incentivized BDR (Flex Events) program that advertise the Opt-In offering.

PSE is exploring a community-based organization (CBO) co-deployment opportunity that identifies Opt-In Incentivized BDR as a load flexibility program of interest for Named Communities and requires low effort to adopt. This opportunity is currently in its planning stages and is described in Section M of Chapter IV of this document. In the future, PSE may consider segmenting the types of marketing activities it pursues to prioritize the recruitment of Named Community customers if the participation levels of these customers show a risk of attrition.

B. Automated Demand Response

Flex Smart is PSE's opt-in, incentivized Direct Load Control DR program for smart thermostats. Residential or commercial customers may enroll their eligible smart thermostats to participate in DR events during the summer and winter DR seasons (Nov. 1 – March 31 and May 1 – Sept. 30, respectively).

Flex EV is PSE's opt-in incentivized Direct Load Control DR program for electric vehicles. Residential customers may enroll electric vehicle (EV) chargers or EVs directly (via telematics) to participate in DR events and are paid for each kWh saved during the summer and winter DR seasons.

Flex Water Heater is a new residential product that is set to launch in Q2 of 2025. The program will use CTA-2045 ports and/or Wi-Fi-connected water heaters through eligible devices to connect. The CTA-2045 port is available for free for do-it-yourself (DIY) installations from the PSE Marketplace with ongoing participation incentives. In the first year of the program, deployment is limited to 2,000 units to test the program's planned incentives, messaging, results, and customer journey.

Up to 72 hours after a DR event, customers may log into their program accounts to review their participation performance results for each of these programs and learn more about the participation incentives their enrolled devices qualify for.

Equity Focus

Existing program marketing activities are exceeding energy benefit targets under current marketing and recruitment efforts. However, PSE prioritizes reaching Named Community customers and will continue to develop innovative methods of doing so. Some of these efforts are detailed in the following J and K sections of Chapter IV.

C. Commercial and Industrial Demand Response

PSE's Business DR program for commercial and industrial (C&I) customers is an opt-in, incentivized combination of automated and behavioral BDR actions. Customers work with PSE's vendors to create a custom energy reduction plan outlining the actions businesses have agreed to take during an event as well as expected incentive payments. Customers receive event support, reporting, and payment directly from PSE's vendors.

Equity Focus

PSE is engaged in targeted efforts to enroll C&I customers in Named Communities in its Business Demand Response (BDRP) program. In support of this effort, PSE is continuing its collaboration with its implementation partners to actively recruit C&I customers in designated Named Communities. These targeted efforts include identifying the Zip codes and cities of Named Communities customers and providing them to PSE's third-party implementers to aid in their outreach to this customer segment. This work supports the DR portfolio's overall target of 30% energy benefit distribution to Named Communities.

D. Electric Vehicle Chargers

Starting in 2024, Level 2 Electric Vehicle (EV) Charger rebates were made available in the downstream model. Customers gained the ability to apply for the rebate after purchase, either through a mail-in or online application, and receive a check in the mail or credit on their bill. Instant rebates are also available on the PSE Marketplace or through Trade Ally Network (TAN) contractors.

Equity Focus

PSE's EV charging program for single-family residents includes an Empower Mobility path for income-eligible customers in an effort to alleviate the upfront financial investment and encourage equitable participation. Increased incentives are available for customers whose income is at or below 200% of the Federal Poverty Level (FPL) or 80% average medium income (AMI), whichever is higher. The Empower Mobility path will rebate up to \$600 for a Level 2 EV charger and provide additional funding up to \$2,500 to cover any installation costs incurred for the charger. Customers must attest their income and be a PSE electric customer to be eligible to participate. Concrete actions to remove participation barriers include that eligible customers can purchase and hire their own contractor or go through PSE's TAN contractors; Level 2 EV Chargers were added as a referral product in 2024; and TAN contractors can offer instant discounts to customers. Lastly, marketing for the program will be targeted toward Named Communities ZIP codes.

E. Residential Battery Storage Systems

In September 2024, PSE launched a residential battery storage DR program called Flex Batteries (PSE Schedule 611) designed to enhance grid reliability and support PSE's transition to cleaner energy resources. Flex Batteries enables residential customers with eligible battery systems to participate in DR (Flex) events and provide grid services during periods of high system demand.

As of March 2025, participants receive a one-time enrollment incentive of \$1,000 per battery and can earn up to \$500 annually per battery in ongoing participation rewards. Enhanced incentives are available for participating customers experiencing reliability issues or qualifying socioeconomic challenges.

The program currently accepts enrollment from customers with compatible SolarEdge and Tesla battery systems that are interconnected to PSE's grid and equipped with advanced metering infrastructure (AMI). During Flex events, which may occur up to 30 times per season in both summer (May-September) and winter (November-March) seasons, enrolled batteries automatically discharge to support grid stability. The program operates without requiring direct customer intervention during events and is compatible with PSE's Net Metering program.

Equity Focus

PSE has developed a comprehensive enhanced incentives framework for the Flex Batteries program (PSE Electric Sch. 611) to promote equitable access to battery storage technology through two distinct pathways:

- Pathway A offers up to \$10,000 in enhanced incentives¹ for customers experiencing socioeconomic barriers including those with limited income, language barriers, disabilities, or those referred through community-based organizations (CBOs). The pathway also applies to customers who participate in PSE's Bill Discount Rate or Registered Medical Device programs.
- Pathway B provides up to \$5,000 for customers in areas experiencing grid reliability concerns. These enhanced incentives, implemented as a point-of-sale discount by PSE's TAN members, reduce the upfront cost of battery storage technology and supplement the standard program enrollment and participation incentives.

In 2025, PSE will focus in the areas of direct customer outreach, tribal awareness, and trade ally training to connect with PSE Named Communities customers and facilitate the complex conversations necessary to understand and adopt energy storage technology and to take advantage of the Flex Batteries enhanced incentives.

F. Smart Thermostats

PSE offers rebates for ENERGY STAR-certified smart thermostats and PSE-qualified line voltage connected thermostats. Customers must heat and/or cool their homes with PSE electricity to be eligible to participate in the Smart Thermostats program.

Equity Focus

The Smart Thermostat program rebate forms and marketing materials have been transcreated in Spanish and will be expanded to other languages. The Smart Thermostat program is also part of the Efficiency Boost program and offers higher incentives to income-qualified customers. PSE also negotiates lower pricing with manufacturers to make smart thermostats available at little to no cost. Moreover, PSE plans to continue offering its PSE Marketplace, thereby giving customers access to instant rebates on smart thermostats, and covering shipping fees for all income-qualified customers. PSE also offers links to step-by-step installation videos so customers have the ability to self-install thermostats instead of relying on a contractor. Finally, PSE is working with TAN contractors to offer instant discounts and installations for customers who are not comfortable self-installing their own thermostats.

While at time of the filing of this Plan there is no additional Equity Focus on DR-enabling measures to increase Named Community penetration within the Smart Thermostats program, discussions are underway to assess potential methods to further reduce the cost of thermostats for qualified customers in the marketplace. This effort is in its early scoping stages, and PSE looks forward to providing updates as planning progresses.

¹ A battery project can exceed \$20,000, which includes the cost of installation services, electrical upgrades, and equipment.

G. Multifamily Retrofit

Multifamily Connected Line Voltage Thermostat Demonstration study

PSE's DR and Multifamily program partnered with the Northwest Energy Efficiency Alliance (NEEA) to implement a Multifamily Connected Line Voltage Thermostat Demonstration study in which PSE leverages existing program designs to enable DR in a previously untouched customer segment. This study not only allows PSE to test implementation methodologies of no-cost installation of DR-enabling technology for customers but provides it with a more granular understanding of different incentive models that encouraged customers,² landlords, or property owners to participate in DR programs. As an added benefit, the analysis of the research conducted because of this study will provide valuable insights on DR capabilities in multifamily buildings and on how to optimize DR events to maximize customer comfort while maintaining high participation performance.

Equity Focus

This study is an exciting and innovative new effort that touches on several feedback points provided by customers in PSE's DER (P2) engagement efforts described in Section B of this Plan's Appendix. It includes the categories of financial solutions, education and outreach, trust building, and technical and installation support. By enabling no-cost installations of DR-enabling technology and support with enrolling the devices in DR programs, landlord/property owner customers are not required to make significant financial and time investments to enroll and participate in DR programs. It also provides end-use customers with educational touch points to help them understand how the programs work and the benefits they stand to receive from continued participation.

Multifamily Water Heating Demand Response and Connected Line Voltage Thermostat Expansion

In this new co-deployed multifamily retrofit program, which is set to launch in 2026, landlords will be engaged by PSE to install new connected water heaters and energy efficiency measures in residential units with renters' consent and permission. By participating, renters receive a free smart line voltage thermostat³ to help them reduce their energy bills via energy efficiency programs, which are also enabled and connected for DR. Renters can get additional incentives for joining and staying enrolled in Flex Smart. Once enrolled in the DR Flex programs, there will be little to no noticeable alteration to the availability of hot water or air temperature within participating residences.

Coupled with installation support and enrollment of controllers and connected Line Voltage Thermostats into Flex at no cost to the tenant, a major piece of the program will involve the engagement, enrollment, and education of landlords to facilitate customer participation in DR water heating programs. As the single-family sector approaches natural limits for customers willing to opt in, multifamily properties are a key area of growth for the DR portfolio. This program will also help

² Participants in the NEEA study received compensation of up to \$75.

³ As well as other energy efficiency services.

reach the CEIP goals of mitigating participation barriers for renters and achieving Distributional Justice.

Equity Focus

A higher portion of people within Named Communities are renters and therefore not in control of upgrades to their residence, which may limit active participation in distributed energy resource (DER) products. In addition, a significant majority of multifamily properties have inefficient electric resistance water heating and space heating rather than heat pump technology. Some renters also fear that landlord participation in DER products will lead to rent increases due to passed-through equipment and maintenance costs.

This new proposed multifamily program will make it easier and cheaper for property owners to provide the value of connected water heaters and thermostats for their tenants and enhance their program participation opportunities. This aligns with the feedback from the 2022-2023 PSE DER Community Engagement report that advises PSE to seek solutions that include the following tactics for the multifamily sector:

"Conduct outreach with landlords to educate them, create buy-in, and encourage them to allow their renters to participate in DER products. Provide financial incentives for landlords so that there are less costs to pass through to residents."⁴

H. Trade Ally Network

The Trade Ally Network (TAN) is PSE's formal conduit for trade ally engagement with and participation in PSE's CEM programs. The TAN team engages approximately 200 independent contractors through the network who deliver energy efficiency and DER products and services to PSE's customer base.

In addition, the TAN team develops tools and resources to engage broader groups of trade allies including distributors, manufacturers, professional organizations, etc., to support more inclusive opportunities for trade ally partnerships.

In 2025, the TAN team will be further supporting PSE's DR efforts by bringing on additional staff and resources. The TAN program will expand the customer referral service to support DER offerings related to electric vehicle supply equipment (EVSE), battery energy storage systems (BESS), smart panels, and more.

The TAN customer referral portal, Trade Ally Connect (TAC), is now available in Spanish and English.

^{4 2022-2023} PSE DER Community Engagement report

I. Energy Efficient Communities

The Energy Efficient Communities (EEC) team emphasizes proactive direct residential and business customer outreach with a focus on in-person engagement.

This strategy augments the other forms of DR exposure that customers receive, including phone contact, digital (e.g., social media, radio, and television), and print communication. The team works to discover locally appropriate ways of engaging with customers by leveraging PSE's resources, community knowledge, and partner support.

As CEM considers customers in Highly Impacted Communities and Vulnerable Populations, the EEC team will focus its attention on the expansion of existing and design of new outreach tactics to reach these customers. EEC team members are embedded within specific regions of PSE's service area to provide an improved connection to the multiple community parties that CEM serves.

The team works to find areas with lower program participation to directly target engagement with customers. It provides leads for the small business programs through partnerships with cities, local business associations, and community groups; designing direct engagements; and giving presentations to the small business community.

Specific activities and customer engagement efforts planned for the 2024-2025 biennium can be found under the Marketing and Outreach Plan sections in each program description within the BCP's Exhibit 3: Program Details, Docket UE-230892. On page 149 of Exhibit 3, the Demand Response Marketing and Outreach section states, "PSE is working closely with third-party vendors responsible for implementation to ensure that their industry experience is combined with PSE's deep knowledge of its customer base to maximize recruitment results. This is being accomplished by leveraging historical energy efficiency participation program data for targeted messaging and implementing best practices established by evaluators and industry leaders.

"PSE is leveraging many marketing channels, including traditional mailers, email, pse.com program webpages, social media, direct marketing, and community event outreach. The program team is also working closely with PSE's Marketing and Customer Insights teams to ensure priority audiences for Named Communities outreach to achieve the minimum 30% Named Communities benefit target."

Additional information about how PSE is specifically using lessons learned from marketing activities, how the Company is adapting to establish more effective customer segment prioritization, and what specific community partnerships are being formed to establish more community-based trust and visibility in the region is detailed in the following Sections J and K.

J. Customer Engagement

Customer engagement responsibilities include the promotion of energy efficiency and DR program offerings to achieve targets. This is accomplished by exercising promotional marketing and outreach to various market segments: residential direct-to-consumer, C&I, SMB, retailer, dealer, multifamily property managers, home and commercial builder, and trade ally groups — with the goal of influencing and motivating PSE's customers to take specific energy management actions. The team anticipates customer needs, fosters community within specific channels, and ensures the

delivery of PSE services and products through a variety of marketing programs, promotions, communications, outreach, and events.

Specific activities and customer engagement efforts planned for 2024-2025 can be found under the Marketing and Outreach Plan heading in each program description within the BCP's Exhibit 3: Program Details, Docket UE-230892.

In 2024, PSE maintained several marketing channels to raise awareness for DR. Media presence was established in banner ads via Google ads in the format of always-on displays across various websites, Nextdoor, and streaming video. In Q4, PSE also included broadcast outlets for additional visibility to the programs. Media campaigns included calls to action for customers to enroll in Flex Smart, Flex EV, and Flex Rewards, and they included explanations of how to enroll and how the programs work; suggestions for what actions to take during a DR event; and the rewards customers stand to gain for their participation. PSE also sent regularly recurring engagement emails to customers to help people understand the programs and encourage them to take action through participation. Some of these emails included topics such as "Debunking Flex myths" to help people understand the functional and operational aspects of the program. Other emails included testimonials from customers to show prospective participants that the programs are safe, reliable, and easy to engage with.

In Q3 and Q4 of 2024, PSE began targeting Spanish- and Vietnamese-speaking audiences in two separate campaigns. Tactics included digital display banner ads, paid social media posts, podcast ads, and traditional print ads. These efforts led to nearly 9 million impressions from customers, and the average click-through rate was more than double than that of the marketing pieces developed for English as a first language speakers. In 2025 and beyond, PSE intends to expand the number of languages it advertises in based on the population of English as a second language speakers in its customer base. PSE will expand with Korean, and further assessments for additional language support will be included in its regular efforts to understand the needs of the community.

The Customer Outreach team promotes the DR program across several communities in the service territory, prioritizing Named Community and Deepest Need customer segments. The tactics have included sign-up workshops, PSE resource days at libraries, 1:1 appointment, and train the trainer educational presentations at local nonprofit organizations. During sign up workshops and 1:1 appointments, the Outreach team supports customers with technology and language barriers through assistance to sign up for a myPSE account, Bill Discount Rate, and Flex Rewards. The team also promotes the other Flex programs through partnerships with nonprofit organizations and interpreters, resource fairs, and homeowner-focused presentations that prioritize rural, senior, and Spanish-speaking audiences. In addition, it partners with tribal sustainability managers to uncover opportunities to participate in Flex-related programs, both residential and commercial.

K. Events

The Events team will work strategically with its internal partners to create successful, high-impact, integrated events. These residential- and commercial-focused events will align with program goals and be promoted through PSE's digital and online platforms. Customers will be engaged through both virtual and in-person events. The Events team will continue to focus on Named Communities throughout PSE's service area and offer culturally appropriate and multilingual communication as

needed. These targeted events are intended to increase awareness of PSE programs and services and nurture relationships with some of the most vulnerable customers and those who may not have been reached in the past.

Specific activities and customer engagement efforts planned for 2024-2025 can be found under the header of Marketing and Outreach Plan in each program description within the BCP's Exhibit 3: Program Details, Docket UE-230892.

L. PSE Marketplace

The PSE Marketplace is an online shopping platform managed by a third-party implementer. It features a selection of DR-qualified products for electric customers. PSE maintains a focus on the customer journey to streamline participation and maximize value, and in 2025 PSE will continue to add more products to the Marketplace.

A high portion of people within Named Communities are renters and therefore not in control of upgrades to their residence. The new design of the PSE Marketplace makes it easier for property owners to sign on and purchase a thermostat for their property. The new Marketplace platform also offers referrals to contractors that could install DR-qualified devices, should property owners prefer not to self-install.

M. Community-Based Organization Engagement and Referrals

In the summer of 2025, PSE is planning to launch a program for SMB to participate in an incentivized behavioral DR program. This program will be designed to mirror the existing Flex Rewards program for residential customers and will likely be marketed as such. The Flex Rewards program currently pays customers an enrollment incentive, a \$/kWh incentive for performance during events, and a \$10 referral incentive for each customer who signs up using a unique referral link. The Flex Rewards for SMB program will mirror these same attributes though final incentive values have yet to be determined.

In addition to this program launch, PSE also plans to launch a specific campaign for partnership with CBOs. Conversations between PSE outreach staff and engaged CBOs have indicated that traditional revenue streams for CBOs are currently facing significant challenges, and PSE is examining a creative solution to open a unique revenue stream using the existing referral process for DR. The CBOs that PSE has engaged with are excited by the idea of generating additional revenue opportunities and assisting their community members in finding ways to earn rewards for participating in the region's load flexibility efforts.

While still in the design and planning phase, the CBO Flex Rewards campaign intends to award additional money for each Flex participant referral by a CBO, provide milestone incentives, and comprehensive marketing support for these efforts. The goal of this campaign is twofold: to support local CBOs and to increase awareness for DR among individuals with whom PSE may not currently engage. As part of the design process, PSE will engage several CBOs to solicit feedback on program design and ensure PSE is aligned across outcomes.

Equity Focus

PSE's outreach and engagement team will work with its existing network of CBO partners to promote and communicate available opportunities through these efforts. PSE will focus on supporting CBOs in Named Communities and ensure that they have the tools they need to succeed, such as a multilingual marketing kits that will help them spread awareness of DR and gain referrals both in person and across digital platforms.

N. Enabling Bill Credits

In the 2023 CEIP, PSE committed to pursue complex billing changes to enable Fleet Charging incentives, time of use (TOU) incentives, bill discount rates, peak time rebates, and DR incentives (p. 5.51).

Initially, community feedback on DR programs in the DER (Public Participation [P2]) engagement indicated a 100% preference for a Visa gift card⁵ as a participation reward. However, the third-party implementer evaluation of the first winter season revealed that some Flex Rewards participants experienced frustration with receiving gift cards as an incentive because they found it cumbersome to collect and redeem the e-gift cards. This was especially true for small amounts of money where the redemption value per season was less than \$5, which was the case for approximately 30% of Flex Rewards participants.

It is likely that enabling bill credits will be a simpler path for participants to access their performance incentives. PSE will need to consider the mechanics and feasibility to enable the bill credits for pay-for-performance DR programs like Flex Rewards and Flex EV, and PSE aspires to have this improvement in place by 2026.

Equity Focus

Not only will bill credits enhance the experience for customers in Flex Rewards but it will also allow customers in categories like fixed-income, retired, and/or low tech experience to benefit from their bills being lowered. It will also remove the requirement for them to participate in the retail economy or log on to an additional website to use their incentives. While retail-based gift cards to retailers do not expire in Washington State, pre-paid digital cards do expire after six months meaning that many customers could forgo the value of their incentives if they misplaced or lost their pre-paid digital cards.

O. Named Community Data Visualizations for Program Enhancements and Reporting

In 2025, PSE's Virtual Power Plant (VPP) team will work toward incorporating DR performance data into PSE's Data Lake in Amazon Web Services (AWS) from Autogrid using application programming interfaces (APIs) published by Autogrid. By bringing the VPP performance data into PSE's data lake, staff will be able to connect the data with PSE's internal analytics system called Platform of Insights (POI). Connecting the DR performance data and POI will provide several

⁵ DER Community Engagement Report 2022-2023, p. 99.

program enhancements such as increased automation in how the data is accessed; faster reporting through pre-built dashboards and reports; and integration into existing PSE reporting processes.

Equity Focus

By aligning data streams between the performance data in the VPP and PSE's internal customer data, the DR team will be able to track the impact of Named Community marketing and outreach efforts and identify specific Named Communities where PSE has not gained substantial program participation. For example, a dashboard where PSE overlays DR performance and Named Community data to identify geographic areas where no customers are enrolled will indicate a need to conduct further community outreach in that location. These data efforts will also allow other teams who are focusing on tracking equity targets and goals to see in near-real time the impacts of DR for these individuals.

Appendix – PSE's Enterprise-Wide Equity Strategy

The Clean Energy Transformation Act (CETA) requires electric utilities to reach 80% clean electricity by 2030.⁶ To ensure that all customers are benefiting from the transition to clean energy, CETA also requires — among other things — that utilities ensure that all customers benefit from the transition to clean energy. That mandate is achieved through the equitable distribution of energy and non-energy benefits and reduction of burdens to Vulnerable Populations and Highly Impacted Communities; long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency.⁷

Customer Energy Management's Equity Strategy

The Customer Energy Management (CEM) department is committed to the equitable distribution of energy benefits and burdens (or Distributional Justice) across all community segments within PSE's service territory. Even before CETA, CEM programs included equity as a consideration, resulting in notable efforts over the years including partnerships on the Low-Income Weatherization (LIW) program; designing and implementing direct-install programs to serve the unique needs of residential and business customer renters; and increasing incentives for moderate-income customers via many of CEM's residential programs.

As noted above, CEM derives its distributional equity goals and metrics from CETA⁸ and from the recent UTC decision on PSE's Clean Energy Implementation Plan (CEIP). In the 2024-2025 biennium, CEM expects to deliver customer benefits to Named Communities as outlined in part 4 of the 2024-2025 Biennial Conservation Plan's (BCP's) Equity Focus in Table 0-3: Named Communities Distributional Equity Two-Year Target and in Table 0-4: Deepest Need Distributional Equity Two-Year Target. As defined by CETA, Named Communities are comprised of Highly Impacted Communities and Vulnerable Populations. The CEIP Order directed PSE in the 2023 Biennial CEIP Update to define a sub-segment of customers with "the deepest need" found among Highly Impacted Communities and Vulnerable Populations and designate a minimum percentage of benefits to flow to them.

Leading with Equity is CEM's strategy and commitment to provide "equitable distribution of energy benefits and reduce burdens to Vulnerable Populations and Highly Impacted Communities." This strategy also ensures no future inequities are created and that Named Communities are an active and engaged community within PSE's clean energy journey.

⁶ RCW 19.405.040(1)

⁷ RCW 19.405.040(8)

⁸ RCW 19.405.040(8)

Leading With Equity Strategy



To make the Leading with Equity strategy a reality, PSE is collaborating with its customers to position PSE as a trusted energy partner in all the communities it serves. This is vital when ensuring that the Company takes the right actions to mitigate the impact that the clean energy journey might have on Named Communities. PSE's equity journey aligns with the destination of environmental justice objectives listed in the Healthy Environment for All (HEAL Act) where it states: "Environmental justice includes addressing disproportionate environmental and health impacts ... by prioritizing vulnerable populations and overburdened communities, [with] the equitable distribution of resources and benefits, and eliminating harm."⁹

PSE is collaborating with Community-Based Organizations (CBOs) who champion the cause of a more just and equitable society in the communities where they jointly serve. PSE's efforts take stock of the Washington State government equity initiatives under the Pro-Equity Anti-Racism (PEAR) Plan and Playbook as well as the 2021 State Energy Strategy (SES) adopted by the Washington State Department of Commerce (Commerce). PSE recognizes how Executive Order 22-04 instructs all agencies within Washington State's government to conduct a thorough Equity Impact Review (EIR) to assess how state agencies will increase access, equity, and inclusion in 15 equity determinants. In order for PSE to be a dependable ally and partner to a host of equity-related efforts within the State of Washington, PSE is attentive to and supportive of that broad landscape. These compounded efforts will be key in generating long-range economic benefits estimated by the Washington State Department of Ecology to range from \$1.8 to \$3.8 billion due to better health and reduced healthcare costs among Washingtonians.¹⁰

Within the CEM department, PSE staff is adopting and implementing the following Customer-(Human) Centered model:

⁹ SSSB 5141, New Section. Section 2. Pages 3 & 4.

¹⁰ Economic Impact of Washington's Climate Policies. Department of Ecology. Frequently Asked Questions.

Key Elements of a Human-Centered Design

- 1. The adoption of Leading with Equity Framework that addresses Recognition, Procedural, Distributional, and Restorative Justices.¹¹
- The tracking of CEM's Equity Goals and Metrics through a logic model system that dedicates resources to increase participation in Named Communities. This practice prioritizes procedural and distributional equity (design and delivery) to distribute more customer benefits (a minimum of 30%) and lessen energy burdens¹² in Named Communities.
- 3. Higher customer and equity champion/partner participation through strong community engagement. CEM's Public Participation (P2) Plan focuses on a human-centered approach where its customers' voices are heard to help improve existing design and delivery of energy efficiency programs.

At the center of the strategy and planned actions for the biennium are the efforts conducted at the program level to examine program design and delivery (Procedural Justice¹³) to establish concrete areas of improvement so that participation in Named Communities increases. Participation in demand response (DR) programs is voluntary; however, PSE recognizes the need to examine, through an equitable lens, the existing barriers that customers experience. This recognition enables PSE to partner in the transition to a clean renewable energy future. Therefore, enhancing participation (Distributional Justice) in DR programs among customers in Named Communities is the essential condition through which customer benefits reach Named Communities.





Point 1 in the Key Elements of a Human-Centered Design section above references Cascade Natural Gas UG-210755 Order 09 (see footnote 11), whose details continue below.

Integral to this work is exploring the concept of Energy Justice and its core tenets to advance PSE's goal of achieving equity in Washington energy regulation. Energy Justice is focused on: (1) ensuring that individuals have access to energy that is affordable, safe, sustainable, and affords them the ability to

¹¹ See Docket UG-210755. Order 09. Cascade Natural Gas. Sections 54-58 for adopted PSE guidance for the BCP. With minimal differences, the American Council for an Energy-Efficient Economy (ACEEE), The Energy Equity Project (EPP) from the University of Michigan, and the Washington State Department of Commerce's (Commerce) 2021 State Energy Strategy (SES) all align in these categories.

¹² Energy Burden Assessment, first conducted by PSE in 2020 and updated in 2021.

¹³ Procedural equity is essential. The American Council for an Energy-Efficient Economy (ACEEE) defines it as "the need for service providers and utilities to create inclusive and accessible processes for developing and implementing clean energy programs and resources."

sustain a decent lifestyle; and (2) providing an opportunity to participate in and have meaningful impact on decision-making processes. The core tenets of energy justice are:

- **Distributional Justice**, which refers to the distribution of benefits and burdens across populations. This objective aims to ensure that marginalized and Vulnerable Populations do not receive an inordinate share of the burdens or are denied access to benefits.
- **Procedural Justice**, which focuses on inclusive decision-making processes and seeks to ensure that proceedings are fair, equitable, and inclusive for participants, recognizing that marginalized and Vulnerable Populations have been excluded from decision-making processes historically.
- **Recognition Justice**, which requires an understanding of historic and ongoing inequalities and prescribes efforts that seek to reconcile these inequalities.
- **Restorative Justice**, which is using regulatory government organizations or other interventions to disrupt and address distributional, recognition, or procedural injustices, and to correct them through laws, rules, policies, orders, and practices.¹⁴

A. Customers with "The Deepest Need" (Recognition Justice)

Through the summer of 2023, PSE worked with a joint advisory group comprised of Conservation Resource Advisory Group (CRAG), Energy Advisory Group (EAG), and Low-Income Advisory Committee (LIAC) members to define a new, prioritized segment of customers within Named Communities.

In response to Docket UE-210795 in WUTC Order 08 Condition 20¹⁵ PSE has defined this new Named Communities segment as customers at or above 10% energy burden who are concentrated in neighborhoods or in the top half of Census blocks with the highest population of 10% or more energy burden. Specific compounding conditions and qualitative information from PSE's Community Affairs and Outreach groups help guide prioritization for projects designated for these groups.

¹⁴ See generally Jenkins, K., McCauley, D., Heffron, R., Stephan, H., & Rehner, R., Energy Justice: A Conceptual Review. Energy Research & Social Science 11, 174-82 (2016). See also McCauley, D., Heffron, R., Stephan, H. & Jenkins, K. Advancing Energy Justice: The Triumvirate of Tenets. International Energy Law Review, 32, 107-110 (2013); and Carley & Konisky, The Justice and Energy Implications of the Clean Energy Transition. Nature Energy, 5, 596-577 (2020).

¹⁵ The Order reads: PSE will identify the customers and communities within the broader category of Named Communities in consultation with interested persons and advisory groups. PSE will designate a minimum percentage of energy benefits that will flow to Named Communities with deepest need.

Deepest Need Compounding Factors and Conditions

Demographics				
Human Physical Health Vulnerability Factors	Higher Social Isolation for Older Adults			
Preexisting Medical Conditions	Limited English			
Higher Populations of Customers Belonging to BIPOC Communities				
Access to Resources				
Customers with High Arrearages	Higher Populations of Customers Renting Homes			
Higher Rates of Disconnections	Human Physical Health Vulnerability Factors			
Location and Housing				
Higher Populations of Customers Renting Homes	Extreme Heat Risk Factors (Climate)			
Longer Commutes	Extreme Heat Risk Factors (Landscape)			
Poor Housing Quality	Rural U.S. Census Designation			
Higher Risk for Wildfire	Intersection with Tribal Land Parcels			

Deep poverty expresses itself in the cross-section of historical disparities listed above. This creates a continuum where customers experiencing this reality might say:

- 1. "Due to historical discrimination and/or racism, my demographics, on a cumulative basis, have adversely affected:
- 2. my access (or lack of access) to resources; so that
- the location of my housing and/or place of business is inextricably linked to existing structural health and environmental inequities and disparities, in addition to high-energy consumption¹⁶ and high utility bills."

¹⁶ Average **electricity usage for energy-burdened customers is almost 40% higher** than for non-energy-burdened customers across all income groups; however, the difference in average gas usage is less pronounced. Customers classified as **low-income energy-burdened tend to use 31% more electricity and 13% more natural gas** compared to average population of customers classified as low-income. Energy Burden Assessment, first conducted by PSE in 2020 and updated in 2021.

Customer-Centered Approach



PSE's customer-centered approach seeks to distribute benefits and burdens equitably, with a preferential priority on Named Communities and a deep urgency on the issue of energy burden. Establishing trust with all PSE's customers to understand their challenges, goals, and aspirations will enable PSE to continue designing and delivering energy efficiency programs that help Named Communities. PSE is committed to continuing to learn from all its customers on a consistent basis.

PSE understands that DR programs have a positive impact in mitigating individual and community risk factors, such as energy insecurity.¹⁷ PSE's 2023 Energy Burden Assessment identified the extent of customers in need — at the county level and at the total residential customer base — in the **Error! Reference source not found.**. The Assessment also found that 15% (237,609) of PSE's residential customers are both low-income and experience energy burden.



01Estimated Low-Income vs. Low-Income and Energy-Burdened PSE Customers

¹⁷ Energy insecurity is a multi-dimensional construct that describes the interplay between physical conditions of housing, household energy expenditures and energy-related coping strategies. *Understanding 'energy insecurity' and why it matters to health*. U.S. Department of Health and Human Services. *Soc Sci Med*, 2016 October.

As seen in the figure above, Lewis County has the highest percentage of customers (55%) classified as low income, and 38% were estimated to be low income and energy burdened. Thurston County has a similar percentage of customers classified as low income (53%) and a smaller percentage classified as low income and energy burdened (20%).

participation across all customer segments is key to ensuring that all customers are benefitting from the transition to clean energy through the equitable distribution of benefits and burdens, prioritizing those who are in the deepest need segment (i.e., low-income and energy burdened).

B. Public Participation (Procedural Justice)

CEM's Public Participation (P2) Plan is designed to infuse customer voice into existing and future programs, resources, and services. It addresses residential, business, and low- to moderate-income customers, but it has a deep focus on Named Communities throughout, and it is in support and alignment with statewide equity efforts and initiatives. The goal of receiving customer feedback from Named Communities, advocates, and CBOs is to improve the design and delivery of existing programs and services. The P2 plan's goals are as follows:

1. Inform and Educate

Provide the community with distilled relevant context and information.

2. Consult

Gather input from the community.

3. Involve

Ensure community needs and assets are integrated into the process and inform development, design, and/or implementation planning.

4. Collaborate

Ensure that community entry points and their capacity to play a leadership role in the implementation of CEM program delivery are cultivated.

5. Empower

CEM programs empower all customers in its service territory to make informed decisions about their energy use.

PSE agrees with the 2021 SES equity chapter where it states that "the voices of vulnerable populations and overburdened communities must be intentionally sought out, respected, empowered, and privileged."¹⁸

This expanded public participation effort therefore goes beyond public meetings, with greater levels of public involvement and collaboration needed from all customer segments. Grounded on the elements of the plan's feedback loop, PSE, regulators, and the public are engaging with one another on the importance of equity and environmental justice.¹⁹

CEM is passionate about engaging with customers in meaningful ways, as shown in the Public Participation – Feedback Loop figure below. Over the years, programs have applied a customer

¹⁸ 2023 Biennial Report. Washington State Department of Commerce. Page 7

¹⁹ House Bill 1257 Clean Buildings, passed into law in 2019

feedback loop in order to adaptively manage programs and to increase participation via years of successful programs. PSE is eager to continue refining public participation as shown below to address Procedural Justice and to equitably distribute customer benefits across all customer segments with a priority on Named Communities.



Public Participation – Feedback Loop

Closely collaborating with government agencies, communities, and customers in Named Communities to engage in seeking authentic, meaningful, community-based solutions to current inequities will create "true environmental justice and a future where equitable energy policy design addresses inequities, while creating environmental and economic opportunities for all."²⁰

The following is a synthesis of how customer engagement through PSE's distributed energy resources (DER) focused P2 efforts demonstrate PSE's ongoing efforts to identify and implement programs considerate of all customer segments. It also demonstrates PSE's continued resolve to develop innovative new approaches to reaching customers where they are to ensure no customer is left behind.

PSE's P2 engagement revealed that customers are generally interested in participating in DR programs, with behavioral demand response (BDR) being preferred over remote energy management (REM, commonly referred to Automated Demand Response [ADR]) among residential customers. The primary motivators for participation across both BDR and REM programs were reducing energy bills, according to 61-71% of survey respondents, and receiving upfront financial

²⁰ Build An Equitable, Inclusive, Resilient Clean Energy Economy. 2021 State Energy Strategy. WA State Dept. of Commerce

incentives, according to 48-52% of respondents. Secondary benefits included acting on climate change and better understanding energy usage impacts on bills and the grid.

However, several significant barriers to adoption emerged. The cost of smart devices and installation was cited as the top barrier by 65% of respondents. Other key barriers included hesitation to learn new technologies (35%), skepticism about cost savings justifying the effort (30%), and the inability to shift energy usage timing (24%). For older adults specifically, maintaining comfortable temperatures and technology challenges were notable concerns. Commercial customers raised unique barriers including limited staff capacity to implement DR and challenges coordinating with landlords for rented facilities.

To address these barriers, customers provided clear feedback on desired program elements. First, they expressed a want for significant financial support through upfront incentives rather than rebates to eliminate initial cost barriers. Second, they emphasized the need for comprehensive education and support that includes step-by-step instructions for participation (46% of respondents); information about high-usage devices (66%); and dedicated support staff — particularly for older adults. Third, customers expressed that they want program flexibility, including easy opt-out options, advance notification of DR events, and clear guidelines on temperature adjustment limits. For REM specifically, customers expressed strong preferences for online enrollment options and interest in smart thermostats and water heaters as primary DR devices.

PSE has taken an active role in implementing the following solutions that were identified by participants as cited barriers to participation. PSE identified these solutions through P2 interviews, focus groups, workshops, and surveys with 340 low-income residents and 61 agencies, municipalities, organizations, and tribal entities. This report also includes details about how PSE is addressing this feedback with specific equity-focused actions in the sections above.

Financial Solutions:

• Analyze meaningful modifications to incentive design to provide substantial financial incentives that fully offset the costs associated with acquiring DR-enabling technology and to offer larger incentives for customers with less revenue

Education and Outreach:

- Partner with CBOs who have established community relationships
- Provide in-person consultations for those more comfortable with face-to-face interaction through a potential Home Energy Assessment (HEA) program
- Translate materials into multiple languages and offer multilingual support

Landlord/Tenant Solutions:

- Conduct targeted outreach to educate landlords and create buy-in
- Provide financial incentives for landlords to minimize costs passed to renters

Technical and Installation Support:

- Assign dedicated PSE staff members to help organizations through enrollment and ongoing operations
- Help customers locate community internet hubs if they lack internet access

Program Design:

• Create flexible programs accommodating different customer needs based on size, location, and ownership status

Trust Building:

- Keep communities informed about how their feedback shapes program design
- Move at the community's preferred pace rather than forcing rapid adoption
- Provide clear communication about program operations, especially for DR events

Human-Centered Design: Impact on Customer Journeys

A customer called PSE's residential Water Heat program representative. After listening to the customer's situation, the program lead formulated a customer statement that helps focus attention on participation barriers and customer needs: "As a working single parent where English is my second language, I'm overwhelmed by the project, and I don't have time or energy to deeply research options or go through complicated processes."

Recognizing a customer's obstacles to program participation presents opportunities for improvement in program design and delivery, and this statement helped identify potential barriers such as cost, process, time, access, language, and information. When the PSE program representative better understood the customer's barriers and goals, the teammate refocused the previous statement: "As a working single parent where English is my second language, I need to access personalized resources to understand this PSE program so that I can make a quick, confident decision and focus on my home and child."

This example is representative of the countless customer engagement with the Energy Advisor (EA), Events, Energy Efficient Communities (EEC), Rebate, and Program teams. By having and sharing these customer experiences with each other, the CEM team centers customer voice in its adaptive management and refinement of programs as described throughout Exhibit 3 of the 2024-2025 BCP.

The Power of Trust and Relationships

The Nisqually Tribe wants to be the leading clean energy using and sustainable Tribe in the nation. As part of that goal, Tribe members reached out to PSE and requested a presentation on solar program opportunities for their members. The EEC team was eager to engage Tribe members in a conversation to learn about their needs and aspirations and to explore how PSE can help. In conversations after the solar-focused presentation, the Tribe representatives shared that they had postponed some energy efficiency upgrades. Knowledge of the broad menu of existing energy efficiency programs, linked with customer input, enabled PSE to share a possible solution: the Small Business Direct Install (SBDI) program.

Through many years of partnering with small businesses, PSE has adapted the SBDI program based on feedback to meet specific customer needs, particularly given that many small business owners rent their space and do not have the same access to energy efficiency programs that landlords do. This program removes barriers to participation by providing customers with a free energy assessment and an energy partner to provide low-cost or no-cost upgrades and personalized next steps that improve energy efficiency in smaller buildings.

For the Nisqually Tribe, the SBDI energy assessment revealed lighting replacement opportunities spanning from administrative offices to community facilities. The CEM team was able to retrofit the old lighting fixtures and install LED lamps at no cost, and this resulted in over 183,000 kWh of annual energy savings and improved illumination throughout many spaces.

Through such engagements Tribe representatives also shared billing questions, that PSE's Business Services team addressed, and interest in PSE's EV charging program, that PSE's EV concierge handled by sharing programs and resources best suited to their needs. Tribal members also shared their interest in participating in upcoming pilots and new programs to help continue making progress on their long-range sustainability journey. These personalized relationship-building efforts provided valuable input that PSE incorporated into program improvements, which is a core part of PSE's customer-focused approach.

Acronyms

Acronym	Definition
ACEEE	American Council for an Energy-Efficient Economy
ADR	Automated Demand Response
AMI	Advanced Metering Infrastructure/Area Median Income
BCP	Biennial Conservation Plan
BDR	Behavioral Demand Response
BDRP	Business Demand Response
BESS	Battery Energy Storage Systems
BIPOC	Black, Indigenous, and People of Color
СВО	Community-Based Organization
CEIP	Clean Energy Implementation Plan
CEM	Customer Energy Management
CETA	Clean Energy Transformation Act
C&I	Commercial and Industrial
CRAG	Conservation Resource Advisory Group
DER	Distributed Energy Resource
DR	Demand Response
EA	Energy Advisor
EAG	Equity Advisory Group
EEC	Energy Efficiency Communities Team
EIR	Energy Impact Review
EV	Electric Vehicle
EVSE	Electric Vehicle Supply Equipment
HIC	Highly Impacted Community
FPL	Federal Poverty Level
GRC	General Rate Case
IRP	Integrated Resource Plan
kWh	Kilowatt Hour. 1,000 watt-hours = 1 kWh, which is equivalent to 10 100-watt incandescent lamps being turned on for one hour.
LED	Light Emitting Diode (typically, a lamp type)
LIAC	Low Income Advisory Committee
MWh	Megawatt-hour. 1,000 kWh = 1 MWh
NEEA	Northwest Energy Efficiency Alliance
P2	Public Participation Plan
REM	Remote Energy Management

SBDI	Small Business Direct Install (program within the BEM sector, Commercial Rebates).
SES	State Energy Strategy
SFE	Single Family Existing
SMB	Small-to-Medium Business
TAN	Trade Ally Network
VP	Vulnerable Population
VPP	Virtual Power Plant
UTC or Commission	Washington Utilities and Transportation Commission