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Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

**RE: Advice No. 2025-42
Puget Sound Energy's Electric Tariff Revision**

Dear Executive Director Killip:

Pursuant to RCW 80.28.060 and WAC 480-80-101 and -105, please find enclosed for filing the following proposed revision to the WN U-60, tariff for electric service of Puget Sound Energy ("PSE" or the "Company"):

1 st Revision	Sheet No. 272	Electricity Energy Efficiency Program Residential Electric Demand Response Services
1 st Revision	Sheet No. 272-A	Electricity Energy Efficiency Program Residential Electric Demand Response Services (Continued)
Original	Sheet No. 272-B	Electricity Energy Efficiency Program Residential Electric Demand Response Services (Continued)
Original	Sheet No. 272-C	Electricity Energy Efficiency Program Residential Electric Demand Response Services (Continued)
Original	Sheet No. 272-D	Electricity Energy Efficiency Program Residential Electric Demand Response Services (Continued)
Original	Sheet No. 272-E	Electricity Energy Efficiency Program Residential Electric Demand Response Services (Continued)
Original	Sheet No. 272-F	Electricity Energy Efficiency Program Residential Electric Demand Response Services (Continued)

The purpose of this filing is to further enhance an existing PSE demand response ("DR") service to certain current and new electric residential customers, which will complement the DR programs that have been previously accepted by the Washington Utilities and Transportation Commission ("Commission") as part of PSE's Biennial Conservation Plan ("BCP") pertaining to

Schedule 272 in Docket UE-230892¹. PSE believes that this residential DR service enhancement will further accelerate the growth of its demand response portfolio as outlined in its Commission-approved Clean Energy Implementation Plan (“CEIP”) to meet the State of Washington’s legislative targets².

As PSE has learned from the launch of its demand response programs beginning in 2023, electric residential customers have positively responded to convenient demand response program options, going from zero enrollments to 640,000 total customer enrollments in the winter of 2024/2025. The current DR program offerings include “automated” options such as electric vehicle charging, water heaters, batteries, and smart thermostats, and behavioral “manual” demand response services which include both incentivized and non-incentivized options. PSE’s current residential non-incentivized behavioral demand response service works by communicating upcoming demand response events to a large number of residential customers (about 560,000 in the winter 2024/2025 season) through email, text messages, and phone calls. In these communications, PSE asks for voluntary participation in peak events as a community call-to-action. PSE also provides tips on how to reduce electricity usage during an event. After a DR event, an individual customer’s electricity usage reduction is compared to similar homes. This DR program, even without incentives, has proven quite effective, as evidenced by the scale of the program and the high level of ongoing customer participation. However, many customers are not motivated simply by the promise of helping the electric grid without rewards for their efforts. PSE is now seeking to evolve and increase positive customer engagement, including equitable compensation of electric residential customers for the value of DR that they contribute.

In 2026, PSE plans to change the current non-incentivized opt-out DR service design to an incentivized design, wherein which electric residential customers will begin to receive an on-bill credit per kWh conserved during any demand response events which occurred in the preceding month. This on-bill credit payment mechanism is the most efficient and transparent payment method to validate and encourage electric residential customer conservation efforts. In addition, an on-bill credit will remove barriers for PSE’s Equity-Focused Residential Customers – defined as customers that are part of a Named Community³ or that are considered Deepest Need Customers⁴.

With the approval of this proposed enhanced residential DR service, PSE can help ensure more customer access to the benefits of on-bill DR event credits.

¹ Order 01 Accepting 2024-2033 Ten Year Achievable Conservation Potential and 2024-2025 Biennial Conservation Target, Subject to Conditions

² Final Order 08 Approving CEIP Subject to Conditions in Docket UE-210795

³ The Clean Energy Transformation Act (CETA) specifically identifies Highly Impacted Communities and Vulnerable Populations as groups that must benefit from the equitable distribution of energy and non-energy benefits and the reduction of burdens. In collaboration with interested parties and different advisory groups, PSE has sought to understand, define, and identify customers in “Named Communities,” a term that refers, collectively, to highly impacted communities and vulnerable populations.

⁴ “Deepest Need” is used to describe individual residential customers with severe energy burden (10 percent or more of household income allocated to energy expenses) in areas of concentrated severe energy burden. Compounding vulnerability factors are used to inform our understanding of customers in Deepest Need. Deepest Need was defined through collaboration with PSE’s advisory groups, including the Equity Advisory Group, in 2023.

Summary of Proposed Schedule 272 electric residential DR service Changes and Additions

The key proposed changes to Schedule 272 are noted below.

- The inclusion of the Residential Incentivized Electric Opt Out Behavioral Demand Response Service, which makes electric incentives available for residential customers of the Company who are not enrolled in other PSE Flex services or who have opted out of other DR services. If a customer opts to join another DR service, enrollment in this service would then be terminated. This service shall serve as the default DR service and all electric residential customers of the Company who have not elected to participate in any other DR service shall be automatically enrolled in this service.
- The inclusion of the Residential Incentivized Electric Demand Response Service, which is comprised of PSE Flex services which include but are not limited to, the following: Flex Rewards, Flex Smart, Flex EV, Flex Batteries, and Flex Water Heaters.
- The addition of a Definitions section in which DR-specific terms are defined.
- The addition of a Terms and Conditions section to provide clarity to customers about their participation in DR services.

Calculation of Residential Incentivized Electric Opt Out Behavioral Demand Response Participation Credit

Customers enrolled in Residential Incentivized Electric Opt Out Behavioral Demand Response will receive a credit of \$0.50 per kWh for energy saved during a demand response event. The amount of the credit reflects the goal of compensating the customer at a level that will motivate them to continue to advance their participation in DR events but limits the risk of overpayment for the number of DR events dispatched by PSE.

Since electric residential customers in this new DR service, which may also be referred to as the “Peak Time Savings” service, will be asked for less frequent engagement (maximum of five events per season) than the existing electric Schedule 83 residential PSE Flex DR services (maximum of fifteen events per season), PSE has set the residential Flex incentives at a lower rate to encourage electric residential customers to enroll in this new service by offering a higher credit for participation.

PSE has also reviewed comparable DR services to benchmark the proposed incentive rates. Below are DR services with similar implementers and/or objectives:

- Xcel Energy Peak Time Rebate \$1 / kWh conserved
- Baltimore Gas and Electric Peak Time Rebate Opt Out \$1.25 per kWh conserved
- PG&E’s Emergency Load Reduction Program Opt Out \$1 per kWh conserved
- PSE’s Flex Rewards Opt In Behavioral Demand Response \$1 per kWh conserved

PSE’s electric Schedule 91 also helped inform the rate-setting for this service. The average annual cost as a nominal dollars per MWh is \$45.26 for 2026 and \$40.66 in 2027. Therefore, considering the average utility’s DR service rates above and PSE’s avoided cost of \$0.45/kWh, the Company believes that \$0.50 per kWh is the appropriate incentive rate to motivate customers to participate in demand response, and also for the larger portfolio objective of incentivizing

additional participation in other more active DR services if the electric residential customer decides they are ready to do so.

The new Peak Time Savings and the on-bill form of issuing credits earned addresses multiple points of customer feedback PSE received via customer surveys fielded to Flex participants in May 2024 and June 2025, as well as the 2023/2024 third-party evaluation⁵ survey of participants, direct feedback from customers via email, and the DER Community Engagement Report 2022-2023:

- Applying credits directly to a customer's bill allows the benefits of DR to be more easily accessible to customers who rent their homes and traditionally face barriers to receiving those benefits such as not owning their homes or having decision-making rights over installing smart devices.
- Electric residential customers have asked PSE to create services that allow them to participate through manual options.
- Reduction in energy bills was consistently highlighted as the primary benefit sought out by customers in Named Communities when considering participating in a demand response program (i.e., the incentive should be a credit on their bill).
- Applying credits directly to a customer's bill is the simplest method of compensation for large enrollment programs (compared to gift card or mailed check incentive administration).

Residential Incentivized Electric Opt Out Behavioral Demand Response Participation Credit Example Calculation

Energy Saved means the difference between a customer's total metered electricity use during the DR event and their baseline usage. If the savings are negative, there is no penalty, but no incentive credit will be earned.

Baseline Usage means a customer's average electricity usage calculated from the highest five intervals from the past ten weekdays during the same time period of the DR event (excluding holidays and previous DR event days).

Baseline Usage calculation* – EXAMPLE

Date	Actual kWh use 6 -9 pm
7.15	9
7.16	9
7.17	14
7.18	16
7.19 - weekend	
7.20 - weekend	
7.21	14

⁵ 2023-2024 Demand Response Programs Evaluation by DNV

7.22	8
7.23	10
7.24	16
7.25	11
7.26 - weekend	
7.27 - weekend	
7.28	10
7.29 – EVENT DAY	12
Baseline Average kWh 6 pm- 9 pm	14.2

Top 5 event intervals of 10 past days used in the baseline are bolded.

Energy Saved Bill Credits – EXAMPLE

	Baseline Average kWh 6 pm – 9 pm	Actual kWh use during event 6 pm – 9 pm	Savings
Energy Use 6 pm – 9 pm	14.2	12	2.2
Bill Credits @\$0.50 / kWh			\$1.10

Interested Party Feedback

PSE would like to thank the interested parties who have provided comments, questions, and their experience in the development of this tariff filing. These groups comprised of representatives from Named Communities and their service providers, as well as the Conservation Resources Advisory Group (“CRAG”). The following sections detail those engagements and how PSE incorporated the input from these groups to help inform this tariff filing.

CRAG Engagement

Engagement with the CRAG on the topic of the tariff schedule revisions included in this tariff filing has been comprised of:

- Presentation and discussion of the demand response product and service roadmap, and an overview of the proposed Schedule 272 tariff revisions, desired outcomes, and benefits at a CRAG meeting held on August 27, 2025.
- Distribution and preview of the proposed revisions to electric Schedule 272 pertaining to this filing to the CRAG via electronic mail on August 25, 2025, for a 30-day review and comment period concluding on September 24, 2025.
- Distribution and preview of a slight modification to the draft tariff revisions on September 11, 2025, addressing a scenario in which a customer account is closed after participating in a DR event but prior to the application of credits on a bill.

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As shown in the above timeline, CRAG members were given the opportunity to review and provide feedback. The Company did not receive any written feedback from the CRAG members in response to the review.

Cost Recovery

The costs for the implementation of these proposed new electric service schedules will be recovered through the Commission-approved electric Schedule 120 Electricity Conservation Service Rider and in accordance with electric Schedule 83 Electricity Conservation Service.

Reporting

These services support specific actions of the Company's Clean Energy Implementation Plan ("CEIP"). Any progress towards CEIP goals made will be reflected in PSE's CEIP reporting.

Conclusion

As detailed in its CEIP, PSE is committed to creating a cleaner energy future as it proactively works to do its part to support the State of Washington's clean energy goals. PSE believes the new proposed electric Schedule 272 services are a positive step toward meeting that objective and will help accelerate clean energy goals in Washington State, enable benefits to most electric residential customers, and alleviate barriers and maximize the desired benefit for Equity-Focused customers. PSE thanks its customers, the Commission, and valued interested parties for their support as the Company takes the next steps in executing on the strategies laid out in the CEIP.

The tariff sheets described herein reflect an issue date of September 30, 2025 and an effective date of November 1, 2025. Posting of proposed tariff changes, as required by law and the Commission's rules and regulations, is being completed through web, telephone and mail access in accordance with WAC 480-100-193.

Please contact Veronica Martin at veronica.martin@pse.com or Eric Englert at eric.englert@pse.com for additional information about this filing. If you have other questions, please contact me at birud.jhaveri@pse.com.

Sincerely,

/s/ Birud D. Jhaveri

Birud D. Jhaveri
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cc: Tad O'Neill, Public Counsel
Sheree Carson, Perkins Coie

Attachments: Electric Tariff Sheets (listed above)