EXH. GA-1T
DOCKET UE-210795
PSE'S CEIP
WITNESS: GILBERT ARCHULETA

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of **PUGET SOUND ENERGY** **Clean Energy Implementation Plan Pursuant to WAC 480-100-640**	**Docket UE-210795**

PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF

GILBERT ARCHULETA

ON BEHALF OF PUGET SOUND ENERGY

DECEMBER 12, 2022

PUGET SOUND ENERGY

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I. INTRODUCTION

Q. Please state your name, business address, and position with Puget Sound Energy.

A. My name is Gilbert Archuleta, and my business address is Puget Sound Energy, P.O. Box 97034, Bellevue, Washington 98009-9734. I am employed by Puget Sound Energy ("PSE" or "Company") as Director, Customer Energy Management.

Q. Have you prepared an exhibit describing your education, relevant employment experience, and other professional qualifications?

A. Yes, I have. It is Exhibit GA-2.

Q. What are your duties as Director, Customer Energy Management for PSE?

A. I lead PSE's Customer Energy Management team focused on Energy Efficiency and Demand Response customer programs.

Q. What is the purpose of your rebuttal testimony?

A. This prefiled rebuttal testimony supports the portions of PSE's CEIP that relate to energy efficiency, low income weatherization, energy efficiency customer benefit

indicators and metrics, and demand response. This rebuttal testimony summarizes PSE's actions related to each of those issues before addressing and responding to the recommendations from other parties. Regarding the other parties' recommendations, this rebuttal testimony responds as follows:

I address WUTC Staff ("Staff") witness Joel B. Nightingale's recommendation to approve PSE's CEIP 4-year Energy Efficiency specific target subject to updates required by RCW Chapter 19.285 and WAC 480-109.[1]

I respond to NW Energy Coalition ("NWEC") and Front and Centered witness Roger Colton's comments regarding Low Income Weatherization funding and the relationship of spending and savings.[2]

I address suggestions from Public Counsel witness Aaron Tam around development and inclusion of customer benefit indicators and metrics.

I respond to suggestions for demand response named community participation strategies, and demand response target setting.

I analyze and respond to NWEC and Front and Centered witness Scott Reeves' recommendations regarding co-deployment of energy efficiency and demand response pathways.[3]

[1] Nightingale, Exh. JBN-1T at 8:6-8.
[2] Colton, Exh. RDC-1T at 55:22-56:4.
[3] Reeves, Exh. SR-1T at 12:19-20.

Q. Please summarize your testimony.

A. First, this rebuttal testimony demonstrates that the Commission should affirm the separate and robust biennial conservation plan process PSE currently applies in coordination and input from the conservation resource advisory group by approving the specific energy efficiency targets in the CEIP. Several parties suggest changes to the CEIP that are more appropriately addressed in the biennial conservation plan process. This testimony begins with a review of that important process.

Second, the Commission should approve the CEIP with PSE's proposed customer benefit indicator and metrics. As described in detail later in this rebuttal testimony, customer benefit indicators should recognize current limitations in collecting certain types of data, and customer benefit indicator metrics should measure outcomes that are closely correlated to the desired action.

II. BIENNIAL CONSERVATION PLAN APPROVAL

Q. Please describe the statutory and regulatory requirements that PSE's Energy Efficiency program must meet in the current biennium, 2022-2023.

A. In November 2006, Washington voters approved the Energy Independence Act, also known as Initiative 937. The act, codified as RCW Chapter 19.285, imposes biennial targets for energy conservation and the use of eligible renewable resources on electric utilities in the State that serve more than 25,000 customers. The Commission adopted regulations implementing the Energy Independence

Act, codified in WAC 480-109, that prescribe how and when PSE develops biennial conservation plans and sets biennial conservation savings targets. The Commission's rules also include several other provisions governing how and when PSE reports on the savings achievements and adaptively manages its conservation portfolio.

PSE developed and administered Energy Efficiency programs even before the passage of the Energy Independence Act. Previously, PSE operated its Electric Energy Efficiency programs under the 2002 Settlement Terms for Conservation - PSE general rate case Docket UE-011570 ("Conservation Settlement"). Among other things, this Conservation Settlement created the Conservation Resource Advisory Group – PSE's formal advisory group. The Energy Independence Act was modeled on the Conservation Settlement and created biennial targets, penalties, and the mandate to pursue all available conservation that is cost-effective, reliable, and feasible.[4]

In addition to the Energy Independence Act, the Conservation Settlement, and other regulatory requirements adopted by the Commission, including those in WAC 480-109, the Commission's review and approval of PSE's Biennial Conservation Plans have resulted in conditions and other settlements that inform how PSE plans to achieve savings goals in future biennia. The Commission has adopted and revised these conditions in each Biennial Conservation Plan.

[4] RCW 19.285.040(1).

Finally, the Clean Energy Transformation Act ("CETA") also now influences PSE's conservation planning processes. The Commission's approval of PSE's 2022-2023 Biennial Conservation Plan included conditions that reiterate CETA's requirements to ensure the equitable distribution of energy and non-energy benefits to all customers and the reduction of energy burdens to vulnerable populations and highly impacted communities.[5]

Q. What role does the Conservation Resource Advisory Group play in overseeing PSE's Energy Efficiency programs?

A. The Conservation Resource Advisory Group is a dedicated group of knowledgeable and engaged stakeholders who represent a cross-section of constituents and interests, including consumers, industry, and regional concerns. Conservation Resource Advisory Group members advise the Company on a variety of energy efficiency issues.

PSE meets with the Conservation Resource Advisory Group a minimum of four times per year, with meetings occurring more frequently in planning years, to discuss a variety of issues associated with energy efficiency planning, program implementation, and administration. Relevant issues Conservation Resource Advisory Group members advise on include, but are not limited to:

1. Conservation programs and measures.

[5] *See In the Matter of Puget Sound Energy's 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010,* Docket UE-210822, Order 01, Attachment A at Condition 11 (Jan. 18, 2022).

2. Updates to the utility's evaluation, measurement, and verification framework.

3. Modification of existing, or development of new evaluation, measurement, and verification methods.

4. Independent third-party evaluation of portfolio-level biennial conservation achievement.

5. Development of conservation potential assessments, as required by RCW 19.285.040 (1)(a) and WAC 480-109-100(2).

6. The methodology, inputs, and calculations for cost-effectiveness.

7. The data sources and values used to develop and update supply curves. (h) The need for tariff modifications or mid-biennium program corrections.

8. The appropriate level of and planning for:

   a. Marketing conservation programs;

      i. Incentives to customers for measures and services, and

      ii. Impact, market, and process evaluations.

   b. Programs for low-income residential customers.

9. Establishment of the biennial conservation target and program achievement results compared to the target.

10. Conservation program budgets and actual expenditures compared to budgets.

11. Development and implementation of new and pilot programs.

All Company and Conservation Resource Advisory Group interactions are conducted with the utmost respect for potentially alternative views and with customer benefit and continuous improvement at the forefront.

Q. Please describe how, with Conservation Resource Advisory Group member input, PSE's biennial energy efficiency targets are approved and how the CEIP four-year energy efficiency target was determined.

A. PSE's 2022-2023 Biennial Conservation Plan targets are approved by the Commission based on a detailed plan that has been developed with and vetted by the Conservation Resource Advisory Group. The current CEIP four-year target is based on the detailed 2022-2023 Biennial Conservation Plan. The first two years of the CEIP target reflect the 2022-2023 total savings goal. The second two years of the CEIP target are initially set to equal the 2022-2023 total savings goal with the caveat that the second two years of the four-year CEIP target will be updated through the Biennial CEIP update process to match the 2024-2025 total savings goal, once that is established in late 2023 pursuant to the requirements of RCW 19.285, WAC 480-109, and the applicable Biennial Conservation Plan conditions. Along with the required Conservation Resource Advisory Group participation, PSE conducted a Biennial Conservation Plan public participation process and shared the Biennial Conservation Plan with the Equity Advisory Group in 2021 before filing the Biennial Conservation Plan with the Commission on November 1, 2021.

Q. **How should the Commission view the interplay between the Biennial Conservation Plan and CEIP process with respect to energy efficiency?**

A. The Commission should view the Biennial Conservation Plan process as the primary method for establishing PSE's targets and actions with respect to energy efficiency, including public engagement. In enacting CETA, the Legislature could have chosen to supersede or modify the obligations under the Energy Independence Act. They declined to do so. As such, unless and until those statutory obligations change, energy efficiency policy and program should continue to be established through the Biennial Conservation Plan process and simply reflected in the CEIP. Recommendations brought forward by Public Counsel, for example, would be better addressed through the Conservation Resource Advisory Group and the 2024-2025 Biennial Conservation Plan process rather than in this proceeding.[6] Still, in the prefiled rebuttal testimony that follows, I will respond to many of these recommendations, and PSE looks forward more discussion about these ideas as part of the development of future Biennial Conservation Plans.

III. LOW INCOME WEATHERIZATION PROGRAM

Q. Please describe PSE's Low Income Weatherization Program, funding, and delivery mechanism.

A. The Schedule 201 Low Income Weatherization Program assists low-income residential electric and natural gas PSE customers improve the energy efficiency of single-family residences, multifamily structures, and manufactured and mobile

[6] *See, e.g.,* Tam, Exh. CDAT-1T at 27-33 (discussing consideration of additional customer benefit indicators).

homes. The income requirement for the program is 80 percent Area Median Income or 200 percent Federal Poverty Level, whichever is higher, based on household size. Eligible customers include owners or tenants with appropriate owner consent.

The goal of the Low Income Weatherization Program is to lessen the energy cost burden of lower-income customers by improving the energy efficiency of their residences and educating these consumers on routine ways to reduce their energy use and costs.

Schedule 201 is available for Low Income Weatherization projects that may qualify for Matchmaker funds under agreements with the Washington State Department of Commerce's ("Commerce") Weatherization Assistance program. PSE defers to Commerce for that program's requirements, which can be found in the current U.S. Department of Energy – Washington State Low-Income Weatherization Assistance Manual ("Weatherization Manual"). See Exh. GA-3 for a copy of the Weatherization Manual.

PSE contracts with non-profit agencies and housing authorities to install energy efficiency improvements along with health, safety, and repair measures. The same agencies also have contracts with Commerce, which administers State and Federal funding. Agencies can leverage PSE utility, State, and Federal funds so no costs are passed on to eligible participating customers.

Q. Why are these relationships with Washington State, non-profit agencies, and housing authorities so important?

A. PSE has relied on relationships with Commerce and the agencies so that PSE customers have access to the benefit of State and Federal funds, in addition to PSE funds. If PSE were to run this program on its own without the leveraging capacity of State and Federal financial and administrative assistance, the acquisition costs of PSE's Low Income Weatherization Program would increase significantly without a concurrent increase in savings.

As stated above, PSE relies on Commerce to establish cost effective standards through its Weatherization Manual. Some measures that do not meet standard cost-effectiveness tests may nonetheless be approved through PSE's Low Income Weatherization Program because they meet the cost effective standard of the State's Weatherization Manual and those measures identified through the priority matrix in the Weatherization Manual. Therefore, the relationship benefits PSE customers because some low income weatherization measures simply may not exist without Commerce's input.

PSE also works closely with The Energy Project, a partnership project of the Washington Community Action Partnership and Commerce. The primary goal of The Energy Project is to encourage energy efficiency and bill assistance services for low-income households and to create a secure funding environment for implementing agencies.

Q. How is PSE's Low-Income Weatherization Program funded?

A. PSE funding includes, but is not limited to, Electric and Natural Gas Conservation Riders, Company funds, Microsoft Settlement dollars, and Macquarie Settlement dollars.

Q. What has PSE's Low Income Weatherization Program done to identify weatherization needs in PSE's service territory, particularly regarding program targeting pilots?

A. PSE conducted two low-income needs assessments. Phase 1 was completed in October 2020 and Phase 2 was completed in December 2021. PSE provided all parties the results of these low-income needs assessments in response to data requests, and they are also provided in Exh. GA-4 and Exh. GA-5, respectively.

During Phase 1, various secondary datasets to develop geographic information system layers were incorporated, which yielded numerous maps of income-eligible customers residing in PSE's service territory. These layers were used to identify historically underserved areas and to summarize key features for potential future of delivery of services. The focus of the Phase 1 study was quantitative in nature.

Phase 2 supplemented the secondary finds of Phase 1 with primary qualitative research consisting of stakeholder interviews and customer surveys. The purpose

of Phase 2 research was to provide context and help PSE better understand why gaps in historical delivery exist, as identified in Phase 1.

Leveraging those studies, PSE has been geo-targeting outreach to the customers and community-based organizations in census blocks that the study identified as having the highest unmet need. PSE will continue geo-targeting the Low Income Weatherization Program based on customer priority needs (*e.g.*, high energy burden, income eligibility, named communities). As PSE regularly does, it will continue to coordinate with the relevant agencies in those geographies on messaging, timing, and extent of outreach to account for agency considerations.

In addition, PSE has co-marketed Low Income Weatherization to participants or potential participants in other PSE bill payment assistance programs with the intent to target customers who have a previously established need. PSE will continue to execute this engagement strategy through the 2023 program and the 2024-2025 biennium and beyond, while keeping agency capacity in mind.

Q. How will PSE's Low Income Weatherization program be funded in the future?

A. Funding PSE's Low Income Weatherization program is an issue in PSE's current general rate case, Docket UE-220066/UG-220067. Pursuant to a settlement stipulation reached in that proceeding, which is still pending approval by the Commission, PSE agreed to continue to fund low-income weatherization programs that the low-income agencies inform PSE they can feasibly achieve

with an annual base funding level of no less than the amount in PSE's current Biennial Conservation Plan Low-Income Weatherization Programs through PSE's next general rate case, which will occur no sooner than 2024.

In general, Biennial Conservation and Annual Conservation program budgets are assigned to contracting agencies and are based on agency production capacity and PSE spending and savings goals for the upcoming year or biennium. However, the budgets are not limiting in nature because PSE has a long-standing agreement with The Energy Project and implementing agencies that the Company will approve increased budget amounts throughout a program year if and when agencies find additional production opportunities. PSE has never turned down an agency request for additional budget upon finding more production opportunity during a given program year.

Q. In his prefiled response testimony, Exh. RDC-1T, NWEC and Front and Centered Witness Roger D. Colton states that the level of low-income weatherization spending is disproportionate to the level of low-income savings.[7] How do you respond?

A. PSE agrees with Mr. Colton's observations, but Mr. Colton only points out the relationship, without proposing any solution for the disproportionality. PSE has proposed increasing spending on low-income weatherization to account for higher product, installation, and building repair costs. While costs for these inputs have

[7] Colton, Exh. RDC-1T at 55:22-56:4.

increased, claimable energy savings have remained the same or decreased. PSE will continue to work with agencies and stakeholders outside of this proceeding to address the disproportionality.

Q. In the prefiled response testimony of Scott Reeves on behalf of NWEC and Front and Centered, Exh. SR-1T, Mr. Reeves proposes "co-deployment" of energy efficiency and demand reduction measures with PSE's low-income weatherization program.[8] Is this something PSE has considered? If so, what is your response to Mr. Reeves' proposal?

A. Yes; PSE has considered the type of "co-deployment" Mr. Reeves discusses in his prefiled response testimony, and PSE agrees there could be significant synergies if energy efficiency and demand reduction measures are coordinated in some way with the low-income weatherization program. However, the important details of determining the specific energy efficiency or demand reduction measures and how they are coordinated with the Low Income Weatherization Program are best addressed outside of this proceeding in the development of the next Biennial Conservation Plan, in a collaborative effort that involves other stakeholders such as Commerce, which is not a party to this proceeding.

[8] Reeves, Exh. SR-1T at 17:2-6.

Q. In the prefiled response testimony of Roger Colton on behalf of NWEC and Front and Centered, Exh RDC-1T, Mr. Colton proposes PSE create workforce development initiatives into its Low Income Weatherization Program. How should PSE engage in workforce development?

A. PSE has communicated with low-income agencies, The Energy Project, and the State of Washington, which are all involved in a state-wide initiative focused on workforce development. PSE and the Low-Income Weatherization Program are eager to engage with the larger group and other partners on workforce development, recognizing that the scope of such work in supporting clean energy adoption extends well beyond the Low Income Weatherization Program.

IV. ENERGY EFFICIENCY CUSTOMER BENEFIT INDICATORS

Q. Please describe PSE's Non-Energy Impacts as they relate to customer benefit indicators.

A. Non-Energy Impacts are monetized benefits or costs associated with energy efficiency that are not already accounted for in energy and capacity costs. Those benefits or costs may accrue to the customer participating in the programs, to the utility, or to society at large. An example of a non-energy impact is buying an energy-efficient dishwasher and receiving the additional benefit of water savings, which can be multiplied by water rates to provide a monetary benefit. PSE uses Non-Energy Impacts when evaluating the cost-effectiveness of energy efficiency programs as part of the Biennial Conservation Plan process.

In some cases, Non-Energy Impacts are also reflected as a customer benefit indicator in the CEIP. For example, Improved Home Comfort represents several survey-derived values from customers indicating the monetary value of home energy improvements, which are measured both as a customer benefit indicator and included in cost-benefit tests in the Biennial Conservation Plan as a Non-Energy Impact. In other cases, customer benefit indicators may measure achievement toward CETA policy goals but are not a monetary benefit that can be used in a cost-benefit test. An example may include the number of customers in vulnerable populations who participated in energy efficiency programs.

Q. Are there limitations to measuring non-energy benefits associated with energy efficiency measures?

A. Absolutely. It is extremely difficult to measure the non-energy benefits associated with certain energy efficiency measures because of limitations to available data, including the difficulty in measuring certain benefits or monetizing them for inclusion as Non-Energy Impacts. For example, there is an unquestionable value to reducing energy burdens to vulnerable populations, but there is no metric that translates that value to a dollar figure per heat pump installed. Other difficulties include highly subjective values, such as the satisfaction a customer may receive by installing a home solar array. Again, there is no question that such value exists, but deriving an objective, quantitative measurement of that value is extremely difficult.

Q. How should PSE determine the appropriate metrics to measure the energy efficiency customer benefit indicators?

A. An effective metric is something that measures an outcome attributable to an action. Metrics that measure outcomes outside the control of an actor do not improve performance. If PSE were to include, for example, deaths or hospitalizations attributable to extreme heat events, it would not be a useful metric to track in the CEIP in judging PSE's performance over time. This is because in any given extreme heat event, some people will suffer grave impacts while most others will not, and the difference is largely due to factors outside of PSE's control. Please see the prefiled rebuttal testimony of Kara K. Durbin, Exh. KKD-6T, for additional information regarding data for customer benefit indicator metrics. If the metric is to be meaningful to PSE, then perhaps a metric that tracks the number of air conditioners PSE incentivized or installed in customers' homes would be more appropriate. In that example, the action (air conditioner installation) is more closely connected to the resulting performance.

Q. How does PSE respond to Mr. Colton's recommendation to establish a housing quality customer benefit indicator?[9]

A. Regarding housing quality, Mr. Colton references HUD's Comprehensive Housing Affordability Strategy database in his request for a housing quality customer benefit indicator.[10] But many of the factors in its data dictionary use

[9] Colton, Exh. RDC-1T at 21:15.
[10] Colton, Exh. RDC-1T at 28:8-10.

data that PSE does not collect, and in fact it may discourage participation if PSE were to attempt to collect it. Factors such as related members of a household, number of people living per room, age of the individuals, and disability status are arguably inappropriate for an energy utility to ask of customers, and such questions could be seen as overly intrusive to those who may otherwise participate in PSE programs. Please see the prefiled rebuttal testimony of Kara K. Durbin, Exh. KKD-6T, for additional information regarding data for customer benefit indicator metrics.

Q. In the prefiled response testimony of Corey Dahl and Aaron Tam on behalf of Public Counsel, Exh. CDAT-1T, Mr. Tam requests a new customer benefit indicator to track residential appliance and equipment rebates.[11] How does PSE respond to Mr. Tam's requests?

A. PSE's concerns with Mr. Tam's request are similar to its concerns with Mr. Colton's proposed additions. Having accurate, available data is important for the customer benefit indicator and metric to be meaningful. PSE's concerns with the additional tracking and reporting of electric appliances and rebates are that not all programs require customer location information (for example, midstream programs are at the distributor level and are not collecting sensitive customer data, nor do retail outlets such as big box stores), so any data collected would be partial and result in an incomplete conclusion. Furthermore, as outlined in the

[11] Tam, Exh. CDAT-1T at 29:24-26.

prefiled rebuttal testimony of Kara Durbin, Exh. KKD-6T, new customer benefit indicators should not be established at this time, but rather considered holistically through a robust public engagement process in the development of the 2025 CEIP.

V. DEMAND RESPONSE PROGRAM

Q. What is PSE's baseline target for Demand Response?

A. PSE's CEIP presents a baseline target for Demand Response of 23.7 megawatts ("MW") by 2025 based on the Conservation Potential Assessment prepared as part of PSE's 2021 Integrated Resource Plan. Since that time, however, PSE has set a Performance Incentive Mechanism goal of achieving 40 MW by 2024. This commitment is memorialized in the Revenue Requirement Settlement in PSE's general rate case, Dockets UE-220066/UG-220067.[12]

Q. What has been PSE's Demand Response Program development process?

A. PSE's Demand Response Program development process has consisted of the following actions:

- In 2021 PSE issued a Request for Proposals ("RFP") for a Virtual Power Plant solution to be able to dispatch Distributed Energy Resources, including

[12] Settlement Stip. and Agree. on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE's Green Direct Program at 29, *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-220066, UG-220067, and UG-210918 (consol.) (Aug. 26, 2022).

Demand Response. PSE selected the AutoGrid Flex platform, and it is currently being deployed.

- PSE issued a Request for Information for Distributed Energy Resources in May 2021 and used the results of that process to further define an RFP.
- PSE issued a Distributed Energy Resources RFP in February 2022 and received nine Demand Response proposals in late March. PSE is currently evaluating the cost effectiveness and efficacy of such proposals based on PSE's 2025 capacity needs and targets. Many of the proposals overlap in capacity and customer potential.
- Once proposals capable of achieving the capacity needs are selected, contracting and implementation scopes of work will be created. PSE hopes to start offering programs in late 2023.
- As PSE develops and implements the initial DR offerings, funding for the development, administration, and associated conservation measures are proposed to be managed through the Biennial Conservation Plan and the Schedule 120 Electric Rider.

Q. What types of Demand Response Programs are the parties requesting?

A. NWEC and Front and Centered presented their extensive Demand Response requests through witness Scott Reeves, in his prefiled response testimony, Exh. SR-1T. The additional Demand Response offerings NWEC and Front and Centered seek are discussed on pages 11 through 31 of Exh. SR-1T. In summary,

NWEC and Front and Centered would like to see the following related to direct load control:

- Focused strategies targeting direct load control toward names communities.[13]
- Expanded use of smart thermostat direct load control.[14]
- A leveraging of existing energy efficiency incentives or opportunities for co-deployment with related water heater direct load control offerings for electric resistant water heaters and heat pump water heaters.[15]
- Added pathways for energy efficiency and demand response co-deployment of direct load control with smart thermostat incentives and installation.[16]

Staff's concerns address the Demand Response target, rather than details related to Demand Response programs. Staff argues that the demand response target of 23.7 MW should include critical peak pricing and time of use programs.[17]

Public Counsel expressed concerns with what Public Counsel witness Corey Dahl calls an:

> Apparent lack of (1) differentiation between DR and DER related to the inclusion of DER in the targeted DER RFP, (2) explanation for the selection of five DR programs to achieve the Company's proposed 25 MW sub-target, and (3) large commercial and industrial DR programs, such as interruptible programs.[18]

Public Counsel's remaining requests around Demand Response are to (1) re-file the CEIP to "harmonize" the demand response targets with the Revenue

[13] Reeves, Exh. SR-1T at 11:1-2.
[14] Reeves, Exh. SR-1T at 11:11-12.
[15] Reeves, Exh. SR-1T at 11:13-16.
[16] Reeves, Exh. SR-1T at 11:19-20.
[17] Nightingale, Exh. JBN-1T at 9:10-11.
[18] Dahl, Exh. CDAT-1T at 18:7-11.

Requirement settlement in PSE's general rate case,[19] (2) add narrative explanations in the Biennial Conservation Plan about definitions and explain why demand response was included in the Targeted distributed energy resources RFP, and (3) describe the cost effectiveness of commercial and industrial demand response programs in the Biennial Conservation Plan.[20]

Q. How do you respond to the parties' requests related to Demand Response Programs?

A. PSE has already sufficiently addressed many of the parties' concerns. PSE is considering Demand Response programs for Residential, Small to Medium sized Businesses, and Commercial and Industrial customer classes.

Residential and Small to Medium sized Businesses programs will include Direct Load Control of smart thermostats, water heaters, and Electric Vehicle chargers, as well as Behavioral Demand Response offerings. Customers must enroll their existing or new smart appliances (thermostats, water heaters, etc.) through the Original Equipment Manufacturers' website or app, as is the industry practice. To maximize customer participation, PSE plans to partner with all Original Equipment Manufacturers (*e.g.*, Nest, Honeywell) that can interface with

[19] *See* Settlement Stip. and Agree. on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE's Green Direct Program at 29, *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy,* Dockets UE-220066, UG-220067, and UG-210918 (*consol*.) (filed Aug. 26, 2022).

[20] Dah, Exh. CDAT at 19:9-21.

AutoGrid Flex. Direct Load Control customers enrolling in Demand Response Program will be compensated annually, or seasonally, for each device enrolled.

Behavioral Demand Response customers will have the opportunity to reduce their energy bills by participating in energy reduction events by following provided energy saving actions, such as adjusting their thermostat and washing clothes in cold water. PSE plans to enroll customers with existing smart devices or, if needed, provide them as part of the offering. These plans deliver the changes called for by NWEC and Front and Centered in the response testimony Mr. Reeves, Exh. SR-1T, as outlined above.

PSE also plans to engage commercial and industrial customers to develop Demand Response action plans with both technology automation and Behavioral Demand Response solutions. Commercial and industrial customers will be compensated on an event and capacity reduction performance basis.

Q. How will Named Communities equitably participate in PSE Demand Response Programs, as requested by NWEC and Front and Centered?[21]

A. PSE plans to prioritize participation in demand response offerings to named communities. PSE will discuss with the Equity Advisory Group and Conservation Resource Advisory Group program design elements that could promote more participation in demand response programs by named communities. The following actions are planned to begin in 2023 to further this priority:

[21] Reeves, Exh. SR-1T at 16:6-14.

- Smart thermostats and CTA-2045 water heater modules will be provided to customers who need them.

- Behavioral Demand Response will be rolled out to named communities allowing them to voluntarily participate in Behavioral Demand Response events and receive feedback on the benefit of their participation.

- Co-deployment with PSE's Home Weatherization Assistance and Efficiency Boost programs is also planned.

Q. How will PSE ensure customers in named communities are aware of their ability to participate in PSE's Demand Response Program design?

A. To encourage named community customers to participate in the Demand Response Program design, PSE plans the following:

Direct Outreach: PSE has engaged a public participation consultant to conduct interviews, focus groups, and Q&A sessions with community-based organizations and customers in named communities in PSE's service territory to solicit input around barriers to participation and program design preferences for upcoming Distributed Energy Resources/Demand Response programs.

Leverage Existing Resources: Presentations have been, or will be, made to the Low Income Advisory Committee, Equity Advisory Group, and Conservation Resource Advisory Group to solicit input on the public participation process.

Q. How should PSE coordinate Demand Response and Energy Efficiency offerings for named communities with the Equity Advisory Group and interested stakeholders?

A. PSE plans to present Demand Response and Energy Efficiency proposed offerings early in the biennial planning process to the Conservation Resource Advisory Group and Equity Advisory Group and incorporate feedback into the plan or provide detailed explanation where proposals diverge from stakeholder suggestions.

Q. What strategies is PSE using to encourage co-deployment of resources, specifically co-deployment of Demand Response and Energy Efficiency as suggested by NWEC?

A. PSE plans to operate Demand Response administrative activities out of the same area as energy efficiency offerings going forward to promote synergies between energy efficiency and demand response in customer facing programs. PSE's "Energy Efficiency" department recently changed its title to the "Customer Energy Management" department to reflect this. PSE will be actively looking for opportunities to co-deploy Demand Response and Energy Efficiency more broadly as the Demand Response program is developed. As mentioned earlier, PSE plans to enroll customers with existing smart devices or, if needed, provide them as part of the offering. Demand Response administration and implementation is proposed to be managed through the Biennial Conservation Plan and funded through the Schedule 120 rider.

Q. Do you believe PSE sufficiently addresses the demand response requests from the other parties?

A. Yes. PSE may not have incorporated each and every condition, comment, and request from the four parties that filed testimony related to demand response, but PSE believes its plans both comply with requirements of CETA and address the concerns of stakeholders in a meaningful, reasonable way. For instance, NWEC and Front and Centered witness Scott Reeves calls for strategies that PSE already addresses. One of these strategies is for PSE work with its Equity Advisory Group, named communities, and other stakeholders to tailor education and outreach by specific customer segments; coordinate with local community-based organizations, and develop dedicated targeting for named communities.[22] Additionally, Staff wants PSE to update the demand response target in the Biennial Conservation Plan,[23] and PSE intends to do just that. See the prefiled direct testimony of Kara Durbin, Exh. KKD-6T, for more information. As you can see, PSE has already committed to encouraging demand response participation in these ways.

[22] *See* Reeves, Exh. SR-1T at 9:11-13.
[23] *See* Nightingale, Exh. JBN-1T at 11:17-18.

VI. CONCLUSION

Q. What is PSE requesting from the Commission in this proceeding?

A. PSE requests that the Commission acknowledge that the robust Biennial Conservation Plan and Conservation Resource Advisory Group process should continue and be the primary vehicle for developing energy efficiency targets, programs and actions. That work is reflected in the four-year Energy Efficiency target in the CEIP and will be updated in November of 2023 to reflect the 2024-2025 Biennial Conservation Plan.

The Commission should also affirmatively support the energy efficiency target in the CEIP and approve the demand response target provided in the CEIP.

Q. Does this conclude your prefiled rebuttal testimony?

A. Yes, it does.