

**EXH. MNL-5
DOCKETS UE-22___/UG-22___
2022 PSE GENERAL RATE CASE
WITNESS: MARK NEWTON
LOWRY**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Docket UE-22___
Docket UG-22___**

**FOURTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF**

MARK NEWTON LOWRY

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 31, 2022

Demand Response PIM

Metric

The metric for the demand response PIM is the expected MW reduction in the Company's need for planning reserves to meet the winter coincident peak demand which is attributable to eligible demand response ("DR") initiatives, as adjusted for the planning reserve margin and losses to represent impact at generation level. Each year effective incremental DR capacity is the impact of all incremental DR resources obtained in that year. Effective DR capacity is based on the impact of DR on the generation capacity required to meet the Company's planning reserves requirement, not the DR resources that are actually called upon during any particular winter.

Reporting of the effective DR capacity will be consistent with the Tracking and Reporting section of Chapter 7 of the Company's CEIP, which was filed on December 17, 2021.

Eligible Initiatives

The eligible DR initiatives include direct load control, curtailable or interruptible load, and pricing programs whether initiated as a result of competitive solicitations or internal Company initiatives. Costs and load savings from PSE's electric vehicle managed load program will be excluded.

Targets

<u>Year</u>	<u>Incremental Demand Reduction Target at Generation</u>
2023	5 MW
2024	6 MW
2025	12 MW

PIM Description

Each year the Company can earn a payment equal to a percentage of the total projected costs attributable to DR resources which are added in that year, depending on the incremental effective DR capacity achieved. These incremental DR resources can be obtained from new DR programs or from additional load for a DR program implemented in a prior year.

The costs of the additional DR resources will be estimated over the life of the resource or 10 years, whichever is shorter. The stream of estimated annual costs will be discounted at the weighted average cost of capital. To be eligible for any payment the Company must achieve at least 90 percent of its target. The payment percentage increases as performance improves.

The projected costs include, but are not limited to, the Company's own DR-related setup costs, O&M expenses, equipment costs, marketing costs, customer incentives and administration costs for the Distributed Energy Resource / Demand Response Request for Proposal. Preliminary estimates of DR

program costs are provided in Appendix F-2 of the Company's CEIP, which was filed on December 17, 2021.

For purposes of the demand response PIM the Company will include one-time costs (e.g., equipment costs, setup costs, etc.) attributable to a new program during the first year the Company offers the program, as long as the PIM threshold of 90 percent of the target is achieved. If the Company does not achieve the 90 percent threshold during the first year the program is offered, the one-time costs for that program can be included in a subsequent year when the Company does achieve at least 90 percent of its target.

PIM Bands

The following table details how the reward varies with the incremental effective DR capacity achieved.

<u>Year</u>	<u>Achievement as % of Target</u>	<u>Corresponding Incremental MW</u>	<u>Reward as % of Program Costs</u>
2023	< 90%	< 4.50 MW	0%
	90% - 110%	4.50 MW - 5.50 MW	15%
	>110%	> 5.50 MW	25%
2024	< 90%	< 5.40 MW	0%
	90% - 110%	5.40 MW - 6.60 MW	15%
	> 110%	> 6.60 MW	25%
2025	< 90%	< 10.80 MW	0%
	90% - 110%	10.80 MW - 13.20 MW	15%
	> 110%	> 13.20 MW	25%

The Company will not incur a penalty under this PIM, regardless of its achievement levels.

PIM Cap

No additional payment will be provided for achievement levels over 150% of the targets.

EV Managed Load PIM

Metric

The metric for this PIM is the number of EV chargers used under managed load programs or time-of-use (“TOU”) rates.

Eligible Chargers

Eligible chargers include those installed for single-family residential or fleet customers in the Company’s service territory which are used in managed load programs or (in the case of residential customers) TOU rates. Eligible chargers include those owned by the Company, the customer, or a third party.

Targets

Year	Number of Managed-Load and TOU-Rate Chargers		
	Single-Family Residences	Fleets L2 Charger	DC Fast Charger
2023	—	—	—
2024	—	—	—
2025	—	—	—

PIM Description

In each year of its MYRP, Puget Sound Energy can earn a payment for exceeding the target number of chargers for single-family residences and fleet customers that are served under managed load programs or (in the case of residential customers) TOU rates. The targets are the number of chargers that the Company plans for each year on the basis of the approved budgets for these programs.

The payment is equal to the number of installations in a given year in excess of the target times a pre-determined payment rate per installation. The payment rate per installation is the difference between the estimated present value of the five-year stream of incremental benefits and incremental costs attributable to serving a given type of charging load in a given year under a managed load program or TOU rates. A separate payment rate will be established each year for each of the three categories of chargers. These estimated payment rates are not subject to reconciliation to reflect any after-the-fact derivations of benefits and costs.

The benefits include avoided energy, avoided generation capacity, and avoided transmission and distribution capacity costs. The costs include any incremental expenses incurred to serve the charging loads under managed load programs or TOU rates.

The payment formulas are as follows.

$$\text{Residential Program Reward} = \text{Award Rate}^{\text{Residential}} \times \max[0, (\text{Actual Number of Chargers} - \text{Target Number of Chargers})^{\text{Residential}}]$$

$$\text{Fleet Program Reward}^{\text{L2}} = \text{Award Rate}^{\text{Fleet L2}} \times \max[0, (\text{Actual Number of Chargers} - \text{Target Number of Chargers})^{\text{Fleet L2}}].$$

$$\text{Fleet Program Reward}^{\text{DC}} = \text{Award Rate}^{\text{Fleet DC}} \times \max[0, (\text{Actual Number of Chargers} - \text{Target Number of Chargers})^{\text{Fleet DC}}].$$

The Company will not be penalized if it fails to achieve its target number of chargers.

Illustrative PIM Derivation Based on Hypothetical Data

<u>Year</u>	<u>Target Installations</u>	<u>Actual Installations</u>	<u>Actual Minus Target</u>	<u>Reward per Installation</u>	<u>\$ Reward</u>
2023	100	105	5	\$100	\$500
2024	120	115	-5	\$105	\$0 (Actual < Target)
2025	130	150	20	\$110	\$2200