



Exhibit 2, Supplement 1

Non-Energy Impact Identification,
Valuation and Distribution

2020

Exhibit 2, Supplement 1: Non-Energy Impacts

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SUPPLEMENT 1: PSE'S COMPLIANCE WITH DOCKET 190905, ORDER 01, ATTACHMENT A: CONDITION 10A, 10B AND 10C

Docket 190905, Order 01: Attachment A, Condition 10a requires Puget Sound Energy (PSE) to “demonstrate progress toward identifying, researching and developing a plan to properly value non-energy impacts that have not previously been quantified.” Condition 10b further requires PSE to “identify the discrete non-energy impacts and the monetized value used in cost effectiveness testing for each electric conservation program.” This Supplement to Exhibit 2 for the 2020 Annual Conservation Report (ACR) describes action taken by PSE in 2020 toward achieving these requirements.

A. Condition 10a and 10b: Identifying and Valuing NEIs

In 2020, PSE developed and is now executing a plan that addresses the requirement of condition 10a. The plan outlines how PSE will go about identifying and valuing non-energy impacts (NEIs), along with costs and risks of public health benefits. PSE will include these impacts and risks in its 2022-2023 Biennial Conservation Plan (BCP). This plan was discussed in detail in Exhibit 2, Supplement 1 of PSE's 2021 Annual Conservation Plan.

Recognizing that identifying and properly valuing non-energy impacts will require the participation of all programs within PSE's Energy Efficiency department, staff formed an NEI working group within PSE, chaired by the Energy Efficiency Manager, Development and Evaluation.

PSE further realized that the effort to identify discrete NEIs is not unique to PSE, and utilities across the United States have invested time and effort into identifying and quantifying these benefits and/or costs. Rather than duplicate these efforts, PSE contracted with DNV GL, an energy consulting firm, which developed a database of NEIs used in utilities across the country and designed a methodology to apply NEIs to other jurisdictions, taking into account the geographic, economic and technical factors unique to the utility, as well as the general transferability of the NEI across utilities.

Beginning in 2020 and continuing today, PSE is working with DNV GL to identify NEIs in use across other utilities but are not applied to PSE measures today. PSE expects to have an initial list of new NEIs in early 2021 and will incorporate them into its 2022-2023 BCP, and work will continue for NEIs that require further research and evaluation. The methodology behind the development of each NEI and how it was applied to PSE customers will be documented as they are incorporated into program measure cases.

1. Partnering with Washington IOUs

PSE further realized that identifying and properly valuing NEIs can be laborious and cost-prohibitive, and that other Washington State Investor Owned Utilities (IOUs) also have a requirement to identify NEIs that are appropriate for the State. To that end, PSE reached out and formed an NEI IOU working group, consisting of PSE, Avista and PacifiCorp. This working group met during the summer of 2020 and drafted a proposed charter which resembles many of the activities outlined in PSE's NEI WG charter. Following these consultations, the utilities agreed that PSE would start with DNV GL to develop its list of NEIs, and the other Washington utilities would engage with DNV GL on separate contracts. PSE expects that going forward, through cooperation and resource sharing, the IOUs' efforts will benefit all of Washington's utility ratepayers as conservation measures provide a more robust accounting of benefits (or costs) not formerly quantified.

B. Condition 10c: Distribution of Energy and Non-Energy Benefits

Docket 190905, Order 01: Attachment A, Condition 10c further requires PSE, to the extent practicable, to "begin to identify the distribution of energy and nonenergy benefits in annual plans and reports."

In 2020, PSE began efforts to understand the distribution of energy and non-energy benefits across populations within its service territory. This will be a first step in a larger effort to understand how its programs impact the populations PSE serves, using data analytics to segment its customers by various factors that may include geography, socio-economic indicators, and others.

Table 1 below is a simple breakdown of energy and non-energy benefits as they were distributed across the counties that constitute PSE's electric and gas service territories in 2020. As PSE continues to work to refine its data, it will be able to describe the distribution of these benefits at a lower level, and may be able to better understand how its services impact across populations in different socio-economic circumstances.



Table 1: County-Level Distribution of Energy and Non-Energy Benefits, 2020¹

County	Customer Count				Non-Energy Benefits		Energy Savings			
	Electric/Dual Customers	% of total	Gas-Only Customers	% of total	1st Year Non-Energy Benefits (Total \$, 2020)	% of all non-energy Benefits	Total 1st Year kWh Savings, 2020	% of all kWh savings	Total 1st Year Therm Savings, 2020	% of all therm savings
Island	37,654	3.2%		0.0%	\$ 12,611.05	1.5%	3,087,662	1.4%	-	0.0%
King	578,155	48.6%	479,176	56.0%	\$ 366,091.06	43.9%	61,835,738	28.0%	1,770,319	43.1%
Kitsap	124,117	10.4%	1	0.0%	\$ 36,285.97	4.3%	8,494,885	3.8%	95	0.0%
Kittitas	14,656	1.2%	2,022	0.2%	\$ 2,833.37	0.3%	5,040,670	2.3%	6,080	0.1%
Lewis	19	0.0%	4,265	0.5%	\$ 23,644.96	2.8%	29,890	0.0%	11,706	0.3%
Pierce	127,189	10.7%	165,897	19.4%	\$ 81,001.38	9.7%	13,331,432	6.0%	381,442	9.3%
Skagit	62,311	5.2%		0.0%	\$ 13,973.03	1.7%	6,247,450	2.8%	216	0.0%
Snohomish	111	0.0%	149,144	17.4%	\$ 53,369.78	6.4%	4,626	0.0%	412,411	10.1%
Thurston	135,670	11.4%	54,887	6.4%	\$ 106,647.92	12.8%	21,045,321	9.5%	143,261	3.5%
Whatcom	108,177	9.1%		0.0%	\$ 42,578.48	5.1%	14,477,728	6.6%	758	0.0%
Not assigned	1,660	0.1%	255	0.0%	\$ 95,488.70	11.4%	87,405,253	39.5%	1,376,519	33.6%
Total	1,189,754		855,637		\$ 834,525.71		221,000,658		4,102,808	

¹Table excludes savings from PSE generation and transmission measures or savings from Northwest Energy Efficiency Alliance support. "Not assigned" includes savings at the retail or distribution level where installed addresses are not included in data.