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***Via Web Portal***

Kathy Hunter  
Acting Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

**RE: PSE's Biennial Conservation Plan for 2024-2025  
Dockets UE-23\_\_\_\_\_ and UG-23\_\_\_\_\_**

Dear Executive Director Hunter:

Pursuant to WAC 480-109-120(1), Puget Sound Energy ("PSE or the Company") hereby submits to the Washington Utilities and Transportation Commission ("Commission") this 2024-2025 Biennial Conservation Plan ("BCP or the Plan"). The Plan is also consistent with RCW 19.285.040(1)(b), which indicates that every two years, PSE must establish its biennial electric target. In addition to identifying and presenting its biennial electric conservation target, PSE also includes in the BCP its two-year natural gas conservation acquisition target, consistent with RCW 80.28.380, which indicates that every two years, PSE must establish a biennial natural gas target that results in the acquisition of all resources identified as available and cost-effective.

**Savings Targets**

The Plan presents detailed information on programs and customer offerings that PSE plans to implement to achieve a 2024-2025 Total Utility Electric Conservation Goal of 397,620 Megawatt hours ("MWh") or 45.4 average megawatts ("aMW"), and Total Utility Natural Gas Conservation Goal of 7.03 million therms. PSE requests that the Commission approve its electric Energy Independence Act ("EIA") Penalty Threshold of 268,702 MWh, or 30.7 aMW.

PSE's proposed Natural Gas Penalty Threshold for the next biennium is 6.09 million therms. The difference in the Total Utility Conservation Goal totals and Penalty Threshold values is accounted for in the Northwest Energy Efficiency Alliance ("NEEA") savings exclusion and additional program savings agreed to between the Company and its Conservation Resource Advisory Group ("CRAG") and Commission Staff.

PSE calculated the above-noted savings targets based on data from its 2023 Integrated Resource Plan (“IRP”) Electric Progress Report (“2023 IRP Progress Report”) and 2023 Natural Gas Utility IRP filed in Dockets UE-200304 and UG-220242.

### Savings Targets Development

#### Electric

The 2024-2025 Plan discusses savings target factors considered and presented to PSE’s CRAG. The key savings baseline is PSE’s 2023 IRP Progress Report Total Biennial Potential, establishing PSE’s two-year pro-rata share of its 10-year electric conservation potential of 304,400 MWh. This is consistent with WAC 480-109-100(3)(b). PSE subtracted projected savings provided by the NEEA of 35,698 MWh to arrive at the EIA Penalty Threshold of 268,702, consistent with the Commission’s standard practice. PSE multiplied the Conservation Potential Assessment (CPA) Pro-Rata Share by five percent to determine the Decoupling Threshold of 15,220 MWh.

To calculate the Total Electric Utility Conservation Goal, PSE added: projected savings from its Retail Wheeling customers and Special Contract customers that participate in its Large Power User/Self-Directed (Schedule 258) program;<sup>1</sup> the electric decoupling commitment savings; and an additional program savings build-out based on current portfolio trajectory of 70,000 MWh. This brought the Total Electric Utility Conservation Goal to 397,620 MWh.

<b><u>Calculate the EIA Target</u></b>	MWh
CPA Pro-Rata Share <i>IRP &amp; CPA Guidance</i>	304,400
<b>EIA Target</b>	<b><u>304,400</u></b>
<b><u>Calculate the Penalty Thresholds</u></b>	-
Subtract NEEA Savings	-35,698
<b>EIA Penalty Threshold</b>	<b>268,702</b>
<b>Decoupling Threshold</b>	<b>15,220</b>
<b><u>Build the Total Utility Conservation Goal</u></b>	
Add Firm Savings Excluded from CPA	8,000
Add Pilots with Uncertain Savings	0
Add Program Savings Build-Out	70,000
<b>Total 2024-2025 Electric Utility Conservation Goal</b>	<b><u>397,620</u></b>

<sup>1</sup> Retail Wheeling customers (commonly referred to as “449 Customers”) were not included in the 2023 CPA.

Natural Gas

Throughout 2023, PSE worked with the CRAG to establish the indicated natural gas 2024-2025 savings targets. Consistent with the requirement in RCW 80.28.380, PSE sought and received approval by the Commission of its Natural Gas CPA on September 14, 2023, which is reflected in Order 01, Docket UG-230447. PSE worked closely with the CRAG to true up the CPA’s first two-year savings number to more closely reflect program capacities. The true up was based on discretionary measure ramp rate adjustments to align them with the Northwest Power and Conservation Council’s ramp rates and resulted in an initial potential of 6.5 million therms. This adjustment is detailed in chapter three of the BCP Overview document. This potential was then decremented by 451,000 therms to account for the higher Regional Technical Forum (“RTF”) natural gas furnace baseline resulting in lower savings than was calculated in the CPA. PSE projects that there will not be NEEA natural gas savings attributable to the PSE service territory for the upcoming biennium. Therefore, PSE’s Natural Gas Penalty Threshold will be 6.09 million therms. PSE multiplied the Natural Gas Penalty Threshold by 5 percent to calculate the natural gas Decoupling Threshold of 304,500 therms.

To calculate the Total Natural Gas Utility Conservation Goal, PSE added an additional 640,000 therms of program savings based on current portfolio trajectory to its combined Natural Gas Penalty Threshold and Decoupling Threshold. This addition brought the Total Natural Gas Utility Conservation Goal to 7.03 million therms.

<b><u>Calculate the CPA Based Target</u></b>	Therms
CPA First Two Years & select ramp rate adjustments	6,541,000
Subtract Gas Furnace Savings	-451,000
CPA Based Target	<b><u>6,090,000</u></b>
<b><u>Calculate the Penalty Thresholds</u></b>	
Subtract NEEA Savings	0
<b>Natural Gas Penalty Threshold</b>	<b>6,090,000</b>
<b>Decoupling Threshold</b>	<b>304,500</b>
<b><u>Build the Total Utility Conservation Goal</u></b>	
Add Program Savings Build-Out	640,000
<b>2024-2025 Natural Gas Utility Conservation Goal</b>	<b><u>7,034,500</u></b>

**Budgets**

PSE’s 2024-2025 electric budget of \$246.29 million reflects forecasted expenditures needed to achieve the Total Utility Conservation Goal of 397,620 MWh. This amount includes \$19.41

million allocated to electric programs in Other Customer Programs (for the upcoming biennium, Net Metering, Targeted Demand Response Pilot, and Demand Response Administration comprise this Sector) that are excluded from cost-effectiveness calculations.

PSE plans expenditures of \$58.23 million to achieve the 2024-2025 Total Natural Gas Utility Conservation Goal of 7.04 million therms. This amount includes \$360,000 allocated to Other Customer Programs (for the upcoming biennium, Targeted Demand Response Pilot makes up this sector) that is excluded from cost-effectiveness calculations.

Key budget drivers include inflation adders, specifically on labor and contractor costs, as well as increased incentives for both customers and contractors.

### **Cost-Effectiveness**

The portfolio of electric conservation is calculated to achieve a Total Resource Cost (“TRC”) benefit-to-cost ratio of 1.73. PSE’s natural gas portfolio cost-effectiveness estimates indicate that the Company will achieve a natural gas TRC of 1.25. PSE provides a complete discussion of its cost-effectiveness calculation methodology in Exhibit 2, Supplement 1 of the 2024-2025 BCP filing.

### **Equity Focus**

PSE’s Customer Energy Management (“CEM”) department is committed to the equitable distribution of energy benefits and burdens across all community segments within PSE’s service territory. The 2024-2025 BCP describes the CEM department’s equity strategy, details each relevant program’s specific equity focus, and details specific actions planned to further PSE’s equity objectives. Consistent with PSE’s 2023 Clean Energy Implementation Plan (“CEIP”) Biennial Update, which is being filed concurrently, PSE has identified an Energy Efficiency Named Community Distributional Equity Target of 104,987 MWh and a Deepest Need Distributional Equity Target of 3,727 MWh. These targets are calculated in the executive summary of the BCP Overview document.

### **Demand Response**

Consistent with PSE’s approved 2021 CEIP, PSE plans to greatly expand its Demand Response (“DR”) programs in the 2024-2025 biennium in order to deliver 86 MW of capacity by 2025. The DR portfolio consists of a combination of four programs including: Automated DR, two Behavioral DR programs, and Business DR. While the DR program implementer operational expenses are accounted for through Power Purchase Agreements, PSE’s program management, development, and administration costs are funded through the Schedule 120 Electric Conservation Rider.

## Compliance

The Plan represents compliance with several requirements, including, but not limited to these highlights:

(WAC 480-109)

- Part 100(1)(b): Types of conservation,
- Part 100(3): Biennial Conservation Target,
- Part 100(5): Energy savings values based on RTF or generally accepted methods,
- Part 110(3): Advance notification of filings.

(2010 Settlement Agreement, UE-100177)

- *F(11):Program Budget*

(2021 Order 01, Attachment A (1), UE-210822)

- (3)(c) – *Consult with CRAG on identifying achievable potential,*
- (3)(e) – *BCP deliverable dates*
- (4) – *Annual Budgets and Energy Savings*
- (5) – *Program Details*
- (7) – *Program Design Principles*

(2021 Order 01, Attachment A, UG-210823)

- (5)(a)(i) – *On or before November 15 of every odd-numbered year, PSE must file with the Commission a biennial conservation plan.*
- (6)(f) – *PSE must consult with the Advisory Groups starting no later than July 1, 2023, to begin to identify achievable conservation potential for 2024-2033 and to begin to set annual and biennial targets for the 2024-2025 biennium, including necessary revisions to program details.*

(RCW 80.28.380)

- *Natural Gas Conservation Targets*

## 2024-2025 BCP Organization

The 2024-2025 BCP consists of many documents, which are presented as Exhibits and organized for reference. Below is an outline of the six Exhibits and four Supplements that provide the 2024-2025 Plan detailed information required, consistent with key requirements outlined in WAC 480-109-120(1), and Attachments A & A(1) of Order 01 in Dockets UE-210822 & UG-210823:

- Exhibit i: Ten-year Conservation Potential and Two-year Conservation Targets
- Exhibit 1: Savings and Budgets

- Exhibit 2: Program Cost Effectiveness Estimates
  - *Supplement 1: Cost Effectiveness Overview*
- Exhibit 3: Program Details
  - *Supplement 1: Procurement and RFP Framework*
- Exhibit 5: Northwest Energy Efficiency Alliance (“NEEA”) Plan
  - *Supplement 1: NEEA Savings Targets*
- Exhibit 6: Evaluation Plan
  - *Supplement 1: EM&V Framework*

### **BCP Development Deliverables**

The Company and the CRAG met six times throughout 2023 to collaborate and discuss plans for energy efficiency programs, establish and agree upon targets and budgets, and agree on a course of action for 2024-2025. In accordance with WAC 480-109-110(3)(c) and (3)(e), PSE provided CRAG members the following elements of the Plan in preparation for this filing:

June 7:	Review 2023 IRP guidance for 2024-2025 pro-rata share.
July 26:	Ten-year Conservation Potential and Two-year Conservation Target for 2024-2025.
August 30:	Draft budget details and draft program details.
September 27:	Draft tariff schedule revisions.

PSE provided an electronic copy of the complete Plan, including all Exhibits, to the CRAG on October 2, consistent with WAC 480-109-110(3). The final Plan filed with the Commission here reflects the feedback and comments received from CRAG members in several key areas, including clarifications and adjustments to Plan presentation to make information more accessible and clear. CRAG members will also receive the electronic version of the final, filed 2024-2025 Plan package concurrent with this filing. Revisions to conservation tariff sheets are included in a separate filing, concurrent with the BCP filing. Tariff revisions clarify terminology, update budgets and provide Plan effective dates.

### **BCP Publication**

Exhibits 1 through 3 will be posted on the PSE website ([www.PSE.com](http://www.PSE.com)) within 30 days of Commission approval. Due to the size of the file, the posted Exhibit 1 will be limited to the 2024-2025 portfolio view only. Exhibits 2 and 3 will replace documents currently posted, which will then be added to the website’s historical archive. Tariff sheet revisions will not be posted alongside the other Exhibits, as tariff sheets are posted in a separate section of the website at <https://pse.com/aboutpse/Rates/Pages/default.aspx>.

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Washington Utilities and Transportation Commission

Please contact Gilbert Archuleta at (425) 457-5648 for questions about this submittal. If you have any other questions please contact me at (425) 462-3051.

Sincerely,

*/s/ Wendy Gerlitz*

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cc: Lisa Gafken, Public Counsel  
Sheree Carson, Perkins Coie

Attachments:

NEW-PSE-2024-2025-BCP-Exhibit-i-10-year-potential-2-year-target-Methodology  
NEW-PSE-BCP-2024-2025-BCP-Overview  
NEW-PSE-BCP-2024-2025-Exhibit-1-Savings-Budgets  
NEW-PSE-BCP-2024-2025-Exhibit-2-Cost-Effectiveness  
NEW-PSE-BCP-2024-2025-Exhibit-2-Cost-Effectiveness-Supplement-1-Cost-Effectiveness-Overview  
NEW-PSE-BCP-2024-2025-Exhibit-3-Program-Details  
NEW-PSE-BCP-2024-2025-Exhibit-3-Supplement-1-2024-2025-Procurement-And-RFP-Framework  
NEW-PSE-BCP-2024-2025-Exhibit-5-NEEA-2024-2025-Planned-Activities-Report  
NEW-PSE-BCP-2024-2025-Exhibit-5-Supplement-1-2024-2025 NEEA-Savings-Targets  
NEW-PSE-BCP-2024-2025-Exhibit-6-Evaluation-Plan  
NEW-PSE-BCP-2024-2025-Exhibit-6-Supplement-1-EM&V-Framework