

Draft Request for Proposals

August 2007



Demand Side Resources

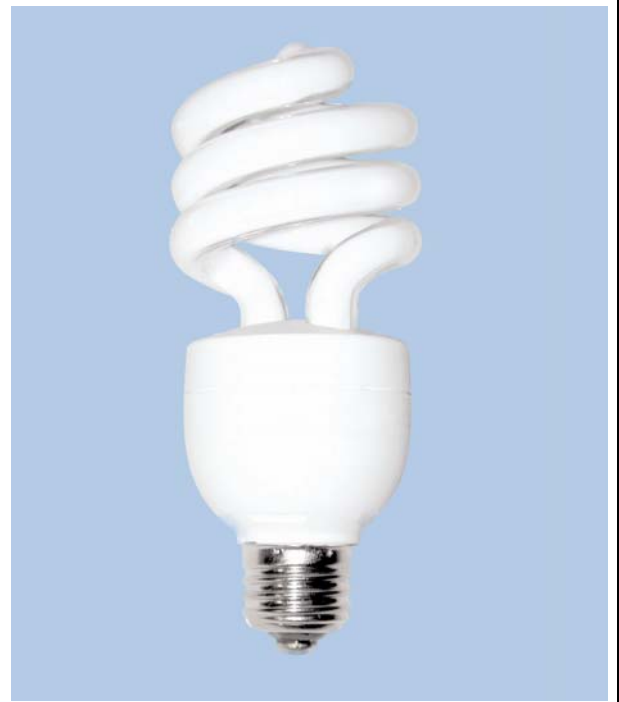


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List of Exhibits

Introduction and Background

Puget Sound Energy, Inc. (PSE) currently provides a variety of energy efficiency services to their retail electric and natural gas customers in all market segments. These programs provide energy efficiency resources as part of PSE's resource portfolio, and are consistent with PSE's Integrated Resource Plan (IRP). Furthermore, PSE is committed to ensuring that all customers have access to programs by offering a mix of programs that make energy efficiency services available to all customer classes and that address all major end uses.

1 Summary of Solicitation

PSE is seeking proposals for programs to acquire electric and gas energy efficiency resources from retail electric customer sites throughout its electric service territory. This solicitation is intended to comply with the requirements of WAC 480-107 and is separate from the RFP for specific targeted energy efficiency services issued in June 2007.

This Request for Proposals (RFP) is intended to supplement and enhance PSE's ongoing energy efficiency efforts. It is consistent with the electric and gas resource strategies in PSE's 2007 Integrated Resource Plan

Requested services are to be delivered by year-end 2009.

Fuel conversion (electricity to natural gas) programs are excluded from this solicitation.

2 Minimum Requirements

Projects must satisfy all requirements of WAC 480-107-065:

- (1) Any conservation supplier may participate in the bidding process. A utility may allow a utility subsidiary to participate as a conservation supplier, on conditions described in WAC [480-107-135](#) Conditions for purchase of electrical power or savings from a utility's subsidiary or affiliate. A decision to allow a utility subsidiary to participate must be explained in the utility's RFP submittal.
- (2) All conservation measures included in a project proposal must:
 - (a) Produce electrical savings over a time period greater than five years, or a longer period if specified in the utility's RFP. A measure with an expected life that is shorter than the contract term must include replacements through the contract term;
 - (b) Be consistent with the utility's integrated resource plan; and
 - (c) Produce savings that can be reliably measured or estimated with accepted engineering methods.

3 Advisory Group Process

Key to the development of PSE's overall energy efficiency targets is participation of PSE's Conservation Resource Advisory Group ("CRAG"). PSE's CRAG was formally established as part of the settlement of PSE's 2001 general rate case that the Washington Utilities & Transportation Commission (WUTC) approved in Docket Nos. UE-011570 and UG-011571 ("Conservation Agreement"). The CRAG's specific purpose is to work with PSE in the

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development of conservation plans, targets and budgets. The CRAG includes ratepayer representatives as well as representatives of select energy efficiency policy organizations. (See list of organizations represented in **Exhibit VI.**) Members of the CRAG participated in the development of the Company's 2007 Integrated Resource Plan, including the conservation potential assessment, and PSE's energy efficiency targets and budgets.

PSE intends to consult with the CRAG as part of its process for analyzing proposals submitted in response to this RFP, although the Company retains the full responsibility for decision-making and selection of any successful proposals.

4 Additional Information About PSE's Energy Efficiency Programs

As part of the Conservation Agreement the WUTC approved a requirement that PSE's "[Energy Efficiency] Programs will be designed to achieve all savings that are not independently captured by consumer acquisition, that are cost-effective to the Company, and economically feasible for consumers, taking into account incentives provided by PSE."

The Conservation Agreement establishes the process for planning and review of PSE energy efficiency programs through 2009. A mix of programs shall be offered to ensure service to all customer sectors. PSE is required to establish overall annual energy savings targets and specific programs to achieve those targets in two year cycles, with 2008-2009 constituting the next full planning period.

The Conservation Agreement further stipulates that PSE's achievement of its annual targets shall be subject to a penalty mechanism. In its decision on PSE's most recent General Rate Case, the WUTC adopted a mechanism for electric energy efficiency programs that includes incentives as well as penalties. Gas energy efficiency programs continue to operate under the penalty mechanism established by the Conservation Agreement.

The measure of program cost effectiveness was established by the WUTC in its *First Supplemental Order to Docket No. UE-920630*, which states, "Unless and until a different measure is approved, the cost effectiveness of conservation programs should be calculated on a total resource cost basis."

5 Funding

Funding for proposals under this RFP shall be provided by the Company's electric ratepayers, through the *Electric Conservation Service Rider* (Electric Schedule 120) and *Gas Conservation Service Tracker* (Gas Schedule 120) approved by the WUTC. Limited additional funding for residential electric efficiency programs is provided as part of the Conservation and Renewable Discount pursuant to power purchase arrangements with the Bonneville Power Administration. PSE electric and gas tariff schedules may be viewed at

<http://www.pse.com/InsidePSE/RatesElecTariffsRules.aspx>.

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6 PSE's Integrated Resource Plan (IRP)

This RFP is intended to be consistent with the guidance provided by PSE's most recent IRP. PSE filed its most recent IRP with the WUTC on May, 2007. The May 2007 IRP may be found on the PSE web site at <http://www.pse.com/energyEnvironment/pse2007IRPcharts.aspx>.

The IRP examines PSE's electric and gas resource needs over the next 20 years, and through technical analysis considers factors such as price, supply, demand and risk. This analysis generally describes the mix of conservation programs and supply resources that might best meet electric or gas resource needs.

The overall IRP strategy with respect to electric resources is to develop a diversified, balanced electric resource portfolio that meets customer needs, results in reasonable energy supply costs and mitigates market risks. PSE's IRP indicates near-term electric and gas resource needs, which grow over time, due to growing load in its service territory, the loss of existing resources and the expiration of power purchase and non-utility generation contracts. PSE's electric and gas energy needs are greatest in the winter.

A portion of these needs will be met through conservation. Specifically, the IRP electric guidance calls for 438 aMW of electric demand-side resources by 2027 from a combination of energy efficiency and fuel conversion, to displace electric loads. Most of the electric demand-side energy savings were accelerated into the first half of the planning period, resulting in 329 aMW of savings by 2017 (299 aMW from energy efficiency and 30 aMW from fuel conversion and distributed generation, all savings at the busbar and including 6.7% line loss factor).

Gas resource guidance calls for 69.7 million therms of gas energy efficiency by 2027, ramped in over time. This is equivalent to gas efficiency savings at a constant average rate of 2.8 million therms per year, or 28.5 million therms by 2017.

PSE's IRP provides the general strategic direction for demand-side program planning and resource acquisition targets, but does not commit to or preclude the Company from acquiring specific conservation measures, program types, or specific amounts of energy savings. Similar to supply-side resource acquisitions, specific determinations about actual conservation acquisitions will be based on specific opportunities and near-term implementation considerations.

Products Requested

This RFP seeks proposals for electric and natural gas energy efficiency resources from all customer classes and end uses, consistent with PSE's 2007 Integrated Resource Plan and the evaluation criteria discussed in Section 8 of this RFP. Proposals are to involve installation of equipment and technologies for any of a wide variety of electricity or gas end-uses. Projects are to be installed at PSE electric or gas retail customer sites, and may be from any customer class, excluding retail wheeling sites where the customer is responsible for procuring their own power or gas supply (Electric Schedules 448 or 449; Gas Schedule 57). A prototype Energy Efficiency Agreement is included as **Exhibit B**.

Although there are no restrictions imposed by this RFP on the size of the energy efficiency savings projects that may be proposed, PSE reserves the right to exercise its discretion to ensure a diverse program mix, reasonable cost levels, and appropriate program scale, and to ask bidders to consider changes to their proposal.

1 Products of Specific Interest

PSE will consider proposals for any electric or gas energy efficiency projects that meet the general requirements of this solicitation. However, PSE is particularly interested in the following types of projects:

1.1 Residential Energy Conservation Products

PSE is interested in proposals that generate residential electric and/or gas savings. Serious consideration will be given to proposals that extend PSE program abilities at a competitive cost effective level or that offer unique cost-effective opportunities outside the scope of present PSE programs.

1.6 Compressed Air Systems

PSE is interested in proposals that take a systems approach to energy efficiency in compressed air systems. The approach will look for system optimization opportunities both on the demand and supply side.

1.7 Dust Collection Systems

PSE is interested in proposals that provide solutions to improve the energy efficiency of the dust collection systems in industrial facilities. The focus is on maintaining the system energy efficiency while meeting the requirements of on going process or production changes.

1.8 Industrial Ventilation Systems

PSE is interested in proposals that provide solutions to improve the energy efficiency of the industrial ventilation systems. The focus is on the fan energy savings but heating/cooling energy efficiency can be included.

1.9 Chiller System Optimization

Provide a proposal to optimize the chilled water system that includes supply and demand side: chillers, pumps, heat rejection equipment, distribution system and controls. Systems must be serving commercial building cooling loads in any commercial segment such as but not limited to building campus cooling loads, offices, data centers, hospitals, etc.

Products Requested

1.10 Small Business Program Aggregator/Marketer

Proposal is requested to aggregate and market PSE's individual rebate offering to the small business customers that are currently marketed and delivered separately. The goal to achieve a more complete and comprehensive retrofits of energy using systems in the small business segment.

1.11 Boiler Room Optimization

A proposal for a prescriptive approach to comprehensive optimization of the boiler system is requested. The focus is to improve the efficiency by implementation of measures within the boiler room; however, proposals that touch elements outside the boiler room, such as distribution and terminal devices, are equally encouraged. Both commercial and industrial applications, hot water and steam systems will be entertained.

1.13 Resource Accounting Software

Packaged pc or web-based resource accounting software application to be used in support of PSE's Resource Conservation Manager Program to organize, analyze, and report energy, water, sewer, and solid waste consumption and cost data.

Software must have ability to organize site information, utility accounts and meters, input monthly billing data, accept electronic downloads, benchmark and rank facilities by Energy Use Index, normalize energy usage for variation in weather and area, and calculate avoided cost savings. Consideration will be given to existing products or development of a PSE branded web-based application. Please note that due to the unique attributes of this requested product, some categories in the standard application form and directions do not apply.

1.14 Combined Heat and Power

CHP installations which recover waste heat from electrical generation process to offset PSE electrical loads and reduce PSE natural gas loads for stage 1 heating, water heating, or process applications. Systems must be sized at under 150 kW electrical output, have a generating efficiency of at least 30% and have a combined cycle efficiency of 80%. Applications include fuel cells, advanced turbines, and integrated combined cycle technologies to produce both electricity and useable heat.

2 Timing

All proposals are to be bid under the assumption that delivery of program services is to be based on eighteen months between 7/1/2008 and 12/31/2009, unless otherwise specified in **Section 3.1** above. The actual contract period for these projects will be negotiated, but will not go beyond 12/31/2009 unless otherwise specified in **Section 3.1** above.

Proposal Requirements and Guidelines

1 Eligible Respondents

Eligible respondents must demonstrate experience pursuant to **Section 5.7.10** in operating a utility-sponsored energy efficiency program, or significant experience participating as a contractor on utility program(s). PSE-affiliated subsidiaries are excluded from bidding on this RFP. Proposals from other utilities and/or their subsidiaries will be considered, since this may increase the number of qualified respondents and thus increase the overall creativity and competitiveness of responses to this RFP. Proposals from PSE retail customers will also be considered.

2 Proposal Requirements

All Proposals must satisfy the following requirements:

Energy Savings Delivered

The Regional Technical Forum (RTF) has determined that certain electric efficiency measures should be deemed to produce specific annual savings over a specific life. In addition, the RTF has developed calculators for determining the savings of certain measures, rather than flat deemed values. PSE encourages respondents to use RTF deemed values or deemed calculations where appropriate. Gas measures may use energy savings values or calculation methods consistent with the RTF for like electric measures where applicable.

In all other cases, energy savings calculations must use commonly accepted engineering practices, and be verifiable using established measurement and verification (M&V) protocols or methodologies such as described in the RTF document, *Appendix P, Energy Savings Verification Protocols*, developed for BPA's Conservation and Renewables Discount, or International Performance Measurement & Verification Protocols (IPMVP). Complete documentation of all calculations and data sources for all inputs must be provided.

To obtain access to the RTF deemed measure savings tables and calculators, as well as RTF energy savings M&V protocols, send an email to EES@pse.com with your contact name and email address. Within seven business days you will receive an email from BPA's C&RD website administrator with Guest sign on authorization and instructions. Once signed on to the site, you will have access to deemed measure tables, calculators and M&V protocols. See also, www.ipmvp.org for M&V protocols. Accepted measure lives are listed in **Exhibit C**.

Should deemed savings and measure lives be adjusted after contract award, but prior to implementation, PSE will use the savings and measure lives in place as of the beginning of the implementation period to determine achieved savings from the program.

Cost-effectiveness

Proposals will be evaluated using the Utility Cost test and the Total Resource Cost test described in **Exhibit D**. Respondents are responsible for providing the measure-specific savings, lives, and costs of their proposals, but the calculation of cost-effectiveness will be performed by PSE. The data requirements to be included with proposals are described in **Exhibit D**. Template tables for cost effectiveness input data and itemization of proposal costs are provided in **Exhibit A**. Costs and savings numbers must match consistently throughout the proposal. Failure to provide all required data may result in disqualification of a proposal.

Proposal Requirements and Guidelines

Cost effectiveness of projects will include PSE program administrative costs. These administrative costs will be determined and applied by PSE and are not the respondent's responsibility. PSE will review its historical administrative costs to determine both the magnitude of additional costs and an equitable method for distributing these costs.

Quality

Projects must not result in significant reduction to the quality of the customers' end-use processes or products, or customer satisfaction with equipment operation, comfort, or other amenities that result from using energy. Proposals should demonstrate that adequate quality assurance procedures will be implemented.

Limitations

PSE will not accept proposals for education, information, or operations and maintenance programs that do not consist of installation of hardware measures. PSE will also not accept proposals for the following programs that PSE plans to continue to operate:

- Low Income Retrofit: PSE currently has contracts with the State of Washington, Department of Community, Trade and Economic Development for delivery of these services.
- NW Energy Efficiency Alliance (NEEA, the "Alliance") - PSE contributions for regionally operated energy efficiency market transformation efforts. All proposals are not to compete with efforts underway in the region by the Alliance (www.nwalliance.org/projects/index.asp). The primary distinction between NEEA market transformation efforts and programs sought under this RFP is that NEEA programs are focused on equipment manufacturers and retailers, not end use consumers.
- Large Power User - Self-Directed Program - Savings acquired from retail wheeling customers that only use PSE distribution services, and do not purchase retail power from PSE (Electric Tariff Schedules 448 and 449).
- Energy Education Program - Powerful Choices for the Environment curriculum offered to middle school students.
- Resource Conservation Manager - Behavioral, operations and maintenance efforts targeted at School Districts.

Proposals for fuel conversion will not be considered under this RFP.

Although the 2007 IRP addresses these types of demand-side resources, a number of analytical and implementation issues remain to be resolved with regulators and other stakeholder groups before PSE sets a policy for pursuit of these types of programs.

Pricing and Payment Terms

Proposals shall be bid on a fixed-price basis, with payment tied to the verification of measure installation and/or energy savings, per the requirements in **Section 5.7.6**, as well as any other terms and conditions included in any Definitive Agreement between PSE and the respondent. ***Long-term performance contracting proposals and proposals that require significant up-front payments are discouraged.***

Proposal Requirements and Guidelines

The bid price shall be itemized as shown in **Exhibit A Table 4** and included in the proposal per **Section 5.7.1**.

Resource Proposal Submittal

PSE requires that respondents conform to the following format for presenting their bid information. Proposals that do not follow this format are at risk of being disqualified. The Proposal Checklist provided in **Exhibit A, Table 1** identifies the items that must be included in all proposals.

Summary Data

Respondents must complete the following project summary forms provided as per **Exhibit A** of this RFP. Cost and savings numbers must be consistent throughout all tables where applicable.

- Table 1. Proposal Checklist
- Table 2. Proposal Summary Data Sheet
- Table 3. Proposal Cost Effectiveness Input Sheet
- Table 4. Proposal Cost Summary Sheet

These forms should be included at the beginning of each proposal. If a proposal has multiple options with different savings or costs, tables 2, 3, and 4 must be provided for each option.

Proposal Overview

Provide a narrative summary of the resource proposal in no more than 3 pages. Costs and savings should be on a per unit or per treatment basis.

Description of Project

1. Describe the product(s) being offered in response to the RFP including: the energy efficiency measure(s), the specific customer(s) or customer type(s), the facility type(s) where the measure(s) will be located, the implementation strategy, project quality assurance and verification, as well as any other additional information deemed relevant by the respondent.
2. Provide an estimate of the projected annual energy savings of the project when completed, per the requirements of **Section 5.1**. Provide details of the derivation of savings for each measure included in the project, and documentation of the basis for those estimates. Provide a monthly distribution of those savings. If system capacity savings are proposed, provide a description of what hour those savings are available or alternatively an hourly shape of savings.
3. Provide an estimate of the useful life for each measure and documentation of data sources. Describe any maintenance and replacement requirements to achieve projected savings of the measure(s) over the measure life.
4. Provide a timeline for savings achievements, showing when measure installation and savings begin to come online, through completion of the entire program. If savings begin

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to accrue prior to project completion, estimate savings achieved for each month until completion.

5. Provide details of any and all customer obligations necessary for the installation of measures, including any share of the cost of the installed measure, and other fees or costs for participation, estimates of customer's time involvement, use of customer premises, etc.
6. Describe who is to own and operate the energy efficiency measure(s) after they are installed.
7. List and describe who is to install the measure(s), including any installation subcontractors and, where applicable, party responsible for commissioning and verification of installation.
8. If the proposal is partially or entirely similar to an existing PSE program, describe and support any reasons that the proposed project may better benefit PSE and its customers than PSE's existing energy efficiency programs.

Price & Payment Terms

1. Provide a total bid price per the requirements of Section 5.6 and include an itemized summary of costs per **Exhibit A, Table 4**.
2. Describe the proposed payment plan, including the schedule and amount of payments, the conditions that must be met before payment is made, and how payments may be adjusted following any verification of savings procedures.
3. Provide an estimate and description of fees, shared savings arrangements, or any other payments or contributions the customer or third-party will be obligated to pay for the installation of any portion of the proposed measure(s). If applicable, describe available customer payment plans.

Schedule for Implementation

The proposal should provide a work schedule showing key tasks and milestones for the proposed project from the point a contract is awarded through project completion. Include a schedule item for each significant project development and implementation activity. Indicate actions to be taken to ensure the schedule will be met. Periodic progress reports will be required.

Savings Verification Plan

1. Describe the procedures that will be used to verify measure installation and energy savings from the installed measures. For estimates that are to be made, describe how they are derived and the assumptions and sources used to develop the estimates.
2. For energy savings that are to be measured, describe the proposed measurement procedures. Protocols for measurement of energy savings may be found at www.rtf.nwppc.org. Procedures for obtaining guest access may be found in **Section 5.1**. Also, generally accepted M&V protocols are available at www.ipmvp.org.
3. Note where interaction with other end-uses, if any, are involved, and provide estimates of the interactive effects on measured savings. Provide sufficient detail on the measurement procedures, including the type of measurement (e.g., billing analysis or

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end-use metering) and the participants included in the measurement. The savings verification plan should address both first year annual savings and savings persistence over the proposed life of the measure.

4. Describe any plans to verify estimated savings. Describe any procedures that will be in place to measure the persistence of the energy savings. Protocols for verification of energy savings may be found at www.rtf.nwppc.org. Procedures for obtaining guest access may be found in **Section 5.1**.
5. Describe PSE's role in the proposed verification plans. Describe any information, data, or support that PSE will need to provide to the verification plan.
6. Describe the timeline for savings verification. Specifically describe the links between measure installation, verification of savings and payment.

Marketing Plans

1. Provide, if applicable, a description of the marketing plan that will be used to recruit participants. Describe how customers will be contacted, eligibility for participation, and how customers will be selected/rejected for participation. PSE reserves the right to coordinate and/or implement all marketing activities. Marketing will be reviewed during contract negotiations.
2. Describe any general marketing assistance the respondent expects PSE to provide. This may include customer lists, customer billing records, letters of introduction, or support by PSE's customer service representatives.
3. Describe the expected simple payback for participants with and without any financial incentives. (Simple payback is to be calculated as the participant's cost divided by the annual energy bill savings.)
4. Include a clear description of any financial incentives the customer will receive.

Customer Service Plan

1. Describe how participant complaints will be addressed
2. Describe any and all written or implied warranties that will be provided to customers regarding quality of materials and installation.
3. Describe the intention to track and provide customer information to PSE. Any respondents currently operating programs should provide PSE with sample reports or other documentation to show program data tracked and reporting capability.
4. List any complaints received from participants regarding the conduct of past energy efficiency programs by the respondent and the disposition of each complaint.
5. If respondent is currently operating a similar program, please provide two end-use customer references. Provide name, address, telephone and e-mail.

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Financial Capability

1. Provide a description of plans for financing the energy efficiency project(s).
2. Describe the proposed security arrangements (i.e., bank letter of credit, payment bond, corporate guarantee, or other security).
3. Be prepared to provide, if the proposal is selected for negotiation, a demonstration of the ability to obtain a level of insurance, such as general business and liability insurance, sufficient to cover major project contingencies.

Experience and Qualifications of the Respondent

1. Provide a general description of the organization, its background and experience in projects similar to your proposal. List all affiliated companies, including holding companies, subsidiaries, and predecessor companies associated with the responding entity.
2. Provide form of business classification (i.e., sole proprietorship, partnership, or corporation) and Dun's number, if known.
3. Please provide names and resumes of all individuals who will be assigned to this project. Include project roles for each individual, i.e. management, field implementation, etc. Include any professional relationship with PSE customers.
4. Provide a list of prior organizations for which key management team members have worked if such organizations have provided services similar to those in the proposal, and specifically note any services provided to PSE or its predecessors.
5. Provide three references from jobs performed within the last two years where the respondent has provided similar services to those proposed for PSE. These references must include at least one contact person at another utility to whom the respondent has provided services. References may also include electric customers for whom the respondent has provided energy efficiency services similar to those included in the respondent's proposal. Provide name, title, address, telephone number and e-mail for these references.
6. List and describe any licenses that you or your subcontractors have or will be required to obtain to perform the type of work described in your proposal.
7. Describe how your proposal complies with all applicable codes, permits and licenses legally required for the measure installations proposed. A list of the necessary permits will also be required during negotiation.
8. List all lawsuits, regulatory proceedings, or arbitration in which the respondent or its affiliates or predecessors have been engaged related to the types of services proposed if the proposal is selected for negotiation. Identify the parties involved in such lawsuits, proceedings, or arbitration, and the final resolution or present status of such matters.

Proposal Requirements and Guidelines

3 Other Requirements

Signatures and Certifications

The proposal must contain the signature of a duly authorized officer or agent of the respondent submitting the proposal.

The respondent's duly authorized officer or agent shall certify in writing that:

- The respondent's proposal is genuine; not made in the interest of, or on behalf of, any undisclosed person, firm, or corporation; and is not submitted in conformity with any anti-competitive agreement or rules.
- The respondent has not directly or indirectly induced or solicited any other respondent to submit a false or sham proposal.
- The respondent has not solicited or induced any other person, firm, or corporation to refrain from proposing.
- The respondent has not sought by collusion to obtain for himself/herself any advantage over any other respondent.

No Reassignment

All proposals shall state that there will be no reassignment of proposals during the evaluation or negotiation stage and that in the event respondent and PSE negotiate and execute Definitive Agreements based on respondent's proposal, the Definitive Agreements and obligations thereunder shall not be sold, transferred or assigned or pledged as security or collateral for any obligation without the prior written permission of PSE which permission shall not be unreasonably withheld. Any project lender who takes an assignment of the Definitive Agreements for security and exercises any rights under such agreements will be bound to perform such agreements to the same extent.

Conflict of Interest Disclosure

All respondents shall disclose in their proposal any and all relationships between themselves, the project and/or members of their project team and PSE, its employees, its customers, or members of PSE's CRAG.

Validity, Deadlines and Regulatory Consent

All proposals shall specify the date through which the proposal is valid. Respondents should note that Definitive Agreements might not be executed or obtained until near the end of 2008. PSE will seek regulatory consent to revisions of its energy efficiency tariffs consistent with the results of this RFP process, such consent to be in form and substance satisfactory to PSE in its sole discretion. It is preferred that the respondent provides proposals that remain valid for a period that allows for negotiation of Definitive Agreements.

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Environmental Attributes

1. All proposals must state that all Environmental Attributes associated with the project will accrue to the ownership and beneficial use of PSE. All proposals must state that all kWh savings associated with the project(s) will accrue to the ownership and beneficial use of PSE.
2. Detail the disposal of waste to be removed from customer facilities as part of energy efficiency projects, including the disposal of toxic and contaminated waste. Describe any recycling strategies to be incorporated into disposing of removed materials from the project.
3. Detail specific environmental aspects of the project, including any planned utilization of recycled materials in equipment supplied to the project.

4 Credit Requirements

PSE reserves the right to require adequate credit assurances which may include, but not be limited to, a corporate parental guaranty and/or a letter of credit in a form and amount, for a term and from a corporate parent or a financial institution acceptable to PSE. In the event PSE anticipates that additional credit assurances may be required from a respondent, PSE reserves the right to request that the respondent reply in writing regarding its intent to provide such credit assurances prior to the beginning of negotiations on any Definitive Agreement. "Adequate credit assurances" shall include, but not be limited to, security for the value associated with market-based damages for failure to perform, delays in implementation, failure to meet energy savings targets, failure to meet minimum customer service quality levels and/or other forms of default or non-performance.

The respondent should be aware that PSE may require negative control provisions (covenants restricting respondent business practices that could jeopardize respondent's ability to perform its obligations) in the Definitive Agreements that respondent and PSE might execute in connection with respondent's proposal, in addition to any that may be included in the prototype Energy Efficiency Agreement (**Exhibit B1**).

PSE prefers acquisitions that do not impose credit support requirements on PSE. If any respondent intends to propose that PSE provide credit support (e.g., in the form of a letter of credit or otherwise), the respondent must describe in its proposal all desired terms and conditions regarding such credit support.

5 Evaluation and Ranking of Energy Efficiency Proposals

Consistent with the requirements of WAC 480-107-070 and 480-107-165, as well as the Conservation Settlement, PSE will evaluate and rank energy efficiency proposals based on a structured evaluation process. Proposals will be expected to conform with all of the basic requirements in this RFP regarding content, format, and submittal. Any proposal that does not adhere to these requirements is at risk of being disqualified from consideration.

After initial screening for compliance with the basic requirements for this RFP, proposals will be assessed with regard to the evaluation criteria identified below:

Proposal Requirements and Guidelines

- Compatibility of proposal with the products requested in **Section 3**. For bids on Preferred Products, proposals will be assessed on coverage of the scope of requested services. Proposals for other types of programs will be assessed for compatibility and overlap with existing PSE programs. Impacts on diversity of PSE's program mix and appropriateness of program scale will also be considered.
- Cost-effectiveness. Resource projects must have benefit-cost ratios greater than 1.0 for the UC and TRC tests. This is a minimum threshold only. PSE is not obligated to award contracts to all proposals that pass this criterion. PSE reserves the right to add administrative costs incurred by PSE, modify measure savings and lives that do not conform with the requirements of **Section 5.1**, and adjust dollar values assigned to non-energy savings benefits.
- Amount of energy savings and method used to calculate savings, including documentation of data sources. PSE will apply standard measure savings where recognized by the RTF as described in **Section 5.1**. For measures not listed by the RTF, the savings and measure life must be accompanied by supporting documentation.
- Life of savings and degradation of savings over time – preference given to long-term, stable savings. The measure lives listed in **Exhibit C** will be used to evaluate the cost-effectiveness of proposals.
- Demonstrated ability to deliver proposed savings at proposed cost and within proposed time frame.
- Terms of payment. The potential financial risk or risk of under-performance to which PSE may be exposed based on the relationship between services delivered and the proposed terms of payment for services.
- PSE will consider the information received in response to **Section 5.7.9** and **Section 7** to this RFP in determining risk associated with the financial condition of and performance by a respondent and any third parties depended upon by respondent. Lower-risk respondents are preferred.
- Costs, time, complexity, or other resource commitments imposed upon PSE by implementation of a proposal.
- Public benefits including environmental, economic and community impacts. Such benefits should be identified if they are unique to the program being proposed, not attributes that are generic to all energy efficiency programs, such as reduced generation emissions.

Proposals will be ranked and nominated to a short list of potential finalists, based on balancing of all the evaluation criteria. If any proposal is deemed unacceptable in any category during the process, PSE may, at its sole discretion, eliminate that proposal from further review. Conversely, PSE may, at its sole discretion, ask a respondent to correct minor deficiencies to their proposal.

PSE may continue the evaluation analysis and additional due diligence throughout the evaluation and negotiation period to reflect more current information and future direction received from IRP updates, regulatory proceedings, or other guidance.

PSE intends to seek the advice and assistance of the CRAG, with the goal of reaching consensus as to the final short list of proposals to be selected for further pursuit.

Proposal Requirements and Guidelines

At the completion of the evaluation, including any updated analyses, PSE will move forward with finalists from the short list on further discussions and, potentially, negotiations of the terms and conditions of Definitive Agreements. Definitive Agreements are subject to regulatory consent.

6 Post-Proposal Negotiations and Awarding of Contracts

It is PSE's intent to negotiate both price and non-price factors during any post-proposal negotiations with a respondent whose proposal is selected for further discussions at the completion of the Stage II evaluation. It is also PSE's intent to include in ongoing analysis of a proposal any additional factors that may impact the total cost of a project until such time as PSE and respondent might execute Definitive Agreements.

Definitive Agreements, if any, would be based on the outcome of these continuing negotiations. PSE has no obligation to enter into a Definitive Agreement with any respondent to this RFP and may terminate or modify this RFP at any time without liability or obligation to any respondent. This RFP shall not be construed as preventing PSE from entering into any agreement that it deems appropriate at any time before, during, or after this RFP process is complete. PSE reserves the right to negotiate only with those respondents and other parties who propose transactions that PSE believes, in its sole opinion, to have a reasonable likelihood of being executed substantially as proposed.

PSE, with the mutual consent of the respondent, may elect to implement a proposal earlier than 7/1/2008.

PSE reserves the right to issue subsequent RFPs for energy efficiency resources, including RFPs for specific, targeted energy efficiency programs.

7 Confidentiality/Disclosure

A Mutual Confidentiality Agreement (MCA) is included as **Exhibit E** to this RFP. Respondents must sign the Confidentiality Agreement and provide two signed originals to PSE at least one week prior to the proposal due date. PSE will countersign the MCA and return one fully executed agreement to the respondent. Only one MCA per respondent is required, regardless of the number of proposals submitted.

To the extent required by law or regulatory order, PSE will make available to the public a summary of all proposals received and the final ranking of all such proposals. PSE also intends to make summary information regarding proposals available to the CRAG, as necessary to enable this group to carry out its planning and review responsibilities. CRAG members will be required to agree to keep proposal information confidential in order to have access to individual proposal information. If an organization represented on the CRAG elects to bid on this RFP, that organization will resign from the CRAG through 12/31/2009.

PSE may retain all information pertinent to this RFP process for a period of 7 years or until PSE concludes its next general electric rate case, whichever is later.

Proposal Requirements and Guidelines

8 Contact Information and Submission of Proposals

A sealed set of two (2) hard copies, plus one electronic copy on CD-ROM, of the proposal shall be submitted via U.S. mail, courier service, or hand delivery to PSE at the address shown below.

All proposals must be received by no later than 5:00 PM Pacific Time on February 29, 2008. In addition, respondents are to provide two signed originals of the Mutual Confidentiality Agreement (Exhibit E) by February 22, 2008.

All costs to participate in this RFP process are the responsibility of the respondent.

Questions and requests regarding this RFP should be sent to EES@pse.com.

Contact for proposal submittals:

Carolyn Tash, Energy Efficiency Services
Phone: 425- 456-2601
Fax: 425- 456-2706

Address for U.S. Mail:
Puget Sound Energy
P.O. Box 97034, EST-10W
Bellevue, WA 98009-9734

Address for courier or hand delivery:
Puget Sound Energy
355 110th Avenue NE, EST-10W
Bellevue, WA 98004

Deliver to mail room on Level P-2 of garage

Proposal Requirements and Guidelines

9 2008 Demand Side Resources RFP Schedule

October 12, 2007	Draft RFP Filed with WUTC
October 29, 2007	PSE Public Meeting on Draft RFP
December 11, 2007	Public Comments Due
January 10, 2008	WUTC Comments Expected
January 12, 2008	PSE Issues Final RFP
January 23, 2008	PSE Hosts Pre-proposal Conference
February 29, 2008	Offers Due to PSE
March 31, 2008	Short List Selected, Respondents Notified
April 15, 2008	Target Date for Executing Letter(s) of Intent
December 31, 2008	Complete Contract Negotiations with Short List finalists

The above schedule is subject to adjustment based on CRAG and WUTC review as well as the actual timing of PSE's evaluation process.

List of Exhibits

Exhibit A	Summary Data Tables
Exhibit B	Prototype Energy Efficiency Agreement
Exhibit C	Measure Lives
Exhibit D	Proposal Cost Detail and Calculation of Cost Effectiveness
Exhibit E	Mutual Confidentiality Agreement
Exhibit F	Organizations participating in the CRAG