

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket Nos. UE-111048 and UG-111049  
Puget Sound Energy, Inc.'s  
2011 General Rate Case**

**PUBLIC COUNSEL DATA REQUEST NO. 235**

**PUBLIC COUNSEL DATA REQUEST NO. 235:**

Please describe all conservation programs that would be included in the Company's Conservation Savings Adjustment ("CSA"). For each such program, please provide:

- a. the anticipated savings over each of the next five years,
- b. the associated estimated costs, by year,
- c. the total number of customers anticipated to participate each year,
- d. the total number of low-income customers anticipated to participate, each year, and
- e. the anticipated savings, by year, from low-income customers.

**Response:**

With the exception of its fuel switching program, Puget Sound Energy, Inc. ("PSE") proposes to include in its proposed Conservation Savings Adjustment Rates all conservation programs whose reported savings are eligible to satisfy its statutory requirements under RCW 19.285.

a, b) PSE does not have a detailed conservation program plan for the next five years that delineates the anticipated savings and associated costs by program. However, attached as Attachment A to PSE's Response to Public Counsel Data Request No. 235, please find a draft conservation plan that details energy savings and costs by program type for the 2012 and 2013 program years.

c, d) PSE does not have a projection of the number of customers or low-income customers expected to participate in its conservation programs in each of the next five years.

e) PSE does not have a projection of the anticipated energy savings associated with participation by low-income customers in its conservation programs in each of the next five years.

# **ATTACHMENT A to PSE's Response to Public Counsel Data Request No. 235**

**DRAFT EES Conservation Rider/Tracker Savings Goals and Budgets, 2012 - 2013**

Last revised: 9/21/11 1:24 PM

Schedule Nos.	Program Name	MWH Savings	Electric Rider Budget	Therm Savings	Gas Tracker Budget	Total Tariff Budget	
<b>Residential Energy Management</b>							
E201	G203	Low Income Weatherization	3,842 \$	5,341,783	76,809 \$	1,254,628 \$	6,596,411
E214	G214	Single Family Existing (Subtotal)	251,418 \$	60,827,954	3,498,880 \$	10,980,261 \$	74,802,215
		Residential lighting	143,274 \$	25,282,913			25,282,913
		Space heat	12,038 \$	5,351,337	1,490,588 \$	4,258,219 \$	9,609,556
		Water heat	1,709 \$	638,545			638,545
		HomePrint	8,100 \$	3,590,954			3,590,954
		Home Appliances	51,699 \$	16,479,325	79,835 \$		16,479,325
		Showerheads	3,107 \$	392,490	145,200 \$	451,686 \$	844,175
		Weatherization	20,524 \$	8,655,491	1,089,809 \$	6,074,367 \$	14,729,858
		Home Energy Reports	10,996 \$	430,901	693,448 \$	195,989 \$	626,890
E215	G215	Single Family New Construction	3,091 \$	2,231,613	63,800 \$	688,845 \$	2,920,457
E216		Fuel Conversion	5,195 \$	1,641,609			1,641,609
E217	G217	Multi Family Existing	33,571 \$	13,689,740	52,600 \$	476,469 \$	14,166,210
E218	G218	Multi Family New Construction	1,910 \$	1,277,858	102,678 \$	665,877 \$	1,943,735
E249	G249	Pilots	0				
		<b>Total, Residential Programs</b>	<b>299,056</b>	<b>109,452,722</b>	<b>3,794,766</b>	<b>18,454,422</b>	<b>99,070,637</b>
<b>Business Energy Management</b>							
E250	G205	Commercial / Industrial Retrofit	138,350 \$	39,102,000	952,000 \$	5,844,740 \$	44,946,740
E251	G251	Commercial/Industrial New Construction	7,000 \$	4,428,240	200,000 \$	1,218,700 \$	5,646,940
E253	G208	Resource Conservation Manager	38,750 \$	3,933,100	1,800,000 \$	2,133,240 \$	5,339,148
E255		Small Business Lighting Rebate	40,100 \$	12,890,560			12,890,560
E258		Large Power User - Self Directed Program	33,000 \$	10,337,100			10,337,100
E261	G261	Energy Efficient Technology Evaluation		60,400		5,200	115,000
E262	G262	Commercial Rebates	54,860 \$	9,759,960	2,806,000 \$	1,311,800 \$	11,071,760
		<b>Subtotal, Business Programs</b>	<b>312,060</b>	<b>64,517,600</b>	<b>5,758,000</b>	<b>10,193,680</b>	<b>91,074,440</b>
E254		NW Energy Efficiency Alliance	38,829 \$	10,521,280			10,521,280
		Generation, Transmission, and Distribution	16,157 \$	623,000			623,000
		<b>Subtotal, Regional Programs</b>	<b>54,986</b>	<b>11,144,280</b>			<b>11,144,280</b>
<b>EES Portfolio Support</b>							
		Customer Engagement and Education					1,000,000
		Energy Advisors		2,073,815		309,543	2,383,358
		Events		840,883		124,572	965,455
		Brochures		108,500		16,338	124,838
		Education		260,989		38,467	299,456
		Web Experience		1,639,284		299,500	1,938,784
		Mainstreaming Green (Subtotal)		1,268,420		190,780	1,459,200
		Web Development		255,980		38,220	294,200
		Web content, maintenance + analytics		513,300		76,700	590,000
		Online customer tools		469,800		70,200	540,000
		E-news		18,900		4,100	23,000
		Miscellaneous applications		10,440		1,560	12,000
		EES Market Integration		700,874		104,728	805,602
		Energy Efficient Communities		573,301		862,322	1,435,623
		Trade Ally Support		9,200		36,000	45,200
		Marketing Research		227,533		133,234	360,767
		<b>Subtotal, Portfolio Support</b>		<b>7,744,718</b>		<b>1,069,903</b>	<b>8,239,622</b>
<b>EES Research &amp; Compliance</b>							
		Conservation Supply Curves		670,085		100,128	770,213
		Strategic Planning		594,436		88,824	683,259
		Program Evaluation					4,724,967
		Program Support		763,720		122,500	886,220
		<b>Subtotal, Research &amp; Compliance</b>		<b>5,803,998</b>		<b>1,260,661</b>	<b>7,064,660</b>
		<b>Total Efficiency Programs Included in CE Calculations</b>	<b>666,102</b>	<b>189,813,914</b>	<b>9,552,766</b>	<b>26,979,724</b>	<b>121,659,338</b>
E150		Net Metering		676,114			676,114
E248		Renewables Education		258,039			258,039
E249a		C/I Load Control Pilot		2,756,000			2,756,000
E249a		Residential Demand Response Pilot		76,610			76,610
		<b>Subtotal, Other Electric Programs</b>		<b>3,766,763</b>			<b>3,766,763</b>

<b>DRAFT</b>	<b>GRAND TOTAL All EES Programs</b>	<b>-76.0 aMW</b>	<b>\$ 193,380,676</b>	<b>9,552,766</b>	<b>\$ 26,979,724</b>	<b>\$ 220,360,400</b>
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BLUE print represents a former Support Activity budget amount.  
Please note that Schedules E200, G202, E206, G207, E/G260 and E/G270 are retired in 2012.

<b>2010-2011 original filing:</b>	<b>71.0 aMW</b>	<b>\$ 166,810,000</b>	<b>9,054,000</b>	<b>\$ 33,350,000</b>	<b>\$ 200,160,000</b>
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HER program costs excluded from "info-only" calculation because savings will be measured.

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**PUBLIC COUNSEL DATA REQUEST NO. 237**

**PUBLIC COUNSEL DATA REQUEST NO. 237:**

What percentage of PSE's distribution revenue requirement is currently being recovered through fixed charges? Please respond separately for gas and electric, and provide all workpapers and supporting calculations with your response.

**Response:**

Based on rates approved in Docket No. UE-090704, and the test year ended December 2008 used in that proceeding, fixed charges contributed an estimated 25 percent of distribution and customer revenue requirement for Puget Sound Energy, Inc.'s ("PSE") electric operations.

Based on rates approved in Docket No. UG-101644, and the test year ending June 30, 2010 used in that proceeding, fixed charges contributed an estimated 29 percent of margin from rates for PSE's gas operations.

Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 237, please find the workpapers used to calculate this estimate.

# **ATTACHMENT A to PSE's Response to Public Counsel Data Request No. 237**

**Public Counsel Data Request No. 237**  
**Current Electric Distribution Revenue Requirement Recovered Through Fixed Charges**  
**Test Year Ended December 2008**

<b>Basic Charge Revenue at Proposed Rates (Electric Compliance Filing, Docket No. UE-090704)</b>	
Schedule 7	\$ 83,893,121
Schedule 24	\$ 19,883,403
Schedules 25 & 29	\$ 4,927,615
Schedule 26	\$ 993,510
Schedules 31, 35 & 43	\$ 2,619,191
Schedule 40	\$ 180,112
Schedules 46 & 49	\$ -
Schedules 449 & 459	\$ 861,001
Schedules 50-59	\$ 16,686,600
Firm Resale & Special Contracts	\$ -
<b>Total Proposed Fixed Charge Revenue</b>	<b>\$ 130,044,553</b>
<b>Total Distribution &amp; Customer Revenue Requirement</b>	<b>\$ 521,799,911</b>
<b>% Current Fixed Charge Revenue to Distribution Revenue Requirement</b>	<b>25%</b>

Public Counsel Data Request No. 237  
Gas Distribution Revenue Requirement Recovered Through Fixed  
Charges  
Test Year Ended June 2010

Schedule	Margin
<b>Basic Charge Revenue at Approved Rates</b>	
23	\$ 84,101,170
53	\$ 610
16	\$ -
31	\$ 21,296,165
31T	\$ -
41	\$ 2,769,572
41T	\$ 110,081
61	\$ -
85	\$ 227,383
85T	\$ 1,077,113
86	\$ 591,436
86T	\$ -
87	\$ 64,777
87T and Contracts	\$ 268,041
Rentals	\$ 8,312,745
<b>Total</b>	<b>\$ 118,819,093</b>
<b>Minimum Charges</b>	
41	\$ 3,196,936
41T	\$ 32,943
85	\$ 20,914
85T	\$ 372,149
86	\$ 1,509
86T	\$ -
87	\$ 70,168
87T	\$ 21,842
<b>Total</b>	<b>\$ 3,716,461</b>
<b>Total Basic and Minimum Charge Revenue</b>	<b>\$ 122,535,554</b>
<b>Total Margin at Approved Rates (1)</b>	<b>\$ 419,760,549</b>
<b>Basic and Minimum Charges - Percent of Margin</b>	<b>29%</b>

(1) Revenue from rates (excluding other operating revenues).

Source: UG-101644 Gas Tariff Increase Filing, settlement rate design workpapers.

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**PUBLIC COUNSEL DATA REQUEST NO. 238**

**PUBLIC COUNSEL DATA REQUEST NO. 238:**

What percentage of PSE's distribution revenue requirement would be recovered through fixed charges, assuming that the Company's proposed revenue requirement and rates are approved by the Commission in this case? Please respond separately for gas and electric, and provide all workpapers and supporting calculations with your response.

**Response:**

Based on Puget Sound Energy, Inc.'s ("PSE") proposed rates in this proceeding and the test year ended December 2010, fixed charges would contribute an estimated 25 percent of distribution and customer revenue requirement for PSE's electric operations and 29 percent of margin from rates for PSE's gas operations. Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 238, please find the workpapers used to calculate this estimate.



# **ATTACHMENT A to PSE's Response to Public Counsel Data Request No. 238**

Public Counsel Data Request No. 238  
Proposed Electric Distribution Revenue Requirement Recovered Through Fixed Charges  
Test Year Ended December 2010

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Basic Charge Revenue at Proposed Rates (Docket No. UE-111048, Exhibit No. JAP-5)	
Schedule 7	\$ 92,160,293
Schedule 24	\$ 21,690,346
Schedules 25 & 29	\$ 5,118,934
Schedule 26	\$ 1,111,007
Schedules 31, 35 & 43	\$ 2,831,475
Schedule 40	\$ 227,526
Schedules 46 & 49	\$ -
Schedules 449 & 459	\$ 238,800
Schedules 50-59	\$ 18,404,054
Firm Resale & Special Contracts	\$ -
Total Proposed Fixed Charge Revenue	<u>\$ 141,782,435</u>
Total Distribution & Customer Revenue Requirement, PSE Response to NWECC Data Request No. 002, p 1, line 3	<u>\$ 570,337,264</u>
% Proposed Fixed Charge Revenue to Proposed Distribution Revenue Requirement	<u>25%</u>

Public Counsel Data Request No. 238  
Proposed Gas Distribution Revenue Requirement Recovered Through  
Fixed Charges  
Test Year Ended December 2010

Schedule	Margin
<b>Basic Charge Revenue at Proposed Rates</b>	
23	\$ 91,166,429
53	\$ 659
16	\$ -
31	\$ 23,171,443
31T	\$ -
41	\$ 2,092,350
41T	\$ 239,557
61	\$ -
85	\$ 242,323
85T	\$ 1,080,239
86	\$ 571,427
86T	\$ 5,423
87	\$ 67,749
87T and Contracts	\$ 300,107
Rentals	\$ 8,138,782
<b>Total</b>	<b>\$ 127,076,488</b>
<b>Minimum Charges</b>	
41	\$ 2,415,194
41T	\$ 71,688
85	\$ 34,026
85T	\$ 28,428
86	\$ 28,233
86T	\$ 68
87	\$ 82,874
87T	\$ 66,687
<b>Total</b>	<b>\$ 2,727,198</b>
<b>Total Basic and Minimum Charge Revenue</b>	<b>\$ 129,803,686</b>
<b>Total Margin at Proposed Rates (1)</b>	<b>\$ 451,908,454</b>
<b>Basic and Minimum Charges - Percent of Margin</b>	<b>29%</b>

(1) Revenue from rates (excluding other operating revenues).

Source: UG-111049, Exhibit No. JKP-10.

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**PUBLIC COUNSEL DATA REQUEST NO. 240**

**PUBLIC COUNSEL DATA REQUEST NO. 240:**

For each company included in the comparable group used by PSE to determine its cost of equity claim, please state if the Company currently has a mechanism similar to the CSA and, if so, please provide a cite to the commission order approving or authorizing such a mechanism.

**Response:**

Puget Sound Energy, Inc. ("PSE") objects to Public Counsel Data Request No. 240 to the extent it requests information that is publicly available or obtainable from some other source that is more convenient, less burdensome, or less expensive. Without waiving such objection, and subject thereto, PSE responds and follows:

Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 240, please find a table summarizing whether or not the companies in the comparable group used by PSE to determine its cost of equity have a mechanism similar to PSE's proposed Conservation Savings Adjustment, and if so, a cite to the order approving such a mechanism.

# **ATTACHMENT A to PSE's Response to Public Counsel Data Request No. 240**

Puget Sound Energy  
Public Counsel Request No. 240  
Comparable Companies with CSA-Type Mechanisms

Line No.	Company	Mechanism Similar to CSA	Commission Order Approving Mechanism
1	Alliant Energy	NO	
2	CMS Energy	NO	
3	Great Plains Energy	NO	
4	NV Energy	YES	Order in Docket No. 10-10024 and 10-10025, Dated May 23, 2011.*
5	OGE Energy	YES	Oklahoma Cause No. PUD 200800059, Order No. 556179.
6	Pinnacle West Capital Corp.	NO	
7	TECO Energy	NO	
8	Westar Energy	NO	
9	Wisconsin Energy	NO	

\* No order number is available.

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Puget Sound Energy, Inc.'s  
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**PUBLIC COUNSEL DATA REQUEST NO. 242**

**PUBLIC COUNSEL DATA REQUEST NO. 242:**

Assuming that expenses per customer are increasing faster than revenue per customer, does the Company contend that this situation is caused by its conservation efforts? If so, please provide all documentation, reports, analyses and workpapers supporting this contention.

**Response:**

Figure 1 on page 19 of the Prefiled Direct Testimony of Tom A. DeBoer, Exhibit No. \_\_\_(TAD-1T), shows that Puget Sound Energy, Inc.'s ("PSE") use per customer in the absence of PSE-sponsored energy efficiency has grown more slowly than its expense-per-customer since its 2004 general rate case (Docket Nos. UE-040641 and UG-040640). This table also shows how the growth in PSE's use per customer has been reduced through the effects of its energy efficiency programs. Therefore, although PSE's energy efficiency programs are not the sole cause of expense per customer growing faster than its revenue per customer, these programs have been a contributing factor.

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**PUBLIC COUNSEL DATA REQUEST NO. 243**

**PUBLIC COUNSEL DATA REQUEST NO. 243:**

Please provide the actual average distribution (non-supply) revenue per customer received in each of the past ten years, by customer class. Please provide this information separately for electric and gas.

**Response:**

Puget Sound Energy, Inc. ("PSE") does not track distribution (non-supply) revenue for its electric customers, therefore the actual average distribution (non-supply) revenue per customer received in each of the past ten years (2001 through 2010), by customer class, is not available.

PSE does not track distribution revenue by customer class for its gas customers. However, estimates can be developed based on specific components of customer bills contained in billing data. Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 243, please find a table of estimated average distribution gas revenue per customer, by customer class, received in each year for 2004 through 2010. Reliable data for the entire population of customers prior to 2004 is not available.



**ATTACHMENT A to PSE's Response to  
Public Counsel Data Request No. 243**

Puget Sound Energy  
Public Counsel Data Request No. 243  
Estimate of Average Annual Gas Distribution Revenue Per Customer  
2004 through 2010

Year	Residential 11,16,23,24,53,55,9	Commercial & Industrial		Large Volume Commercial & Industrial		Interruptible Commercial & Industrial		Limited Commercial & Industrial		Non-Exclusive Interruptible Commercial & Industrial		Transportation Commercial & Industrial		Transportation Large Volume Commercial & Industrial		Transportation Interruptible Commercial & Industrial		Transportation Limited Interruptible Commercial & Industrial		Transportation Non-Exclusive Interruptible Commercial & Industrial		Contracts		Rentals	
		Commercial	Industrial	Commercial	Industrial	Commercial	Industrial	Commercial	Industrial	Commercial	Industrial	Commercial	Industrial	Commercial	Industrial	Commercial	Industrial	Commercial	Industrial	Commercial	Industrial	Commercial	Industrial		Commercial
2004	\$ 269	\$ 916	\$ 31,61,43,50,97,98	\$ 36,51	\$ 41	\$ 7,077	\$ 42,243	\$ 7,095	\$ 122,945	\$ 99,143	\$ 57,58	\$ 57,58	\$ 41T	\$ 85T	\$ 86T	\$ 87	\$ 85T	\$ 86T	\$ 87T	\$ 88T	\$ 89T	\$ 100,342	\$ 91	\$ 71,72,74	
2005	\$ 297	\$ 1,006	\$ 8,397	\$ 2,007	\$ 8,397	\$ 51,650	\$ 7,921	\$ 131,743	\$ 102,308	\$ 102,308	\$ 102,308	\$ 102,308	\$ 102,308	\$ 102,308	\$ 102,308	\$ 102,308	\$ 102,308	\$ 102,308	\$ 102,308	\$ 102,308	\$ 102,308	\$ 98,083	\$ 113	\$ 98,083	
2006	\$ 307	\$ 1,041	\$ 9,149	\$ 2,098	\$ 9,149	\$ 53,634	\$ 8,593	\$ 134,293	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155	\$ 107,155
2007	\$ 347	\$ 1,193	\$ 10,144	\$ 2,438	\$ 10,144	\$ 54,051	\$ 8,861	\$ 131,896	\$ 109,069	\$ 109,069	\$ 109,069	\$ 109,069	\$ 109,069	\$ 109,069	\$ 109,069	\$ 109,069	\$ 109,069	\$ 109,069	\$ 109,069	\$ 109,069	\$ 109,069	\$ 108,150	\$ 118	\$ 108,150	
2008	\$ 365	\$ 1,273	\$ 9,599	\$ 2,332	\$ 9,599	\$ 52,604	\$ 9,004	\$ 137,828	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338	\$ 109,338
2009	\$ 403	\$ 1,480	\$ 8,685	\$ 2,332	\$ 8,685	\$ 52,008	\$ 9,031	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 162,998	\$ 126,729	\$ 134	\$ 126,729	
2010	\$ 378	\$ 1,405	\$ 8,774	\$ 2,332	\$ 8,774	\$ 52,687	\$ 8,673	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 183,844	\$ 131,217	\$ 155	\$ 131,217	

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**PUBLIC COUNSEL DATA REQUEST NO. 250**

**PUBLIC COUNSEL DATA REQUEST NO. 250:**

For each of the past ten years, please provide:

- a. the distribution revenue requirement approved by the Commission,
- b. actual distribution revenues, and
- c. weather-normalized distribution revenues, if available.

**Response:**

- a. Puget Sound Energy, Inc.'s ("PSE") revenue requirement is approved by the Commission at the end of each general rate case proceeding and not on an annual basis. Therefore, Commission-approved distribution electric and gas revenue requirements are not available for each of the past ten years (2001 through 2010).
- b. PSE does not track distribution revenue for its electric customers. Therefore the actual distribution revenue received in each of the past ten years (2001 through 2010) is not available.

Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 250 for a table of the actual distribution gas revenue received in each of the past ten years (2001 through 2010).

- c. Weather-normalized distribution revenue for electric and gas customers is not available for each of the past ten years (2001 through 2010).

# **ATTACHMENT A to PSE's Response to Public Counsel Data Request No. 250**

Puget Sound Energy  
 Public Counsel Data Request No. 250B  
 Annual Gas Distribution Revenues  
 2001 through 2010

Description	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Gas Margin (Thousands)	\$ 361,405	\$ 374,373	\$ 355,357	\$ 323,649	\$ 286,984	\$ 264,370	\$ 242,378	\$ 244,213	\$ 223,862	\$ 205,436

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**PUBLIC COUNSEL DATA REQUEST NO. 252**

**PUBLIC COUNSEL DATA REQUEST NO. 252:**

Please provide, for each of the past ten years, the “verified conservation savings” experienced each year. Please provide this information separately for electric and gas.

**Response:**

Puget Sound Energy, Inc. (“PSE”) objects to Public Counsel Data Request No. 252 as unduly burdensome to the extent that it requests an itemization of every conservation savings verification study performed by, or on behalf of, PSE over each of the past 10 years. Without waiving such objection, and subject thereto, PSE responds as follows:

The table below lists the first-year electric and gas conservation savings reported by PSE to the Commission in its annual conservation reports for each of the past ten years and accepted by the Commission.

**PSE 1st year conservation savings**

	<u>Electric</u>	<u>Gas</u>
	(aMW)	(therms)
2001	17.1	2,381,651
2002	8.6	699,011
2003	17.3	2,175,375
2004	19.8	3,189,819
2005	19.6	2,892,955
2006	19.0	2,377,244
2007	25.4	2,664,548
2008	31.2	3,672,300
2009	35.1	5,127,546
2010	33.5	4,982,058

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**PUBLIC COUNSEL DATA REQUEST NO. 257**

**PUBLIC COUNSEL DATA REQUEST NO. 257:**

Please provide, for each of the past ten years:

- a. total actual Company sales volumes,
- b. weather-normalized sales volumes, and
- c. the volume of sales lost through approved conservation programs.

Please provide this information separately for electric and gas.

**Response:**

- a. Attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to Public Counsel Data Request No. 257, please find a table listing, in columns a and b, the total actual kilowatt-hour ("kWh") and therm sales volumes in each of the past ten years (2001 through 2010).
- b. Please see columns c and d of Attachment A to PSE's Response to Public Counsel Data Request No. 257 for the weather-normalized kWh and therm sales volumes in each of the past ten years (2001 through 2010).
- c. Please see PSE's Response to Public Counsel Data Request No. 252 for the sales lost through approved conservation programs in each of the past ten years (2001 through 2010) as reflected by the first-year conservation savings (aMW and therm) reported by PSE to the Commission in PSE's annual conservation reports for the past ten years.

# **ATTACHMENT A to PSE's Response to Public Counsel Data Request No. 257**



Puget Sound Energy  
Public Counsel Request No. 257  
Sales Volumes  
2001 through 2010

Line No.	Year	Part a		Part b	
		Actual Sales (kWh)	Actual Sales (Therms)	Weather Adjusted Sales (kWh)	Weather Adjusted Sales (Therms)
1	2001	20,156,372,000	1,038,576,526	20,013,922,000	994,698,912
2	2002	21,560,905,000	1,047,426,661	21,420,751,000	1,014,494,563
3	2003	21,612,199,000	1,025,193,463	21,632,134,000	1,047,656,516
4	2004	21,865,756,000	1,010,200,189	21,958,792,000	1,062,471,691
5	2005	22,496,014,000	1,034,263,677	22,539,289,000	1,071,219,728
6	2006	23,183,514,000	1,082,691,096	23,226,083,000	1,093,323,343
7	2007	23,758,508,000	1,124,291,594	23,600,594,000	1,085,448,606
8	2008	24,060,017,000	1,178,093,838	23,859,097,000	1,120,309,121
9	2009	23,896,559,000	1,134,947,310	23,602,470,000	1,092,413,373
10	2010	22,856,052,000	1,047,318,633	23,090,968,000	1,089,556,625

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket Nos. UE-111048 and UG-111049  
Puget Sound Energy, Inc.'s  
2011 General Rate Case**

**PUBLIC COUNSEL DATA REQUEST NO. 261**

**PUBLIC COUNSEL DATA REQUEST NO. 261:**

Regarding page 35, lines 9-12 of Mr. Piliaris' testimony, how does PSE propose to determine the "first-year energy savings from Company-sponsored energy efficiency programs"?

**Response:**

Puget Sound Energy, Inc. ("PSE") will determine its first-year electric energy savings from Company-sponsored energy efficiency programs consistent with the Agreed Conditions for Approval of PSE's 2010-2011 Biennial Electric Conservation Targets Under RCW 19.285 in Docket No. UE-100177 ("Electric Agreement"). Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 261, please find a copy of the Electric Agreement.

PSE will determine its first-year gas energy savings from Company-sponsored energy efficiency programs consistent with the Settlement Terms for Conservation, Exhibit F to the Settlement Stipulation in Docket Nos. UE-011570 and UG-011571 ("Gas Agreement"). Attached as Attachment B to PSE's Response to Public Counsel Data Request No. 261, please find a copy of the Gas Agreement.

# **ATTACHMENT A to PSE's Response to Public Counsel Data Request No. 261**

**AGREED CONDITIONS FOR APPROVAL OF  
PUGET SOUND ENERGY, INC.'S 2010-2011 BIENNIAL ELECTRIC  
CONSERVATION TARGETS UNDER RCW 19.285  
DOCKET NO. UE-100177**

**AND AGREED MODIFICATIONS TO ELECTRIC SETTLEMENT  
TERMS FOR CONSERVATION IN DOCKET NO. UE-011570**

**A. Executing Parties and Purpose**

1. The following parties reached agreement on the terms for approval of Puget Sound Energy Inc's Ten-Year Achievable Conservation Potential and Biennial Conservation Target, which Puget Sound Energy filed in Docket UE-100177 on June 18, 2010: Puget Sound Energy, Inc. ("PSE" or the "Company"); the Staff of the Washington Utilities and Transportation Commission; the Public Counsel Section of the Attorney General's Office; Intervenor Industrial Customers of Northwest Utilities; and Intervenor NW Energy Coalition ("NWECC") (hereinafter referred to collectively as "Executing Parties"). This Settlement Agreement ("Agreement") is the agreement reached by the Executing Parties.

2. The Executing Parties intend that this Agreement shall supersede and replace the Settlement Terms for Conservation, Exhibit F to the Settlement Stipulation in Docket UE-011570 for electric conservation. This Agreement addresses conservation of electricity only. It does not address conservation of natural gas. The Northwest Industrial Gas Users and The Energy Project, signatories to the Settlement Terms for Conservation, Exhibit F to the Settlement Stipulation in Docket UG-011571 but not parties in Docket UE-100177, participated in discussions about the preparation of this Agreement. Nothing in this settlement shall affect the natural gas Settlement Terms for Conservation, Exhibit F to the Settlement Stipulation in Docket UG-011571 with respect to natural gas conservation, which remains in full force and effect with respect to natural gas conservation issues.

3. The approval of Initiative 937 in 2006, codified in Chapter 19.285 of the Revised Code of Washington as the Energy Independence Act, and PSE's subsequent filing in Docket UE-100177, resulted in the need to update and amend the electric conservation provisions of the Settlement Terms for Conservation, Exhibit F to the Settlement Stipulation in Docket UE-011570. Those changes are included in this Agreement. RCW 19.285.040(1) and WAC 480-109-010 require utilities to identify achievable cost-effective conservation potential using methodologies consistent with those used by the Northwest Power and Conservation Council ("Council").

**B. Duration and Future Review**

4. This Agreement establishes a conservation program with no sunset date. Any party may petition the Commission for modifications to the program, including in a general rate case proceeding. Nothing herein prevents any party from commenting on any filings under this or any other docket before the Commission.

a) Except where expressly stated, the conditions in Section K and all other provisions of this Agreement are intended to remain in effect notwithstanding the biennial review conducted under the Energy Independence Act. Any party may petition to, or the Commission may on its own motion and notice to parties, modify the conservation program if required by the results of the review.

b) In the event that PSE is not required to set or achieve specific conservation savings targets by the Energy Independence Act or other state law, PSE agrees to continue a conservation program that is consistent with the provisions of the 2002 Settlement, such that the programs funded through PSE's tariff rider 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.

**C. Target for Savings from Tariff Programs**

5. PSE shall set the ten-year conservation potential and the biennial conservation targets as required by the Energy Independence Act (RCW 19.285) and WAC 480-109 and consistent with this Agreement.

6. In general each individual energy efficiency program shall be designed to be cost-effective.

**D. Establishment of a Formal Advisory Committee:**

7. PSE shall establish an external Advisory Committee. The Advisory Committee shall address, but not be limited to the issues identified in Section K.3 of this Agreement.

8. Advisory Committee membership shall be established as follows. The Company shall extend an invitation to serve as an Advisory Committee member to a representative from at least each of the following organizations: WUTC staff, Attorney General Office of Public Counsel, NW Energy Coalition, Energy Project, Natural Resources Defense Council, Pacific Northwest Electric Power and Conservation Council, Industrial Customers of Northwest Utilities, Northwest Industrial Gas Users, Washington State Department of Commerce, Northwest Energy Efficiency Council, and the Department Of Energy Weatherization Assistance Program provider network. Additionally, the Company shall seek customer representatives from the residential, commercial, industrial, and

institutional sectors to serve on the Advisory Committee. Other interested parties may attend Advisory Committee meetings as well, but will not be considered Advisory Committee members. This ongoing committee is now called the Conservation Resources Advisory Group (CRAG).

#### **E. Avoided Cost Calculation**

9. To determine which energy efficiency programs and measures are cost-effective, PSE shall rely on a calculation of avoided cost consistent with the Council methodology and with the Energy Independence Act.

10. PSE may modify, after consultation with the CRAG, the Company's calculation of avoided cost based upon the following: modification to one or more component values of the calculation, use of a forecasting tool or production cost model other than Aurora, establishment of load factors that are more specific to PSE's service territory, or other information relevant to the calculation of avoided cost.

#### **F. Program Budget**

11. Budget Development: The annual budget of the program will be built up from the bottom through the development of a mix of programs that deliver cost-effective savings in PSE's service territory. PSE's conservation targets developed under RCW 19.285.040(1) will direct development of the mix of cost effective programs that will establish the budgets for efficiency programs.

12. Schedule 449 customers are eligible for self-direction under existing Schedule 258 and participation in efficiency programs offered by PSE, except as stated in paragraph 13. Schedule 258 customers who are not on Schedule 449 will be eligible to participate in other programs offered directly by PSE. Non-449 Schedule 258 customers will share in paying NEEA/market transformation and administration costs consistent with all other non-449 customers.

13. Each Schedule 449 customer can self-direct and/or participate in programs offered directly by PSE up to a total dollar cap equal to the annual efficiency funding level for that 449 customer minus 17.5% of that amount. The 17.5% represents payments for market transformation (10%) and for administration (7.5%).

#### **G. Low-Income Energy Efficiency**

14. PSE will continue to honor Commitments 22 and 23 from U-072375 with regard to future funding levels for low-income energy conservation programs based on the 2010-2011 planning levels. PSE will continue to work with agencies to provide additional funding above that established by Commitment 22 if additional production through the existing or newly developed cost-effective programs warrants it. In addition, PSE will

continue to contribute a total of \$300,000 of shareholder funds annually for low-income weatherization regardless of fuel type.

#### **H. Cost Recovery and Allocation**

15. The Company shall retain the existing rider mechanism going forward, subject to the Commission's Order in Docket No. UE-970686.

16 The Company shall continue to use the peak credit method of assigning the costs of its electric conservation programs to each rate schedule with one exception, the Schedule 449 customers. (The CRAG will review cost allocation methodology per Section K, Paragraph (11)(c)). Schedule 449 customers currently pay 0.0944 cents per kWh toward the cost of the current Schedule 258 four-year conservation program (4/1/10 – 4/1/14). The current practice is to hold the payment amount constant over the Schedule 258 period. This amount is based on a \$164 million biennial electric conservation-only budget for 2010-11, and is scalable in the next Schedule 258 budget cycle depending on whether the overall conservation budget increases or decreases. In 2002, the Schedule 449 customers paid 0.045 cents per kWh toward the cost of the conservation program. This amount was based on a \$20 million annual budget.

#### **I. Conservation Report Card and Penalty for Not Achieving Biennial Target**

17. Achievement of the biennial targets for savings from cost-effective electricity conservation programs shall be subject to the penalty/incentive provisions of the Energy Independence Act. In the event that statutory penalties/incentives no longer apply under the Energy Independence Act or other state law or Commission order, PSE agrees to develop and propose a replacement penalty mechanism in consultation with the CRAG. At the same time, PSE may propose an incentive mechanism in consultation with the CRAG.

18. The Company shall provide biennial notification in a Conservation Report Card to its customers regarding the Company's performance related to its biennial savings targets under the Energy Independence Act. The report shall:

- a) Be distributed as a conspicuous stand-alone document accompanying a customer's bill or in a separate mailing and also posted to PSE's website.
- b) Be distributed to customers only after adequate consultation with Staff and the CRAG.
- c) Be distributed no later than 90 days after the Commission determination on the two-year report on conservation program achievement required by the Energy Independence Act and Commission rules.
- d) Contain the following information, at a minimum:

- 1) A brief description of the purpose of the report.
- 2) A brief description of the benchmarks and an indication of whether the Company met the benchmarks in each biennial period.
- 3) The total amount of penalties imposed (or incentive earned) for the current reporting period.

The report also may contain reference to PSE's ongoing energy efficiency programs, including encouragement for customers to participate in those programs.

**J. Line Extension Policies that Promote Energy Efficiency and Fuel Efficiency**

19. PSE may adopt line extension policies that are designed to encourage (and particularly not discourage) builders, developers, and end-use customers to select a heating fuel that is most resource efficient and adopt construction practices that exceed current energy codes.

**K. Conditions**

20. All conditions in Section K will be in effect until superseded

- (1) **Ten-Year Potential/Biennial Conservation Target –Approval and Conditions.** The Executing Parties recommend that PSE's Ten-Year Achievable Conservation Potential and Biennial Conservation Target, as identified in the Company's *Report Identifying PSE's Ten-Year Achievable Conservation Potential and Biennial Conservation Target (Revised Report)* filed on June 18, 2010 and this Agreement be approved pursuant to RCW 19.285.040(1)(e) and WAC 480-109-010(4)(c).
- (2) **Company Retains Responsibility.** Nothing within this Agreement relieves PSE of the sole responsibility for complying with RCW 19.285 and WAC 480-109, which requires PSE to use methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council ("Council"). Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither PSE's operational authority nor its ultimate responsibility for meeting the biennial conservation target approved herein.
- (3) **Advisory Group.**
  - (a) PSE must maintain and use an external conservation Advisory Group of stakeholders to advise the Company on the topics described in subparagraphs (i) through (ix) below. To meet this condition, PSE shall continue to use its



**Conservation Resources Advisory Group (CRAG), initially created under Docket UE-011570 and UG-011571, and its Integrated Resource Planning Advisory Group created under WAC 480-100-238. The Advisory Groups shall address but are not limited to the following issues:**

- (i) (1) Development of a written framework for evaluation, measurement, and verification (EM&V) as implemented by PSE which guides its approach to evaluation, measurement, and verification of energy savings. This framework must be reflected in the Biennial Conservation Plan for the next biennium, 2012-2013, and (2) Modification of existing or development of new EM&V conservation protocols based on PSE's current evaluation, measurement and verification approach.**
- (ii) Development of conservation potential assessments under RCW 19.285.040(1)(a) and WAC 480-109-010(1).**
- (iii) Guidance to PSE regarding methodology inputs and calculations for updating cost-effectiveness.**
- (iv) Review the market assessments and the data values used in updating PSE's supply curves.**
- (v) Review need for tariff modifications or mid-course program corrections.**
- (vi) Review appropriate level of and planning for:
  - (1) Marketing conservation programs.**
  - (2) Incentives to customers for measures and services.****
- (vii) Consideration of issues related to conservation programs for customers with low-income.**
- (viii) Program achievement results with annual and biennial targets.**
- (ix) Review conservation program budgets; and review the actual expenditures compared to the program budgets. PSE shall inform the CRAG members when its projected expenditures indicate that the Company will spend more than 120% or less than 80% of its annual conservation budget.**
- (b) The CRAG shall meet face-to-face at least semi-annually to hear updates, review program modifications, or consider need for revisions. In addition, the**

CRAG shall meet at least two additional times per year through conference calls or face-to-face meetings. CRAG members may call meetings at any time with sufficient notice for meeting attendance. PSE shall make arrangements to hold a meeting within 2 weeks from the date of the request.

- (c) Except as provided in Paragraph (8) below, the Company will provide the CRAG an electronic copy of all tariff filings related to programs funded by the Electric Conservation Service Rider that the Company plans to submit to the Commission at least two months before any proposed effective date. When extraordinary circumstances dictate, the Company may provide the CRAG with a copy of a filing concurrent with the Commission filing. This condition does not apply to a general rate case filing.
  - (d) The Company will notify the CRAG of public meetings scheduled to address the Company's integrated resource plan. The Company will also provide the CRAG with the assumptions and relevant information utilized in the development of PSE's integrated resource plan as they apply to development and/or modification of the ten-year conservation potential as requested through the integrated resource plan public process. This will include updated information such as conservation supply curves and avoided cost analysis.
- (4) **Annual Budgets and Energy Savings.**
- (a) PSE must submit annual budgets to the Commission each year. The submissions must include program-level detail that shows planned expenses and the resulting projected energy savings. In odd-numbered years, the annual budget may be submitted as part of the Biennial Conservation Plan required under Paragraph 8(f) below. In even-numbered years, the annual budget may be submitted as part of the Annual Conservation Plan required under Paragraph 8(b) below. The Annual Conservation Plan will include program descriptions and annual budget details as contained in Attachment B to the Revised Report.
  - (b) PSE must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each electric conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet.
- (5) **Program Details.** PSE must maintain its conservation tariffs, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed as tariff attachments as shown in Attachment B of the Revised Report. PSE may propose other methods for managing

its program details in the Biennial Conservation Plan required under Paragraph 8(f) below, after consultation with the CRAG as provided in Paragraph 9(b) below.

**(6) Approved Strategies for Selecting and Evaluating Energy Conservation Savings.**

- (a) PSE has identified a number of potential conservation measures described in Attachment B of its Revised Report filed on June 18, 2010, in this Docket. The Commission is not obligated to accept savings identified in the Revised Report for purposes of compliance with RCW 19.285. PSE must demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission after the savings are achieved. *See* RCW 19.285.040(1)(d).
- (b) Except as provided in Paragraph (6)(c) below, PSE must use the Council's Regional Technical Forum's ("RTF's") "deemed" savings for electricity measures. As of the date of this Agreement, the RTF maintains a Web site at <http://www.nwcouncil.org/energy/rtf/>.
- (c) If PSE uses savings estimates that differ from those established by the RTF, such estimates must be based on generally accepted impact evaluation data and/or other reliable and relevant source data that has verified savings levels, and be presented to the CRAG for comment.
- (d) When PSE proposes a new program tariff schedule, it must present it to the CRAG for comment with program details fully defined. After consultation with the CRAG in accordance with Paragraph (3) above, PSE must file a revision to its Annual Conservation Plan in this Docket. The revision may be acknowledged by placement on the Commission's No Action Open Meeting agenda.
- (e) PSE must provide opportunities for the CRAG to review and advise on the development of evaluation, measurement and verification protocols for conservation programs. *See* Paragraph 3(a)(i) above.
- (f) PSE must perform EM&V annually on a multi-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes. Evaluation reports involving analysis of both program impacts and process impacts of the programs evaluated in the prior year must be part of the Annual Report on Conservation Acquisition described in Paragraphs 8(c) and (g) below.

- i. **Evaluation** - PSE must spend between one (1) and three (3) percent of its electric conservation program budget on electric evaluation activities, as defined in the Company's Biennial Conservation Plan, including a reasonable proportion on independent, third-party evaluation reports. For this calculation, the electric conservation program budget consists of non-NEEA conservation programs that have or may have electric energy savings. PSE may ask the Commission to modify this spending band following full CRAG consultation.
  - ii. **Measurement & Verification** - In accordance with Paragraph 3(a)(i)(1) above, PSE shall provide detailed descriptions of its measurement and verification (M&V) policies, protocols, guidelines and processes to the CRAG for review and advice. Additionally, PSE shall provide to the CRAG an estimate of the costs associated with the detailed M&V plan and PSE will maintain M&V activities at levels that are at least commensurate with regional peers.
- (g) A one-time only, independent third-party evaluation of portfolio-level electric energy savings reported by PSE for the 2010–2011 biennial period, from existing conservation programs operated during that period, shall be conducted to verify those savings. The independent third-party evaluator shall be selected through an RFP process. The review will be funded by the PSE Electric Conservation Service Rider. The review will be managed by UTC and PSE staff with input on the scope, cost, RFP development, evaluator selection and ongoing oversight by the CRAG. The scope shall:
- i. focus on portfolio level EM&V of the existing 2010-2011 PSE conservation portfolio regarding impact, process, market, and cost-effectiveness analysis,
  - ii. examine selected existing 2010-2011 programs or measures in more depth than others, as called for in the RFP, and
  - iii. provide for some additional but limited detailed independent EM&V study at the program or measure level to be selected by the independent third-party evaluator from the Company's existing 2010-2011 programs.

This evaluation shall include a review of the Company's reported electric savings on a semi-annual basis, with results provided to Commission staff and PSE and then discussed with the CRAG. A final report for the entire 2010-2011 biennium shall be submitted as part of the Company's two-year report on conservation program achievement, required by Paragraph (8)(h) below. This condition terminates after the final report is submitted. The report shall be finalized and made available no later than June 2012 and may be implemented in phases and delivered as a final product at an earlier date, as needed by PSE.

Funds spent in meeting this condition shall count toward PSE's expenditures required under Paragraph (6)(f)(i) above.

**(7) Program Design Principles**

- (a) All Sectors Included —** PSE must offer a mix of tariff-based programs that ensure it is serving each customer sector, including programs targeted to the low-income subset of residential customers. Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to PSE's Annual Conservation Plan, as appropriate.
- (b) Outreach on Programs —** PSE must establish a strategy and proposed implementation budget for informing participants about program opportunities in the relevant market channels for each of its energy efficiency programs. PSE must share these strategies and budgets with the CRAG for review and comments, and provide updates at CRAG meetings.
- (c) Incentives and Conservation Program Implementation —** PSE must offer a cost-effective portfolio of programs in order to achieve all available conservation that is cost-effective, reliable, and feasible. Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to electric energy savings. Incentive levels and other methods of encouraging energy conservation need to be periodically examined to ensure that they are neither too high nor too low. Incentive levels and implementation methods should not unnecessarily limit the acquisition of all available conservation that is cost-effective, reliable, and feasible. PSE shall work with the CRAG to establish appropriate penetration levels consistent with Council methodology and the Energy Independence Act.
- (d) Conservation Efforts without Approved EM&V Protocol —** PSE may spend up to ten (10) percent of its conservation budget on programs whose savings impact has not yet been measured, as long as the overall portfolio of conservation passes the Total Resource Cost (TRC) test as modified by the Council. These programs may include information-only, behavior change, and pilot projects.

  - (i) Information-only services** refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services shall be assigned no quantifiable energy savings value without full support of the CRAG.
  - (ii) If quantifiable energy savings** have been identified and Commission-approved for any aspect of such programs, the budget associated with that

aspect of the program will no longer be subject to this ten percent spending restriction.

The Company may ask the Commission to modify this spending limit following full CRAG consultation. As of the date of this Agreement, an outline of the major elements of the Council's methodology for determining achievable conservation potential, including the Total Resource Cost test, is available on the Council's Web site at [http://www.nwcouncil.org/energy/powerplan/6/supplycurves/1937/CouncilMethodology\\_outline%20\\_2\\_.pdf](http://www.nwcouncil.org/energy/powerplan/6/supplycurves/1937/CouncilMethodology_outline%20_2_.pdf).

**(8) Required Reports and Filings**

PSE must file the following:

- (a) Semi-annual Conservation Acquisition Report, comparing budgeted to actual kWh's and expenditures, by August 15, 2010 as required in UE-970686.
- (b) By December 1, 2010, the 2011 Annual Conservation Plan, containing any changes to program details and an annual budget with a requested acknowledgement date of January 1, 2011. The Annual Conservation Plan may be acknowledged by placement on the Commission's No Action Open Meeting agenda. A draft will be provided to the CRAG by November 1, 2010.
- (c) 2010 Annual Report on Conservation Acquisition, including an evaluation of cost-effectiveness and comparing budgets to actual, by February 15, 2011.
- (d) Revisions to cost recovery tariff by March 1, 2011, with requested effective date of May 1, 2011.
- (e) Semi-annual Conservation Acquisition Report, comparing budget to actual kWh's and dollar activity, by August 15, 2011 as specified in UE-970686.
- (f) A report identifying its ten-year achievable potential and its biennial conservation target (Biennial Conservation Plan), including revised program details and program tariffs by November 1, 2011, requesting an effective date of January 1, 2012. In addition to the usual customer-based measures, the plan will also include both distribution and generation energy efficiency program plans as required by RCW 19.285. Prior to filing the Biennial Conservation Plan, PSE shall provide the following information to the CRAG: ten-year conservation potential and two-year target by August 1, 2011; draft program details, including budgets, by September 1, 2011; and draft program tariffs by October 1, 2011.

- (g) 2011 Annual Report on Conservation Acquisition, including an evaluation of cost-effectiveness, by Feb. 15th, 2012.
  - (h) Two-year report on conservation program achievement by June 1, 2012. This filing is the one required in WAC 480-109-040(1) and RCW 19.285.070, which require that the report also be filed with the Washington Department of Commerce.
- (9) **Required Public Involvement in Preparation for the 2012-2013 Biennium**
- (a) PSE must consult with the Advisory Groups to facilitate completion of a 10-year conservation potential analysis by November 1, 2011. *See* RCW 19.285.040(1)(a); WAC 480-109-010(1). This must be based on a current conservation potential assessment study of PSE's service area within Washington State. This may be conducted within the context of PSE's integrated resource plan. If PSE chooses to use the supply curves that make up the conservation potential in the Council's Northwest Power Plan, the supply curves must be updated for new assumptions and measures.
  - (b) PSE must consult with the Advisory Groups between April 1, 2011, and October 31, 2011, to identify achievable conservation potential for 2012-2021 and set annual and biennial targets for the 2012-2013 biennium, including necessary revisions to program details. *See* RCW 19.285.040(1)(b); WAC 480-109-010(2) and (3).
  - (c) Fuel switching program will continue to use current practice of upgrading only to high-efficiency gas measures.
- (10) **Cost-Effectiveness Test is the Total Resource Cost (TRC) Test**
- (a) The Commission uses the TRC, as modified by the Council, as its primary cost-effectiveness test. PSE's portfolio must pass the TRC test. In general, each program shall be designed to be cost-effective as measured by this test. PSE must demonstrate that the cost-effectiveness tests presented in support of its programs and portfolio are in compliance with the cost-effectiveness definition (RCW 80.52.030(7)) and system cost definition (RCW 80.52.030(8)) and incorporate, quantifiable non-energy benefits, the 10 percent conservation benefit and a risk adder consistent with the Council's approach. An outline of the major elements of the Council's methodology for determining achievable conservation potential, including the Total Resource Cost test, is available on the Council's website at [http://www.nwcouncil.org/energy/powerplan/6/supplycurves/1937/CouncilMethodology\\_outline%20\\_2\\_.pdf](http://www.nwcouncil.org/energy/powerplan/6/supplycurves/1937/CouncilMethodology_outline%20_2_.pdf).
  - (b) In addition to the Council-modified TRC, PSE must provide portfolio calculations of the Program Administrator Cost test (also called the Utility Cost test), Ratepayer Impact Measure test, and Participant Cost test described

in the National Action Plan for Energy Efficiency's study "Understanding Cost-effectiveness of Energy Efficiency Programs." The study is available on the Web site of the United States Environmental Protection Agency at <http://www.epa.gov/cleanenergy/documents/suca/cost-effectiveness.pdf>.

- (c) Overall conservation cost-effectiveness must be evaluated at the portfolio level. Costs included in the portfolio level analysis include conservation-related administrative costs. For the additional cost-effectiveness tests identified in 10b -PSE must consult with the CRAG to determine when it is appropriate to evaluate measure and program level cost-effectiveness. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.

(11) **Recovery Through an Electric Conservation Service Rider**

- (a) Annual Filing — PSE's annual Electric Conservation Service Rider filing, required under Paragraph (8)(d) above, will recover the future year's budgeted expenses and any significant variances between budgeted and actual income and expenditures during the previous period.
- (b) Scope of Expenditures — Funds collected through the Electric Conservation Service Rider must be used on approved conservation programs and their administrative costs. Additionally, Rider funds may be used as approved by the Commission; e.g., for net metering administration costs, small-scale renewable programs and demand response pilots.
- (c) Recovery for Each Customer Class — The Company shall retain existing Rider mechanisms, subject to the Commission's Order in Docket UE-970686. Prior to PSE's electric Schedule 120 filing in 2011, the CRAG will review the cost allocation methodology included in the 2002 Settlement Agreement and in Docket No. UE-970686.

**L. Miscellaneous Provisions**

22. **Binding on Parties:** The Executing Parties agree to support the terms and conditions of this Agreement, as described above. The Executing Parties understand that this Agreement is subject to Commission approval.

23. **Integrated Terms of Agreement:** The Executing Parties have negotiated this Agreement as an integrated document. Accordingly, the Executing Parties agree to recommend that the Commission adopt this Agreement in its entirety.

24. **Negotiated Agreement:** This Agreement represents a fully negotiated agreement. Each Executing Party has been afforded the opportunity, which it has exercised,

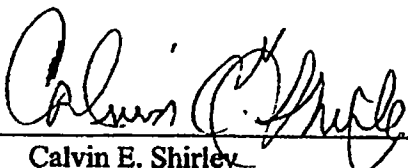


to review the terms of the Agreement. Each Party has been afforded the opportunity, which it has exercised, to consult with legal counsel of its choice concerning such terms and their implications. The Agreement shall not be construed for or against any Executing Party based on the principle that ambiguities are construed against the drafter.

25. **Execution:** This Agreement may be executed by the Executing Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.

DATED this \_\_\_ day of September 2010.

**PUGET SOUND ENERGY, INC.**

By   
\_\_\_\_\_  
Calvin E. Shirley  
Vice President, Energy Efficiency  
Services

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION  
STAFF**

By \_\_\_\_\_  
Frona Woods  
Assistant Attorneys General

**PUBLIC COUNSEL SECTION, OFFICE  
OF THE ATTORNEY GENERAL OF  
THE STATE OF WASHINGTON**

By \_\_\_\_\_  
Simon ffitc  
Senior Assistant Attorney General  
Public Counsel Section Chief

**INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES**

By \_\_\_\_\_  
Michael Early  
Executive Director for ICNU

**NW ENERGY COALITION**

By \_\_\_\_\_  
Danielle Dixon  
Senior Policy Associate

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25. **Execution:** This Agreement may be executed by the Executing Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.

DATED this 2<sup>nd</sup> day of September 2010.

**PUGET SOUND ENERGY, INC.**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION  
STAFF**

By \_\_\_\_\_  
Calvin E. Shirley  
Vice President, Energy Efficiency  
Services

By \_\_\_\_\_  
Frona Woods  
Assistant Attorneys General

**PUBLIC COUNSEL SECTION, OFFICE  
OF THE ATTORNEY GENERAL OF  
THE STATE OF WASHINGTON**

**INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES**

By \_\_\_\_\_  
Simon ffitich  
Senior Assistant Attorney General  
Public Counsel Section Chief

By \_\_\_\_\_  
Michael Early  
Executive Director for ICNU

**NW ENERGY COALITION**

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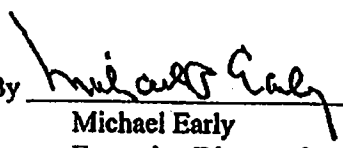
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# **ATTACHMENT B to PSE's Response to Public Counsel Data Request No. 261**

**Exhibit F to  
Settlement Stipulation**

***PSE GENERAL RATE CASE  
DOCKET NOS. UE-011570 and UG-011571***

**SETTLEMENT TERMS FOR CONSERVATION**

**A. Executing Parties**

1. The following parties have participated in the Conservation collaborative in Docket Nos. UE-011570 and UG-011571, and have reached consensus on the terms of settlement with respect to conservation issues, as set forth in this Agreement: Puget Sound Energy, Inc. ("PSE" or the "Company"); the Staff of the Washington Utilities and Transportation Commission; the Public Counsel Section of the Attorney General's Office; Intervenor Industrial Customers of Northwest Utilities; Intervenor Northwest Industrial Gas Users; Intervenor Microsoft Corporation; Joint Intervenors the NW Energy Coalition and Natural Resources Defense Council ("NWEC/NRDC"), and Joint Intervenors the Multi-Service Center, Opportunity Council, and Energy Project ("Multi-Service Center"), (hereinafter referred to collectively as "Executing Parties").

**B. Duration and Future Review**

2. This Agreement establishes a conservation program with no sunset date. If the Commission approves this, then the conservation program developed through this Agreement shall be reviewed no later than October 2007. At that time any party may petition the Commission for modifications to the program. If a general rate case occurs prior to that time, any party may petition the Commission for modifications to the conservation program as part of the general rate case proceeding.

**C. Target for Savings from Tariff Programs**

3. The programs funded through PSE's tariff rider and natural gas tracker 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.

4. PSE will target the development of programs to achieve at least 15 average megawatts of cost-effective electricity savings through energy efficiency programs (at a cost currently estimated at \$17-21 million) during a 12-month period, beginning no later than September 1, 2002.

5. PSE will target the development of programs to achieve at least 2.1 million therms of natural gas savings through energy efficiency programs (at a cost currently estimated at \$2 million) in a 12-month period beginning no later than September 1, 2002.

6. In general each individual energy efficiency program shall be designed to be cost-effective. PSE will seek Commission approval of these programs in a filing to be made no later than August 1, 2002.

**D. Establishment of a Formal Advisory Committee:**

7. PSE shall establish an Advisory Committee that shall address, but not be limited to, the following issues:

- Review data values and analysis to update the Company's avoided costs,
- Review and recommend modifications to protocol for evaluation and measurement of savings from PSE energy efficiency programs with consideration given to data from the Regional Technical Forum,
- Provide guidance to PSE regarding methodology for updating its cost-effective conservation resource potential,
- Review the market assessments and the data values used in updating PSE's supply curves,
- Review cost-effectiveness inputs and calculations,
- Review needed tariff modifications and/or mid-course program corrections,
- Review appropriateness and plan for marketing efficiency programs,
- Review appropriateness and level of incentives for energy efficiency measures and services,
- Review issues related to limited income participation in energy efficiency programs.

8. The Committee shall meet at least twice each year to hear updates, review program modifications, or consider need for revisions. The Company shall provide program reports to the Committee and the Commission at least semi-annually. The Company shall inform Advisory Committee members if projections indicate that the Company shall expend more than 120% or less than 80% of its annual conservation budgets.

9. PSE shall send draft tariff submittals and program changes to Advisory Committee members at least two months before any proposed effective date. PSE may seek



approval in advance from the Advisory Committee to shorten this review period in special circumstances.

10. Committee members may call meetings at any time with sufficient notice for meeting attendance. PSE shall make arrangements to hold a meeting within 2 weeks from the date of the request.

11. Advisory Committee membership shall be established as follows. The Company shall extend an invitation to serve as an Advisory Committee member to a representative from at least each of the following organizations: WUTC staff, Attorney General Office of Public Counsel, NW Energy Coalition, Energy Project, Natural Resources Defense Council, Northwest Power Planning Council, Industrial Customers of Northwest Utilities, Northwest Industrial Gas Users, Washington State Department of Community, Trade and Economic Development Energy Policy Group, and the DOE Weatherization Assistance Program provider network. Additionally, the Company shall seek customer representatives from the residential, commercial, industrial, and institutional sectors to serve on the Advisory Committee. Other interested parties may attend Advisory Committee meetings as well, but will not be considered Advisory Committee members.

**E. 2002-2003 Market Assessment and Development of Supply Curves**

12. PSE shall complete by May 31, 2003 a market assessment of its commercial, industrial, and residential sectors in order to update its conservation supply curves. Completion of this market assessment may be delayed for circumstances beyond PSE's control. The outcome of this analysis shall inform adjustments to the current 12-month savings targets after September 2003. PSE shall update these market assessments and its supply curves five years after completion of the 2002-2003 analyses.

13. PSE shall report, no later than August 31, 2003, to the Commission on proposed changes to its conservation targets and tariff, unless the May 31, 2002 market assessment is delayed as provided above in paragraph 12.

14. Electric and gas conservation annual savings targets and budgets will be periodically adjusted as presented below in Tables A-1 and A-2.

**Table A-1 PSE Electric Tariff Rider Savings Targets and Estimated Costs through 2007**

Date	Savings Target	Estimated Budget
9/01/02 thru 12/31/03	20 aMW (15 aMW annual target, pro-rated for 16 months)	\$22.67 – 28 million (\$17-21 million annual budget pro-rated for 16 months)
1/01/04 thru 12/31/04	The annual savings target for future years shall be informed by the conservation supply curves, that PSE is expected to complete by 5/31/03, and future modifications to the avoided cost analysis for ratemaking purposes, with review from the Advisory Committee.	The annual savings target and the need for all programs to be cost-effective shall drive the future budget.
1/1/05 through 12/31/05	Same as above.	Same as above.
1/1/06 through 12/31/06	Same as above.	Same as above.
1/1/07 through 12/31/07	Same as above.	Same as above.

**Table A-2 PSE Natural Gas Tracker Rider Savings and Estimated Costs through 2007**

Date	Savings Target	Estimated Budget
9/1/02 through 12/31/03	2.8 million therms (2.1 million therms annual target pro-rated for 16 months)	\$2.7 million (\$2 million annual budget pro-rated for 16 months)
1/1/04 through 12/31/04	The annual savings target for future years shall be informed by the conservation supply curves, that PSE is expected to complete by 5/31/03, and future modifications to the avoided cost analysis for ratemaking purposes, with review from the Advisory Committee.	The annual savings target and the need for all programs to be cost-effective shall drive the future budget.
1/1/05 through 12/31/05	Same as above.	Same as above.
1/1/06 through 12/31/06	Same as above.	Same as above.

1/1/07 through 12/31/07	Same as above.	Same as above.
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**F. Avoided Cost Calculation**

15. To determine which energy efficiency programs and measures through September 2003 are cost-effective, PSE shall rely on the following components and their stated values to calculate the Company's avoided cost:

- Use of Aurora to forecast power costs at Mid-Columbia,
- 6.5% benefit for avoiding transmission and distribution line losses,
- Transmission benefit of \$28.65 per kW-year, unless another value is determined to be appropriate for ratemaking purposes by the Commission or by the Advisory Committee,
- Distribution benefit of \$24.95 per kW-year, unless another value is determined to be appropriate for ratemaking purposes by the Commission or by the Advisory Committee,
- Continued use of 10% environmental adder to the total avoided cost unless a different methodology for recognizing environmental costs of energy systems is adopted by the Commission. Two proposals for the Commission to consider are adopting the Regional Technical Forum's (RTF) carbon offset benefit of \$15/ton (or 6 mills) or initiating a rulemaking to make its own determination on the issue of environmental externalities;
- Production capacity costs of \$8 per kW-year, or as determined by the Commission or the Advisory Committee, consistent with that used for other ratemaking purposes, and
- Use of Regional Technical Forum's end use load factors.

16. PSE shall develop, in conjunction with its August 2002 filing, avoided costs for natural gas efficiency programs, with review from the Advisory Committee, by analyzing similar components of system costs.

17. Post September 2003, as a result of analysis for ratemaking purposes, PSE may modify, after consultation with the Advisory Committee, the Company's calculation of avoided cost based upon the following: modification to one or more component values above, use of a forecasting tool or production cost model other than Aurora, establishment of load factors that are more specific to PSE's service territory than those of the RTF, or other information relevant to the calculation of avoided cost.

18. PSE shall establish indicators in consultation with the Advisory Committee that direct the Company and the Advisory Committee to convene to consider adjusting cost-effectiveness levels for programs or to consider adjusting annual savings targets. One such indicator may be the following: if market power prices in the Pacific Northwest vary from the prices forecasted by Aurora (or other forecasting tool that has replaced Aurora) by 30% for longer than 3 months.

#### **G. Program Evaluation Criteria**

19. PSE and the Advisory Committee shall rely on the following evaluation strategies to determine energy savings from programs:

- Regional Technical Forum's "deemed" savings lists for electricity measures, or
- Advisory Committee review and adoption of evaluation protocol for energy efficiency programs.

The Committee may revise this list in the future.

20. Information-only services shall be assigned no quantifiable energy savings value without full support of the Advisory Committee. PSE may expend up to 10% of its budget on information-only programs if its total mix of programs in that sector pass the cost-effectiveness test (Information-only services refers to those information services that are not associated with an active incentive program or include no on-site technical assistance or on-site delivery of school education programs.)

#### **H. Program Design Principles**

21. Budget Development: The annual budget for the first twelve months of the program will be built up from the bottom through the development of a mix of programs that deliver cost-effective savings in PSE's service territory. The budget for electricity and natural gas programs shall reflect implementation of a cost-effective portfolio of programs targeting acquisition of 15 aMW and 2.1 million therms of savings for the first year. After the first year, PSE's conservation targets for both natural gas and electric efficiency programs will be revised periodically and determined by the updated conservation supply curves, current avoided cost values, program experience, and other relevant factors. These targets will direct development of the mix of cost-effective programs that will establish the budgets for efficiency programs and once that mix has been developed, the targets will be determined. The Company will submit these targets through annual filings for Commission approval.

22. Outreach on Programs: PSE shall establish a strategy and proposed implementation budget for informing participants about program opportunities in the relevant and strategic market channels for each of PSE's energy efficiency programs. For example, PSE will describe how to market its water heater program to plumbers, water heater retailers,

builders, and homeowners. PSE shall share these strategies and budgets with the Advisory Committee for review and comments.

23. Incentives: PSE shall offer incentives for cost-effective measures in order to achieve meaningful program penetration. Incentives may be directed to consumers, retailers, designers, installers, etc., as appropriate for measures that save energy. PSE shall work with the Advisory Committee to establish meaningful penetration levels.

24. Sector mix: In each year, PSE shall offer a mix of tariff-based programs that ensures it is serving each customer sector (unless there are no cost-effective savings opportunities in a sector) including programs targeted to the limited-income subset of residential customers. Modifications to this commitment may be made with full Advisory Committee support.

25. Tariff-rider funds shall only be used on programs and their associated administrative costs that result in energy savings through energy efficiency investments or fuel switching. This may include reasonable administration costs for PSE's net metering program.

26. Schedule 449 customers are eligible for self-direction under existing Schedule 258 and participation in efficiency programs offered by PSE, except as stated in paragraph 27. Schedule 258 customers who are not on Schedule 449 will be eligible to participate in other programs offered directly by PSE. Non-449 Schedule 258 customers will share in paying NEEA/market transformation and administration costs consistent with all other non-449 customers.

27. Each Schedule 449 customer can self-direct and/or participate in programs offered directly by PSE up to a total dollar cap equal to the annual efficiency funding level for that 449 customer minus 17.5% of that amount. The 17.5% represents payments for market transformation (10%) and for administration (7.5%).

#### **I. Near-Term Programs**

28. PSE shall hold at least one meeting with its Advisory Committee members to develop program enhancements, augmentations and additions that can cost-effectively capture 15 aMW and 2.1 million therms of energy savings during a 12-month period starting no later than September 1, 2002. Specific program proposals below will be among those considered in the process. (Some of the residential programs may be funded from the BPA Conservation and Renewable Discount account.)

- Small-scale commercial HVAC enhanced services for rooftop air conditioning or heat pump units.
- New commercial construction program. Program description shall include: specifications, outreach strategies, projected savings, involvement by market

players, etc. PSE's program for new commercial construction will achieve energy savings that are at least 10% above the State's non-residential energy code.

- Energy Star, or better, transformers, on the customer side of the meter, for commercial and industrial sites.
- New residential construction program for gas and electric heated homes.
- Compact fluorescent light bulbs: program to target installation of at least 2 compact fluorescent bulbs in at least 50% of PSE residential households.
- Compact fluorescent fixtures program.
- Revisions to Commercial and Industrial Retrofit and New Construction programs (Schedules 250 and 251).

#### **J. Conservation & Renewable Discount**

29. In addition to the proposed annual tariff rider goal, PSE shall proceed with a Conservation and Renewable Discount (C&RD) program, with an expected annual budget from BPA of approximately \$2.8-\$3 million, that targets the residential and small farm sectors for electricity efficiency programs and provides funding for renewable resource programs. PSE shall work with the Advisory Committee to finalize program offerings for the near-term by August 2002. PSE shall work with the Advisory Committee to update the C&RD programs as opportunities or need for modifications arise.

30. PSE shall establish an \$800,000 annual set-aside from the C&RD, in addition to tariff rider investments, for limited-income efficiency programs. Funds may be used for programs that assist in the construction of low-income housing that exceeds state energy codes, assist in the purchase of appliances that exceed federal standards, assist in the purchase of efficient Energy Star CFL fixtures or light bulbs, or may be distributed to the U.S. Department of Energy Low-Income Weatherization "sub-grantees" for low-income weatherization per BPA program guidelines. The annual budget may increase or decrease in future years according to demand.

31. PSE shall initiate work with the Advisory Committee and renewable energy stakeholders to design, establish and begin implementation of at least one renewable energy program including one that supports the local installation of renewable energy resources. The program(s) will include outreach to customers describing the costs and benefits of renewable energy systems and net metering. At least one program shall be implemented by May 2003. The initial 12-month budget for renewable energy programs will be \$250,000. Future budgets may increase or decrease based on demand.

32. PSE may offer energy efficiency programs to non-residential customers using C&RD funds only with full support of the Advisory Committee. PSE shall work with the

Advisory Committee to identify C&RD programs, considering, but not restricted to, measures that have "deemed measure" eligibility as identified by the RTF.

33. The C&RD program shall support a program for electrically heated manufactured homes, built to regional energy efficiency levels, through 2006 unless there is no regional infrastructure supporting the reasonable implementation of the program or if the program becomes non cost-effective.

**K. Low Income Energy Efficiency**

34. PSE will target low-income energy efficiency program funding at \$2.3 million annually. Rider and tracker funded programs will be targeted at \$1.2 million annually with the savings attributed to the Company's annual savings target; and non-tracker/rider funded programs will be targeted at \$1.1 million. (PSE will make available \$800,000 in C&RD funds and \$300,000 in shareholder funds annually for the non-tracker/rider programs, unless otherwise modified by the Company.)

**L. Cost Recovery and Allocation**

35. The Company shall retain existing tracker and rider mechanisms going forward, subject to the Commission's Order in Docket No. UE-970686.

36. The Company shall continue to use the peak credit method of assigning the costs of its electric conservation programs to each rate schedule with one exception. The Schedule 449 customers will pay 0.045 cents per kWh toward the cost of the conservation program. This amount is based on a \$20 million dollar annual budget, and is scalable depending on whether the budget increases or decreases. This payment is separate from and in addition to payment for the existing "overhang" (undercollections from 2001 for conservation program costs) conservation payments by industrial customers. These payments will continue to be made on the previous existing terms, including rate spread. (See paragraph 37.)

37. Recovery of under-collections from 2001 shall be collected based on the continued allocation of conservation program costs implemented in Docket No. UE-020263 that went into effect in the spring of 2002.

38. Gas conservation program costs will be allocated in a manner consistent with the gas program in effect in May 2002. No gas conservation program costs shall be allocated for recovery from natural gas transportation customers. Natural gas program cost recovery allocations made to natural gas sales customers shall be made according to the peak credit (i.e., bridge) methodology that underlies Puget's recovery for surcharges for its conservation programs as approved in March 2002 in Docket No. UG-020264.

**M. Conservation Report Card and Penalty for Not Achieving Annual Target**

39. Achievement of annual targets for savings from cost-effective electricity conservation programs and from cost-effective natural gas programs, as established in Section D, shall be subject to a penalty mechanism. PSE shall compute, every two years, the total electricity savings captured through PSE electric efficiency programs during each two-year time period, and divide this total by two, to determine an average annual electricity savings achievement for that period. PSE shall compute, every two years, the total natural gas savings captured through PSE natural gas efficiency programs during each two-year time period, and divide this total by two, to determine an average annual natural gas savings achievement for that period. These computations shall determine whether the Company achieved each of the minimum savings targets, on average. If the Company achieves its average annual savings goals, as determined with the Advisory Committee, during a two-year period, then no penalty will be applied for that two-year period. If the average annual savings targets are not achieved during a two-year period then a penalty is assessed according to Paragraph 43; the penalty applies only to each individual year in which that year's actual annual target is not met.

40. Prior to the start date of the penalty period, the Company and Advisory Committee shall establish one method for assessing and tracking savings during the penalty period.

41. The following circumstance will be considered in assessing savings. In evaluating the conservation achievement, consideration will be given to large-scale, long duration efficiency projects where negotiations are in progress between PSE and the customer. If, in considering these projects, savings are attributed to one year for penalty assessment purposes, then the quantity of savings credited to the one year shall be deducted from actual savings in the following year regardless of whether the projects in question were finalized. A determination of failure or success in meeting the savings targets shall still be made in this circumstance.

42. The Company may seek mitigation before the Commission of the penalty for failure to meet the conservation savings target, if the Company can demonstrate that factors occurred, after the annual targets were established, beyond the Company's control that negatively impact customer participation in its programs such as a significant local economic recession or major natural disaster. The Company may address factors in its petition, including but not limited to the following: whether the Company is paying a penalty under the Equity Growth tracker.

43. The financial penalties for failure to achieve the annual conservation savings targets are as follows.

- Achieve savings that are 90 to 99% of the goal: \$200,000 penalty applies
- Achieve savings that are 75% to 89% of the goal: \$500,000 penalty applies



- Achieve savings that are less than 75% of the goal: \$750,000 penalty applies

44. The Company shall provide biennial notification in a Conservation Report Card to its customers regarding the Company's performance related to its annual savings targets. The report shall:

- a) Be distributed as a conspicuous stand-alone document accompanying a customer's bill or in a separate mailing and also posted to PSE's website.
- b) Be distributed to customers only after adequate consultation with Staff and the Advisory Committee.
- c) Be distributed no later than 90 days after the filing of the Annual Conservation report (currently due February 15), beginning in 2006 and every two years thereafter.
- d) Contain the following information, at a minimum:
  - 1) A brief description of the purpose of the report.
  - 2) A brief description of the benchmarks and an indication of whether the Company met the benchmarks in each year.
  - 3) Total amount of penalty at risk and the total amount of penalties imposed for the current reporting period.

The report also may contain reference to PSE's ongoing energy efficiency programs, including encouragement for customers to participate in those programs.

45. The penalty funds shall be used to fund one or more cost-effective energy efficiency programs for PSE's customers through a third party vendor. The Company shall initiate the RFP process within one month of the penalty being levied.

46. This penalty and reporting mechanism for achieving the Company's annual target for cost effective energy efficiency shall become effective for conservation programs beginning January 1, 2004. Therefore, the first period for which penalties may be assessed is the January 2004 through December 2005 time period.

**N. Line Extension Policies that Promote Energy Efficiency and Fuel Efficiency**

47. PSE may adopt line extension policies that are designed to encourage (and particularly not discourage) builders, developers, and end-use customers to select a heating fuel that is most resource efficient and adopt construction practices that exceed current energy codes.

**O. Miscellaneous Provisions**

48. **Binding on Parties:** The Executing Parties agree to support the terms and conditions of this Agreement, as described above. The Executing Parties understand that this Agreement is subject to Commission approval.

49. **Integrated Terms of Settlement:** The Executing Parties have negotiated this Agreement as an integrated document. Accordingly, the Executing Parties agree to recommend that the Commission adopt this Agreement in its entirety.

50. **Negotiated Agreement:** This Agreement represents a fully negotiated agreement. Each Executing Party has been afforded the opportunity, which it has exercised, to review the terms of the Agreement. Each Party has been afforded the opportunity, which it has exercised, to consult with legal counsel of its choice concerning such terms and their implications. The Agreement shall not be construed for or against any Executing Party based on the principle that ambiguities are construed against the drafter.

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DATED this 3rd day of June, 2002.

**PUGET SOUND ENERGY, INC.**

**WASHINGTON UTILITIES AND  
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STAFF**

By \_\_\_\_\_  
Kimberly Harris  
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By \_\_\_\_\_  
Robert Cedarbaum  
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By \_\_\_\_\_  
Danielle Dixon  
Policy Associate

**MICROSOFT CORPORATION**

By \_\_\_\_\_  
Harvard P. Spigal  
Attorney for Microsoft Corporation

**SEATTLE STEAM**

By \_\_\_\_\_  
Elaine Spencer  
Attorney

**MULTI-SERVICE CENTER,  
OPPORTUNITY COUNCIL, ENERGY  
PROJECT**

By \_\_\_\_\_  
Ronald L. Roseman  
Attorney

**NORTHWEST INDUSTRIAL GAS  
USERS**

By \_\_\_\_\_  
Edward A. Finklea  
Attorney for NWIGU

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket Nos. UE-111048 and UG-111049  
Puget Sound Energy, Inc.'s  
2011 General Rate Case**

**PUBLIC COUNSEL DATA REQUEST NO. 262**

**PUBLIC COUNSEL DATA REQUEST NO. 262:**

Regarding the Fixed Cost Rates shown on Exhibit Nos. JAP-13 and JAP-14, is it the Company's proposal that these rates remain fixed between base rate cases?

**Response:**

Regarding the Fixed Cost Rates related to its electric and gas Conservation Savings Adjustment mechanisms, Puget Sound Energy, Inc.'s proposal is that such rates remain in effect between general rate cases.