

Attachment A – Docket UE-230892

Proposed Conditions for 2024-2025 Puget Sound Energy Electric Conservation

1) Conservation Potential and Targets – Approval and Conditions

- a) The following conservation targets are approved for Puget Sound Energy (PSE or Company), with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1). This approval is subject to the Conditions described in Paragraphs (2) through (13) below.¹
 - i) *Ten-Year Potential*: 1,521,999 megawatt-hours.
 - ii) *Two-Year EIA Target*: 304,400 megawatt-hours.
 - iii) *Two-Year EIA Penalty Threshold*: 268,702 megawatt-hours.
 - iv) *Two-Year Decoupling Penalty Threshold*: 15,220 megawatt-hours, pursuant to Order 07 in Docket UE- 121697.
 - v) *Total Two-Year Utility Conservation Goal*: 397,820 megawatt-hours.
- b) The Commission approves the above targets and thresholds as measured at the customer meter. All planning and reporting must include savings data as measured at the customer meter.
- c) As part of PSE’s biennial conservation acquisition efforts, PSE must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements PSE’s energy efficiency programs, planning, services, and measures.

- 2) **PSE Retains Responsibility.** Nothing in these conditions relieves PSE of the sole responsibility for complying with RCW 19.285 and WAC 480-109. 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.

3) Advisory Group

- a) To meet the requirements of WAC 480-109-110, PSE must continue to use its Advisory Group, initially created under Docket UE-941377 and UG-941378, and its Integrated Resource Planning Advisory Group as described under WAC 480-100-630.
- b) PSE must notify Advisory Group members of all public meetings scheduled to address PSE’s integrated resource plan. PSE must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. Such a meeting must address the assumptions and relevant information utilized in the development of PSE’s integrated resource plan as they apply to the development and/or modification of the ten-year

¹ The definitions of “Two-Year EIA Target” and “Two-Year EIA Penalty Threshold” were developed in 2018 through the Statewide Advisory Group (SWAG) process. See Dockets UE-171087, UE-171091, and UE-171092, “Report on 2018 Washington State Investor Owned Utility Energy Efficiency Joint Advisory Group Activities and Outcomes”.

conservation potential. This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. PSE must notify Advisory Group members of IRP Advisory Group meetings that present the Company's natural gas and energy price forecasts and generation resource cost assumptions used in the development of the company's integrated resource plan, as these assumptions will inform the ten-year conservation potential.

- c) PSE must consult with the Advisory Groups starting no later than July 1, 2025, to begin to identify achievable conservation potential for 2026-2035 and to begin to set annual and biennial targets for the 2027-2027 biennium, including necessary revisions to program details and the quadrennial 2026-2029 CEIP target. See RCW 19.285.040(1)(b); WAC 480-109-120; and WAC 480-100-640(11).
 - d) PSE must inform the Advisory Group members when its projected expenditures indicate that PSE will spend more than 120 percent or less than 80 percent of its annual conservation budget.
 - e) If PSE believes that an event beyond its reasonable control has occurred that may prevent it from meeting its combined EIA Penalty Threshold and Decoupling Penalty Threshold, PSE will confer with the Advisory Group members as soon as possible to determine a path forward. See RCW 19.285.040(1)(e) and RCW 19.285.060(2).
 - f) Prior to filing the 2026-2027 Biennial Conservation Plan, PSE must provide the following information to the Advisory Group: draft ten-year conservation potential, revised four-year target, and two-year target by August 1, 2025; draft program details, including budgets, by September 1, 2025; and draft program tariffs by October 2, 2025.
- 4) Annual Budgets and Energy Savings.** PSE must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. PSE must allocate a reasonable amount of its program budget (as determined through consultation with the Advisory Group) towards pilot programs, research, and data collection.
- 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 and updated in this docket. PSE must notify the Advisory Group when it files updated measures, incentives, or eligibility requirements.
- 6) Approved Strategies for Selecting and Evaluating Energy Conservation Savings**
- a) PSE has identified several potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with RCW 19.285.
 - b) When PSE proposes a new or significant change to a program, pilot, or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. After consultation with the Advisory Group in accordance with

WAC 480-109-110(1)(h), the Advisory Group may advise if a revision to the Conservation Plan in this docket is necessary.

- c) PSE must spend a reasonable (as determined through consultation with the Advisory Group) amount of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. PSE must perform EM&V annually on a maximum four-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.
- d) An independent third-party must review portfolio-level electric energy savings reported by PSE for the 204-2025 biennial period, from existing conservation programs operated during that period, per WAC 480-109-120(4)(b)(v). The review will be funded by the [COMPANY'S] Electric Service Conservation Rider. The review will be managed jointly by Commission staff and PSE staff with input on the scope, cost, RFP development, reviewer selection and ongoing oversight by the Advisory Group. The independent third-party reviewer must be selected through an RFP process and is intended to:
 - i) Verify the calculation of total portfolio MWh savings; and
 - ii) Provide a review of EM&V activities and application for best practices and reasonable findings, which includes the following:
 - (1) Validate the adequacy of PSE's savings verification process, controls and procedures.
 - (2) Validate savings tracking and reporting processes and practices.
 - (3) Review program process and impact evaluations completed during the biennium for appropriateness of evaluation approach/methodologies (program specific) and program cost-effectiveness calculations.
- e) A final report for the entire 2024-2025 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by PSE.

7) Program Design Principles

- a) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to PSE's current Conservation Plan, as determined in consultation with the Advisory Group.
- b) Incentives and Conservation Program Implementation — 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. PSE must work with the Advisory Group to establish a balanced portfolio of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of PSE customers.
- c) Conservation Efforts without Approved EM&V Protocol — PSE may spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, if the overall portfolio of conservation passes the primary cost-effectiveness test used by the Commission. These programs may include information-only, and pilot

projects. PSE may ask the Commission to modify this spending limit, following Advisory Group consultation.

- 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 must be assigned no quantifiable energy savings value without full support of the Advisory Group.
- 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 10 percent spending restriction.

8) Cost-Effectiveness Tests

- a) The Commission currently uses a modified Total Resource Cost Test (TRC), consistent with the Council, as its primary cost-effectiveness test. The modified TRC test includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder. PSE's portfolio must pass the modified TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.
- b) PSE must also provide calculations of the Program Administrator Cost Test (also called the Utility Cost Test) as described in the National Action Plan for Energy Efficiency's study "Understanding Cost-Effectiveness of Energy Efficiency Programs" (November 2008), located at:
<https://www7.eere.energy.gov/seeaction/system/files/documents/understanding-cost-effectiveness-ee-programs.pdf>.
- c) Conservation-related administrative costs must be included in portfolio level analysis.

9) Low-Income and Named Community Programs

- a) The PSE must demonstrate progress toward sustained energy burden reductions during the 2024-2025 biennium by, at a minimum, funding all eligible and cost-effective low-income conservation measures, consistent with RCW 19.405.120.
 - i) PSE's biennial report must include the contribution from low-income conservation programs toward sustained energy burden reductions. The report must include the number of participants and any other information that demonstrates progress as described above. The utility should include a discussion of barriers to success, options for overcoming these barriers, and potential uses for increased low-income conservation funding.
 - ii) Energy savings from low-income conservation measures will be counted toward conservation goals.
 - iii) PSE may, after consultation with advisory groups, fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. These costs are excluded from portfolio cost-effectiveness calculations. PSE shall maintain a project cost allowance of thirty percent (30%) for

Administrative/Indirect Rate associated with the delivery of low-income conservation measures.

- b) PSE must consider how and whether existing conservation programs serve the highly impacted communities and vulnerable populations identified in its CEIP. In addition, PSE must adjust existing conservation programs or design new programs and offerings so that the portfolio of programs ensures an improvement in the equitable distribution of energy and nonenergy impacts to the same communities identified in its CEIP. See WAC 480-100-640(4).

10) Research Efforts and Innovative Programs

- a) PSE must evaluate opportunities for location-targeted programs that provide non-wires alternatives to eliminate or delay the need for distribution system investments.

11) Equitable Distribution of Nonenergy Benefits

- a) During this biennium, PSE must continue to demonstrate progress towards identifying, researching, and properly valuing nonenergy impacts. The nonenergy impacts considered must include the costs and risks of long-term and short-term public health benefits, environmental benefits, energy security, and other applicable nonenergy impacts. In consultation with the Company's conservation, equity, and resource planning advisory groups, nonenergy impacts and risks must be included in the next Biennial Conservation Plan and Conservation Potential Assessment.
- b) PSE must continue to identify the discrete nonenergy impacts and the monetized value used in cost-effectiveness testing for each electric conservation program. This must be provided in a detailed format with a summary page and subsequent supporting spreadsheets, in native format with formulas intact, providing further detail for each program and line item shown in the summary sheet in annual plans and reports.
- c) PSE must continue to identify the forecasted distribution of energy and nonenergy impacts in annual plans and reports. This reporting must use currently quantified nonenergy impacts as well as values and estimates of additional impacts as they become available. See WAC 480-100-640(3)(a)(i).

12) Recovery through an Electric Conservation Service Rider

- a) 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 for other purposes when they have a benefit to PSE customers and are approved by the Commission.
- b) Recovery for Each Customer Class —PSE shall retain existing cost recovery mechanisms, subject to the Commission's Order in Docket UE-970686.²

² See the Commission's Final Order entered on May 16, 1997, in Docket UE-970686 in response to Puget Sound Energy's Petition for an Order (1) Authorizing Deferrals of Electricity Conservation Expenditures and (2) Approving a Tariff Rider for Concurrent Recovery in Electric Rates of such Deferred Electricity Conservation Expenditures. It is important to note that there were two subsequent Orders in this Docket; the Second Supplemental Order and Order 03, both of which pertained to semi-annual reporting of conservation program progress.

- c) Recovery of costs associated with distribution and production efficiency initiatives are not funded through the Electric Conservation Tariff Rider because these programs are not *customer* conservation initiatives. These are company conservation programs. As such, these costs are recovered in the general ratemaking process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanism. The method of cost recovery in no way diminishes its obligation as required in RCW 19.285 and WAC 480-109.
- d) PSE must file revisions to its cost recovery tariff (Schedule 120) by June 1 each year, with requested effective date of August 1 of that same year.

13) Additional Commitments

- a) PSE must continue to pursue cost-effective conservation in the form of reduction in electric power consumption resulting from increases in the efficiency of energy used at electric power production facilities it owns in whole or in part. PSE's Annual Report must include updates regarding production efficiency activities in power production facilities operated by PSE and, to the extent practicable, facilities wholly or partially owned by PSE that are not operated by the Company.
- b) To avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part by PSE, the Company must consult with the Advisory Group when developing or modifying its protocol for how savings will be claimed.