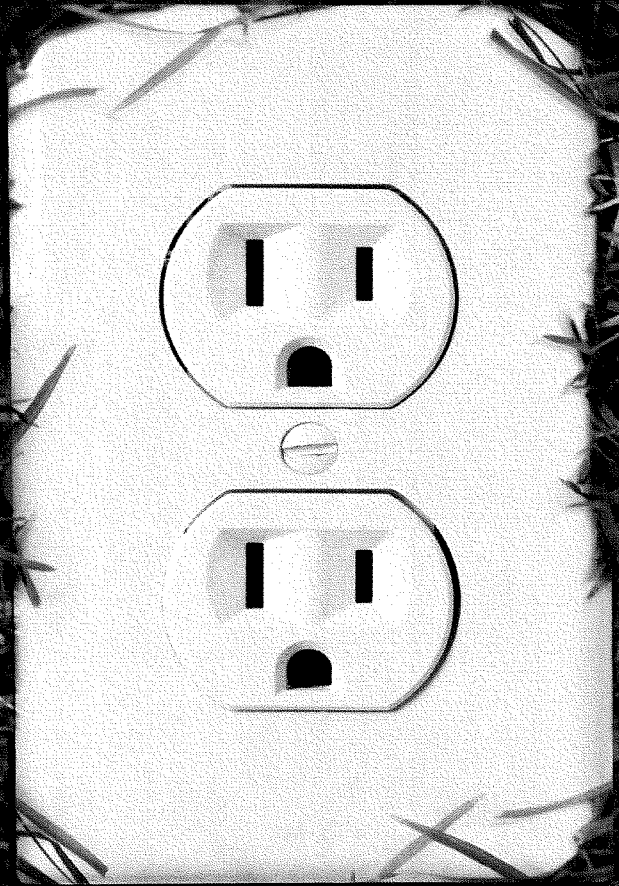


Energy Efficiency Services

Exhibit 3

2011

Program Descriptions



PSE

PUGET SOUND ENERGY

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General Program Description Notes

Associated Documents

In addition to the program descriptions in this Exhibit 3, there is a 2011 Annual Conservation Plan Outline and five other Exhibits, which outline the following for each program:

Budget and savings (both gas and electric) order number details	Exhibit 1
Cost Effectiveness Tables	Exhibit 2
List of Measures, Incentives and Eligibility	Exhibit 4
Program evaluation plans	Exhibit 5

Program Descriptions

Following each program's title is the corresponding Conservation Schedule number. A number preceded by an E indicates that this is an electric Schedule. Similarly, a number preceded by a G indicates that this is a natural gas Schedule. Many conservation programs have the same Conservation Schedule number for both natural gas and electric service.

Conservation Schedules are available for public review at PSE.com. Program descriptions are organized in sequence according to their Schedule number.

Glossary of Acronyms and Terms, continued

TRC	Total Resource Cost
UC	Utility Cost
ULI	Urban Land Institute
USGBC	U.S. Green Building Council
WAMOA	Washington Association of Maintenance and Operations Administrators

Document Contents

Exhibit 3 contains, for each program:

- An updated description of the service or Customer offering and its strategy
- The target market for the program
- Customer Incentives
- Marketing Plan²

Support Activities contain only the description of the service or activity and its strategy.

² The overarching EES Marketing Plan is contained in the 2011 Annual Conservation Plan outline document, section 4.

Residential & Commercial Energy Efficiency InformationSchedules E200/G1206 (Residential) & E260/G260 (Commercial/Industrial)³**Purpose**

Provide Customers with quality information that will assist them in making cost-effective decisions relative to energy-efficiency investments. Motivate Customers to participate in eligible EES programs and services while simplifying the process to take action. Provide guidance to Customers on how and where to find appropriate solutions, e.g. products, retailers, product vendors, contractors, and installers.

Description

These services consist of five components that complement each other to provide information for Customers on energy programs and efficiency improvements tailored to their interests and energy-use concerns.

Energy Advisors

The Energy Advisors research, analyze, resolve and respond to Customer inquiries, issues and requests related to energy efficiency and conservation; and promote and explain energy efficiency and renewable programs and their advantages. They represent PSE in an effort to promote and cross market products and services by presenting and providing educational materials to employees, organizations and community groups. Energy advisors receive training and instruction in departmental procedures and are expected to use good judgment in independently responding to recurring Customer issues and/or complaints. Unique, difficult or unusual Customer service issues are referred to the senior energy advisor. They consult with Customers to help lower bills and educate them regarding energy efficiency and conservation as well as promote PSE energy efficiency and conservation programs and services at community and corporate outreach events such as trade and home shows, fairs, educational workshops and trainings.

Customers have access to speak directly to an Energy Advisor through a toll-free number, **1-800-562-1482**, Monday through Friday, 8am to 5pm.

Energy Efficiency Brochures

PSE provides brochures and how-to guides on numerous energy efficiency opportunities, including low-cost equipment, weatherization Measures, major weatherization improvements, and equipment upgrades. This information includes investment and savings estimates where appropriate. These brochures are available to Customers in paper form and online at the PSE Web site. Brochures are also distributed at numerous Customer events, Home shows and trade shows throughout the year. Where required by tariff, brochures are included as bill inserts.

³ As the Residential and Business Information Services deliverables are the same or similar in most cases, the program description for Information Services is presented here, in the Residential section of Exhibit 3 so as to avoid duplication of information in the two sectors.

Low Income Weatherization

Schedules E201/G203

Purpose

Assist low-income residential Customers to improve the energy efficiency of single family residences, multifamily structures and manufactured/mobile homes.

Description

Key stakeholders are low-income gas and electric Customers; county and municipal low-income weatherization agencies in the PSE service area, Washington State Department of Commerce ("Department of Commerce" or "Commerce"), and participating weatherization contractors and suppliers.

Residential Low Income Weatherization provides funding of many cost-effective home weatherization Measures for low-income Customers receiving gas and/or electric heat from PSE. Funds are used for single-family, multi-family and mobile home residences. Some Measures which do not meet standard cost-effectiveness tests may also be approved.

In addition, this program provides funding for energy-related repairs and energy education. An energy-related repair is a repair that is necessary (1) to install a weatherization Measure properly, (2) to protect the health and/or safety of the occupants, (3) to address an existing problem that weatherization could aggravate or (4) to protect the integrity of the installed Measure. Examples include but are not limited to:

- Repair roof leaks
- Electrical inspection and repairs
- Mold/mildew remediation
- Rodent, insect and pest extermination
- Bath and kitchen ventilation upgrades
- Furnace or water heater repairs or replacement.

Sources of Low Income Weatherization funding include, but are not limited to, Electric Rider, Gas Tracker, Company funds, BPA credits or other federal or state government programs and proceeds from the sale of Renewable Energy Credits as made available in Docket No. UE-070725 ("REC Funding").

For those funds that must meet a cost effectiveness standard, up to 30 percent may be applied to energy-related repairs that are necessary to effect the installation of other cost-effective Measures. The final percentage allocated will be determined according to the overall program cost-effectiveness.

Energy education include those Measures that would help Customers understand how to benefit from Measures installed in their home and to further reduce energy consumption through behavior modification.

Marketing Plan

PSE provides a weatherization program brochure, which explains the program and basic eligibility requirements, and lists the agency contact phone numbers. This brochure is normally available to Customers during many public events in which PSE participates. The brochure has been distributed to local agencies serving the low-income population. Any additional promotions will be done in close coordination with local agencies.

Single Family Existing

Schedules E214, G214

Purpose

Acquire cost-effective energy savings from existing single-family (less than or equal to four units on a parcel) retrofit Measures and services.

Description

Single Family Existing programs implement cost effective, targeted, residential energy savings using a menu of prescriptive and calculated efficiency Measure incentives, including rebates for single family existing structures. Existing single family structures are defined as residential dwellings which include; structures with four or less units that are attached by a contiguous roofline and manufactured or factory built homes affixed to permanent foundations. Single family existing residences exclude structures that are currently under construction. Prescriptive rebates are intended to facilitate participation by Customers, contractors, developers and trade allies, and provide administrative efficiencies for PSE in meeting energy efficiency goals.

Rebates and incentives offered to eligible natural gas and electric PSE Single Family Existing Customers include a variety of end-use classifications, not limited to:

- Compact Fluorescent Lighting including CFL lamps and CFL fixtures,
- Appliance—including refrigerators, freezers and clothes washers—rebates,
- Refrigerator Decommissioning – focused on removing the “garage” unit
- Weatherization, including insulation and duct sealing,
- Space heating including high efficiency furnaces and heat pumps,
- Water heating, including tankless water heaters and efficient showerheads.

Incentive amounts and savings values are regularly reviewed and are based on regionally accepted energy savings estimates and incremental efficiency Measure cost. Incentives may be subject to change in response to revisions in savings estimates, average incremental cost or changes in Federal appliance efficiency standards or State codes.

Residential Retail Program

This program collaborates with retailers and manufacturers of energy efficient products – such as lamps, light fixtures, showerheads, electronics, and appliances such as clothes washers, refrigerators and freezers – to ensure that Customers have access to a wide variety of efficient product options. The Retail Program provides incentives and promotions for efficient products to PSE’s residential Customers by establishing agreements with retailers and manufacturers; PSE also provides field services to educate retail employees on our products, detail qualifying product, and ensure compliance with PSE agreements.

Customer Incentives

Eligibility criteria are based on established cost effective tests. The incentives are effective January 1, 2011. A list of all requirements for incentive eligibility and participation can be found on individual incentive or program application forms. PSE's Energy Efficiency Services maintains a comprehensive list of approved conservation Measures in Energy Efficiency Services' List of Measures, Incentives, and Eligibility. The Company reserves the right to adjust incentives based on market variables.

Applicable Energy Efficiency Incentive Measure category headings include, but are not limited to:

- Weatherization
- Space Heating
- Water Heating
- Appliances
- Refrigerator decommissioning
- Lighting
- HomePrint Assessment

Energy Efficiency Services' List of Measures, Incentives and Eligibility are included in Annual Conservation Plan as Exhibit 4.

Marketing Plan

The Company will promote these programs through integrated marketing campaigns. These may include:

- qualitative and quantitative target market research
- Brochures, e-news articles and promotion via energy advisors and other PSE representatives
- bill inserts
- Cooperative advertising with product manufacturers or distributors
- paid advertising print, broadcast and radio, direct mail, and electronic media,
- point-of-purchase signage and acquisition of shelf space
- public relations and community event presence
- PSE's Contractor Referral Service, incentives, rebates, coupons, contractor discounts, and seasonal promotions.

Customer Incentives

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and location within the PSE service territory, fuel type (gas or electric), product type and product quantity. The incentives are effective January 1, 2011. Energy Efficiency Services' List of Measures, Incentives and Eligibility are included in the Annual Conservation Plan as Exhibit 4. PSE may, at its sole discretion, adjust rebates based on market variables.

Incentive amounts and savings values are regularly reviewed by PSE and are based on regionally accepted energy savings estimates and incremental efficiency Measure cost. Rebates may be subject to change in response to revisions in savings estimates, average incremental cost or changes in Federal appliance efficiency standards or State codes.

Type of rebate/incentive

Qualifying Customers receive incentives by submitting a processing form and invoices/receipts, third party verification and certification of an ENERGY STAR® home, or receive an instant discount through participating trade allies. Incentive requests are screened for completeness of Customer entries, and where required for submittal of additional documentation. Incentive processing complies with PSE internal audit standards.

Marketing Plan

Marketing outreach and positioning, may include, but are not limited to:

- Program collateral, brochures, newsletters
- Paid advertising: print, broadcast and radio
- Direct mail & bill insert campaigns
- Co-promotion with other utilities, local governments, agencies, and non-profit organizations
- Industry outreach and education
- Public Relations: media interviews, article development and press releases
- Cooperative retail and wholesale trade ally marketing
- Sales person incentives (also referred to as "SPIFFS")
- PSE Website
- Community outreach: event participation, presentations, education
- Energy Efficiency Advisors, Hotline (phone staff)

Customer Incentives

Fuel conversion incentives are prescriptive and based upon the Measure type installed and the kWh usage the Measure offsets. Eligibility criteria are based on established cost effective tests and prior electrical usage as primary heating source for space and/or water heating. The incentives are effective January 1, 2010. A list of all requirements for rebate eligibility and participation can be found on individual rebate or program application forms.

Applicable Existing Single Family Premises Measure category headings include, but are not limited to:

- Space Heating
- Water Heating

Marketing Plan

PSE promotes this program through an integrated campaign. This includes, but is not limited to, qualitative and quantitative target market research, educational materials, product/service brochures, bill inserts, paid advertising (includes co-op initiatives) such as print, broadcast and radio, direct mail, electronic media, public relations, community event presence, PSE's Energy Advisors, PSE's Contractor Referral Service, incentives, rebates and coupons.

Marketing outreach and positioning, as identified in the supporting marketing plan, may include, but is not limited to:

- Qualitative and quantitative target market research
- Program collateral/ brochures
- Direct mail campaigns
- Event participation and sponsorship
- Program presentations
- Paid advertising: print, broadcast and radio
- PSE Website
- Co-promotion with other utilities, local governments, agencies and non-profit organizations
- Community outreach and education
- Public Relations: media interviews, article development and press releases
- Electronic newsletters
- Cooperative trade ally marketing
- Energy Efficiency Advisors, Hotline (phone staff)
- Internal employee communications and training
- Evaluate ROI: measuring marketing outreach effectiveness

There may be any combination of residential and commercial meter mixes in all three types of construction. Once the meter type mix is confirmed with the development team, the appropriate PSE programs are identified to serve that development.

Target Market

The target market for this program includes new construction multifamily property developers, architects, mechanical and electrical engineers, general contractors and equipment suppliers.

Customer Incentives

Incentive schedules may be based on the building types described below:

Low/midrise construction: where residential meters serve space/water heating and plug load, residential incentives shall apply. For common areas in these buildings, commercial incentives may apply. Program staff may work closely with the EES Business Energy Management team to collaborate on potential custom calculated incentives identified during project evaluation.

Hi-rise construction: where commercial meters serve the unit space/water heat, commercial and/or residential incentives may apply. Where residential meters serve the in unit load, residential incentives shall apply. For common area meters located in these buildings, commercial incentives may apply. Program staff may work closely with the EES Business Energy Management team to collaborate on potential custom calculated incentives identified during project evaluation.

Assisted Living/Affordable housing/Dormitory construction: where commercial meters serve the unit space/water heat, commercial and/or residential incentives may apply. Where residential meters serve the space/water heating and plug load, residential incentives shall apply. For the common areas, commercial incentives may apply. Program staff may work closely with the EES Business Energy Management team to collaborate on potential custom calculated incentives identified during project evaluation.

Incentive schedules are identified by heat source. Calculated incentives will be offered based on standard energy efficient calculation practices. Incentives may be paid upon completion of work and submittal of required program documentation. Field inspections and audits will be conducted at random to ensure quality installations and verify completion of work.

PSE's Energy Efficiency Services maintains a comprehensive list of approved conservation Measures in Energy Efficiency Services' List of Measures, Funding and Incentives, which is included in this Annual Conservation Plan as Exhibit 4.

Marketing Plan

The market constituents are developers, architects, general contractors, sub contractors and equipment suppliers that develop multifamily housing. To successfully market to this community, PSE will develop and distribute marketing materials using direct mail

Pilots

Schedule E249

Pilot programs and demonstration projects may be undertaken to determine whether certain strategies and Measures are cost-effective in the long run. Pilots are employed to test cost-effective ways to demonstrate market opportunities for energy efficiency.

Pilots may include tests of Measure cost and performance, Customer acceptance and delivery methods. In compliance with Settlement Agreement condition K(7)(d), pilots will only claim energy savings that achieve energy savings sufficient to demonstrate cost-effectiveness by passing the TRC test.

Consumer Electronics**NEEA Joint Utility Upstream Consumer Electronics Program****Purpose**

To work in conjunction with utilities across the west coast to gain distribution at retail and promote efficient TVs (currently those that are 30 percent more energy efficient than current ENERGY STAR® standards) to achieve measureable energy savings and to establish a baseline in the northwest for market share and cost effectiveness for TVs.

Description

Electronics/plug loads is the fastest growing end-use in the nation, estimated at 6% growth per year. This program provides relatively small but meaningful incentives to retailers and/or manufacturers to move more energy efficient televisions into the market (in this case, 30 percent more efficient than current ENERGY STAR® specifications). The incentives will provide a means to influence the product mix stocked and sold so that more energy efficient models end up in our Customers' homes in place of less efficient models.

In addition to the incentives there is a consumer awareness component to this program. Participating retailers will have their relevant staff members trained on the benefits of participating models and stores will be detailed with signage and POP materials to make Customers aware of which units qualify for the program and hence use less energy than average.

Target Market

PSE, through NEEA, will be offering incentives primarily to retailers within our electric service area, though incentivizing parties further upstream is also an option.

Customer Incentives Overview

Retailers receive an incentive for each qualifying television sold under the pilot.

High Efficiency Natural Gas Fireplace

Purpose

Identify energy savings potential through the installation of a high efficiency natural gas fireplace for single-family homes.

Description

High-efficiency direct vent gas fireplaces provide heat directly in the room. Advances in gas heating technology make these heat sources safe and easy to operate. Units must be direct vented with sealed combustion. PSE will utilize our existing contractor network for installation. PSE will offer this pilot to 500 single family homes throughout PSE's service territory.

Target Market

PSE will offer this pilot to 500 single family homes throughout PSE's service territory. Customer must be an existing PSE natural gas Customer currently heating their home with natural gas. Fireplaces must be installed within the home. The energy usage of the test group will be compared to control data and evaluated after 2010-2011.

Customer Incentives Overview

This pilot Measure provides a \$200 rebate incentive for direct vent natural gas fireplaces that meet the Canadian P4 Fireplace Efficiency (FE) standard of 70 percent or better.

Marketing Plan

A marketing plan will be identified with development of the pilot program.

Home intelligence/automation

Purpose

Identify energy savings potential by deploying communicating home intelligence/home automation devices.

Description

This pilot Measure will provide PSE with information on the energy savings value of having integrated home energy use information, display, and controls. Many products available are capable of communication with the utility through mesh networks via metering or internet protocols. Intentions for this pilot will be to identify a product or products that allow homeowners to manage specific outlets, circuits, or appliances from a single dashboard device.

Marketing Plan

This pilot program will not be marketed due to the limited number of participating Customers.

OPOWER (formerly Positive Energy) Home Energy Reports**Purpose**

The Home Energy Report pilot is a no cost/low cost behavioral modification energy savings project. Determining if and to what degree energy savings can be quantified through the project will determine the level of success.

Description

Home Energy Reports are customized reports mailed directly to PSE Customers that help each residential Customer better understand their home electric and gas consumption, motivate them to conserve and provide targeted calls to action tailored to help each Customer save money and improve energy efficiency. The initial pilot included 40,000 combined gas and electric single family households and has been running since 3rd quarter 2008. Additional Customers will be added in partnership with communities who are interested in bringing the reports to their constituents, and in order to further evaluate the pilot. We are expecting to add an additional 64,000 dual fuel Customers in east King County as well as a number of electric only Customers: 22,000 in Whatcom County, 5,200 on Bainbridge Island, and 13,000 in east King County (approximation).

- 12-month Energy Comparison Report: Combines GIS data and historical energy data to show Customers how their energy use compares to other residents who are most like them (age of house, sq ft. of house, on their block or in their zip code). This has been proven to be an effective piece of information to motivate consumers to conserve energy.
- Targeted Energy Savings Tips: For every season and city there are simple changes that Customers can make to reduce their energy consumption. The design and language of our tips and messages are customized and based on many years of academic and clinical research performed by our team. The tips are targeted based a number of factors including housing data, demographic information (e.g. renter vs. home-owner), and energy consumption patterns.
- Progress Tracker: The Progress Tracker reinforces the positive aspect of energy savings by applauding Customers who reduce their consumption and assisting Customers who are not progressing. This component employs well researched injunctive messaging to reinforce norms.

Target Market

PSE will offer this pilot to single family electric Customers within PSE's service territory. Participation will be voluntary. Additional program targets may be set upon development of the program design.

Customer Incentives Overview

Incentives to the Customer will be identified with the development of the pilot program. As a pilot program we will work towards an incentive that will ensure our ability to collect necessary program and evaluation data.

Marketing Plan

A marketing plan will be identified with development of the pilot program.

Residential Grants**Purpose**

Identify energy savings potential from custom grants for large residential energy retrofit projects or Measures that save energy on a comprehensive level.

Description

This pilot Measure will utilize advanced energy modeling and structure-specific data to identify the energy savings value of an identified project. The savings will be unique to each project and allow a program approach similar to that of the existing commercial retrofit custom grant program. Delivery of this program could potentially be integrated into PSE's HomePrint Measure.

Target Market

PSE will offer this pilot to 30 residential electric single family existing Customers. These may include dual fuel Customers. Projects are expected to include space heating and domestic hot water heating Measures.

Customer Incentives Overview

Incentives to the Customer will be identified with the development of the pilot program. Initial plans are to model the incentive after the commercial retrofit custom grant program.

Marketing Plan

A marketing plan will be identified with development of the pilot program. Participants will likely be identified through PSE's HomePrint Measure and Energy Advisors, and will likely target Customers who are planning to perform a comprehensive energy retrofit to their home.

BUSINESS PROGRAMS

Customer Incentives Overview

Incentives are effective January 1, 2011.

Site-Specific Basis incentives, or “custom” incentives, rely on generally accepted engineering calculations and Measure costs provided by the Customer or the Customer’s contractor. Electric and gas Measures may receive maximum incentive grants up to 70 percent of the Measure cost when the grant incentive does not exceed the cost-effectiveness standard, less program administration costs. Measures whose cost exceeds the cost-effectiveness standard will receive grants that are on a declining scale and will be less than 70 percent of the Measure cost. Generally, electric and gas Measures that have a Simple Payback of less than one year are not eligible for a Site-Specific Basis incentive. *Prescriptive Basis incentives* are provided for Commissioning of Existing Buildings and for Measures that are eligible for rebates under Schedule 262E/262G, Commercial and Industrial Incentive Program. The incentive amount for a Measure is the same as that which is available under Schedule 262E/262G, but energy savings may be calculated based on actual Site-Specific conditions.

Energy-use monitoring: PSE may provide secure web site access to facility energy-use data for building occupants, free of charge for up to two years. More typically, access will be free of charge for one year to allow the occupant to verify building and/or Measure performance according to energy-use projections. To be eligible, Customers must be on a rate schedule with demand (kW) as well as energy (kWh) charges. Compatible metering and remote data retrieval capability must be in place at the Customer’s facility. PSE is not obligated to replace or upgrade nonconforming meters. Customers are expected use the monitored information to improve energy efficiency at the facility. Customers will demonstrate annual energy savings potential through energy management operations and maintenance as well as identification of further efficiency Measures and equipment upgrades.

Incentives for short and long payback projects will be adjusted as needed, according to market conditions.

Processing Incentives: Customers provide PSE with project costs and estimated savings. Customers assume full responsibility for selecting and contracting with third-party service providers. Projects must be approved for funding prior to installation/implementation. A grant agreement will be required.

All Commercial and Industrial Retrofit incentives will be processed using a standard Grant Agreement, listing the Measure description, Measure Life, Measure cost, and Grant Amount. An attachment to the Grant Agreement will list specific Measure details, and will describe the process PSE will use to verify that the Measure is installed and performing efficiently.

The PSE Energy Management Engineer (EME) and the manager of C/I Conservation oversee all incentives and program operations. EMEs update project changes in the tracking system and review monthly results. The manager of C/I Conservation reviews the cost-effectiveness of all efforts. A review of results and refinement of program strategies are conducted annually.

Commercial/Industrial New Construction

Schedules E251/G251

Purpose

The purpose of the Commercial and Industrial New Construction Program is to encourage efficient design, building components and equipment in new buildings by working with Customers, tenants, owners, designers and builders of new Commercial and Industrial (C/I) facilities. Provide incentives for installation of cost-effective energy efficient Measures to achieve savings beyond the applicable Energy Code.

Description

PSE works with designers and developers of any large or small new Commercial / Industrial facilities, or major remodels, to propose cost-effective energy efficient upgrades that exceed energy codes or standard practice where minimum efficiency requirements are not prescribed by code. Four paths may be followed to qualify for assistance and/or funding for New Construction energy efficiency Measures. New Construction Commissioning is also offered in addition to the building paths.

The first path is a prescriptive approach applicable to office, school and retail facilities less than 100,000 square feet. PSE recommends standardized packages of efficiency Measures that typically yield savings of 10 percent or more versus a facility constructed to the minimum requirements of Washington State Energy Code 2006 Edition. Efforts are underway to develop a new prescriptive program based on WSEC 2009 Edition that will be announced when the new edition of code becomes effective.

The second path utilizes building energy simulation to demonstrate improvement over energy code requirements. PSE will work with designers to incorporate Measures that produce at least 10 percent overall savings beyond applicable energy code, including local jurisdiction amendments. Given the time required for planning and construction, these projects typically take several years to complete.

The third path is similar to the retrofit program where Measures are evaluated individually and funding is based upon cost-effectiveness. Under this approach, Customers may receive up to 70 percent of the incremental cost over a code-compliant baseline option.

The fourth path includes Prescriptive Basis incentives for Measures that are eligible for rebates under Schedule 262E/262G, Commercial and Industrial Incentive Program. The incentive amount for a Measure is the same as that which is available under Schedule 262E/262G, but energy savings may be calculated based on actual Site-Specific conditions.

New Construction Commissioning (Cx) includes three phases: Design, Construction, and Post-Occupancy. The total incentive available for all three phases combined is up to \$0.50/square foot. A complete listing of available incentives is provided in Exhibit 4 of this 2011 Annual Conservation Plan.

Component Measure incentives: For energy-efficient Measures with a simple Customer payback greater than one year, PSE provides grants toward the incremental installed cost of the Measure. Maximum grants will be based on the Company's cost-effectiveness criteria. Electric and gas Measures may receive incentive grants up to 70 percent of the incremental Measure cost where the grant incentive does not exceed the cost-effectiveness standard less program administration costs. Measures that exceed the cost-effectiveness standard will receive grants that are on a declining scale and will be less than 70 percent of the Measure Cost. In instances where project first-costs, site conditions, or operational parameters lead to a Customer fuel choice that would offset gains from implemented efficiency Measures, incentives for fuel switching may be provided; however, choices that totally eliminate the need to provide an energy source to the site are not eligible.

New Construction Prescriptive Rebates: Rebates for equipment listed under the electric/gas Commercial and Industrial Incentive Program are available for new construction except when required by the applicable Energy Code. Rebates are not available, however, when there is an energy interaction with Measures proposed under the *energy model whole building approach, prescriptive whole building approach, or the component approach.*

Building Commissioning: Where funding for installed Measures is provided, PSE requires a copy of commissioning work items completed and presented in the final commissioning report, as required by the Energy Code. In addition, if the Customer engages the services of a commissioning agent who is independent of the design and construction team, then the Customer may be eligible for an incentive. To qualify for this incentive, commissioning shall focus on energy efficiency and all significant energy-using systems. As a minimum, lighting, HVAC and domestic hot water (DHW) systems must all be commissioned.

The commissioning agent is encouraged to be involved from the initial design of the project and must be involved at least by the Design Development phase of the project to receive an incentive for design phase commissioning. If the commissioning agent conducts design reviews, focusing on energy efficiency and integrated design that lead to reduced building energy loads, an additional incentive may be provided. PSE will consider the Measure cost as that portion of the commissioning agent services that will impact energy efficiency on the project. The savings shall be assumed to be a percentage of the building's estimated annual energy use. This percentage will be based on studies of the energy savings impact of commissioning. The savings will be adjusted after the building is built and initial usage data can be used to better predict long-term energy use.

To better assure long term efficient operation of the building, additional PSE support shall be provided in the first year of occupancy. During this post occupancy phase, the commissioning agent, using interval and monthly billing data from PSE as well as any Customer energy DDC monitoring, shall analyze the building's energy use and assist in final energy optimization of the systems.

Resource Conservation Manager

Schedules E253/G208

Purpose

The purpose of the Resource Conservation Manager program is to achieve Customer cost reductions for major resource utility bills through behavioral changes, operational improvements, facility maintenance, and attention to utility-cost accounting. Savings result from changes in practices and do not require major investments in equipment.

Description

PSE offers Resource Conservation Manager Services (RCM) to any school district, public-sector government agency, and commercial or industrial (C/I) Customer with sufficient energy use to ensure program cost-effectiveness. The RCM program focuses on larger Customers with multiple facilities. An RCM Customer employs or contracts with someone who has designated resource management responsibilities, including accounting for resource consumption and savings.

Customers qualify for the RCM program based on their annual PSE energy purchases. A typical Customer baseline for a fulltime equivalent (1 FTE) program is 20,000,000 kWh or 2,700,000 therms for gas-only service from PSE. Funding levels are prorated based on the amount of staff a Customer would need to allocate in order to achieve cost-effective savings from RCM efforts.

Monetary grants include a "start-up" grant for completion of deliverables associated with building the program foundation: hiring an RCM, setting up an energy-accounting database, writing a company resource management plan, and completing facility action plans. Once start-up deliverables are complete, the Customer may qualify for "performance grants" based on achieving pre-established energy-reduction targets. Salary guarantees are available for Customers with a full-time program on an as-needed basis.

The RCM agreement is valid for three years. Over this time, PSE anticipates a 10-12 percent reduction in overall energy use. Savings are calculated using industry standard practices and energy accounting methodologies. Reported annual savings are a variance from the previous year. PSE may elect to renew a Customer's RCM agreement in three-year increments to provide continued support and additional performance incentives.

Puget Sound Energy's RCM program is comprised of a "menu" of service features which can be tailored to meet the specific needs of the Customer. Typical RCM support services include, but are not limited to the following:

Program Start Up

- Assistance with designing and implementing an RCM program;
- Assistance in hiring or contracting a Resource Conservation Manager;
- Assistance in developing baselines, resource policy guidelines, and facility action plans;

Customer Incentives

PSE continues to develop creative incentive options to increase RCM support for a variety of Customer segments.

Resource Accounting Software – PSE will assist in selection, purchase, and set-up of resource accounting software and support annual maintenance fees if the Customer agrees to maintain the system and provide annual consumption reports.

Initial Cash Incentive – For qualifying organizations, PSE will pay a cash incentive determined as a percentage of the typical RCM salary to help get the program started with initial set-up of utility database and program organization. PSE will fund 35 percent of the time spent on establishing the RCM program during the first year provided the Customer completes the database set-up, develops a resource management plan and outlines facility action plans for their buildings. Customers receive support tailored to their needs, including staff training, technical assistance, interval metering, salary guarantees, site-based incentives, and other services.

Performance-Based Incentives – PSE may provide cash incentives to Customers who achieve a pre-established targeted amount of energy savings relating to occupant and behavioral practices and improvements in operational and maintenance (O&M) practices. Energy savings targets will be based on a typical 5 percent reduction from a 12-month baseline and actual savings will be calculated and verified by PSE staff as described below. Incentive amounts will meet the current commercial and industrial program cost-effective criteria.

Site-Based Incentives – PSE may award cash incentives directly to a Customer for implementation of verifiable behavioral changes by building occupants, maintenance and custodial staff members.

Salary Guarantee – For Customers with a full-time equivalent energy baseline, PSE will provide a salary guarantee that the Customers' total resource bill savings achieved by RCM activities relating to occupant and behavioral practices and improvements in operational and maintenance (O&M) practices exceed the salary of the RCM. If not, the difference will be paid to the Customer up to the value of the natural gas and electrical savings achieved, as determined by weather corrected reduction of the Customer's utility bills or by single Measure calculations agreed to by PSE.

Marketing Plan

PSE recruits participants through direct contact with administrators of school districts, colleges, municipalities, corporations, etc. Program awareness is also increased by contacts at trade associations and professional organizations, through partnerships with other utilities, and using exhibits at seminars, workshops, and expositions. Interest in the RCM concept continues to grow around the region and nationwide as the program becomes recognized as an effective way to reduce operating costs

Interaction with C/I incentive programs provides both a source of leads for RCM marketing as well as a source of potential projects for retrofit and rebate Measures identified through RCM activities.

A list of all requirements for eligibility and participation can be found on individual program application forms. Applicable Small Business Lighting Measure category headings include, but are not limited to:

- Incandescent lamps & Fixtures and Exit Sign Replacements
- Higher Wattage Incandescent & HID, Retrofits & Fixtures
- 4' & 8' Fluorescents – various

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and its location within PSE service territory, fuel type (gas or electric), product type and product quantity. A detailed list of Energy Efficiency Service Measures, Incentive and Eligibility are available in Exhibit 4 of the 2011 Annual Conservation Plan.

Marketing Plan

Marketing efforts are based on consideration of specific market sub-segments, Customer decision making, market penetration estimates and PSE engagement with participating and non-participating lighting contractors.

Marketing will be conducted via some combination of the following:

- Energy Advisors, lighting contractors and vendors, and program administrators provide outreach and information for the program.
- Case studies, press releases, general-interest articles in local publications and Puget Sound Energy's e-newsletter for business Customers.
- Promotion via brochures, bill inserts and PSE.com
- Cooperative promotion through Community Outreach & Education events
- Cooperative promotion through Community Outreach & Education engagements with municipalities and community organizations
- Event participation, sponsorship and/or announcements in Small Business Associations such as Chamber of Commerce, Retailers Associations and others

Marketing Plan

Marketing efforts are based on consideration of specific market segments. Marketing will be conducted via some combination of the following:

- PSE will continue to partner with the Association of Washington Cities.
- PSE will send direct mailings, and make personal contacts with Customers to promote the program.

Schedule 40, 46 and 49 Customers may apply for incentives from another conservation program to supplement the Schedule 258 incentive, up to the maximum allowed by the other conservation program.

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and its location within PSE service territory, product type and product quantity. A detailed list of Energy Efficiency Service Measures, Incentive and Eligibility are available as Exhibit 4 of this 2011 Annual Conservation Plan.

Marketing Plan

Effort will be made to ensure that eligible Customers have every opportunity to take advantage of the incentive allocation available to them. If it becomes evident early in the program duration that some Customers are having difficulty initiating the program process, the Company will offer to provide extra assistance to identify projects and perform any required follow-through.

Program refinements and cost-effectiveness are reviewed with engineering staff and the C/I manager as necessary on an ongoing basis. Incentive Measures, marketing and the fulfillment process may be modified, as needed, to respond to developments in technology, Customer acceptance and/or changes in supplier/contractor delivery and pricing.

Target Market

Rebate Measures are targeted to appropriate commercial markets, including but not limited to: Large Office, Small Office, Large Retail, Small and Specialty Retail, Restaurants, Commercial Laundries, Hotels/Lodging, Groceries, Convenience Stores, Hospitals, HealthCare/ Assisted Living, Schools and Property Management.

Schedule 448, 449, 458, and 459 Customers may utilize their Schedule 258 funding allocation for Measures and incentive amounts offered under this program.

Customer Incentives Overview

In most cases, incentives are a flat dollar amount, usually for a “Measure” or “device” that is a “stand alone” unit. Customers can generally select from among qualifying models (e.g. washing machines) or the product may be unique in the marketplace (e.g. single manufacturer for vending machine controllers). In other cases, rebates are a flat amount per “unit size” of the Measure, where unit size may be “per ton” or “per horsepower”. In several cases, PSE has worked with consultants on studies to develop incentives tied to square feet of conditioned space, because energy savings depend on the size of the building more heavily than the size of the equipment. For example, ECM Motors are rebated per square foot of conditioned space.

For Measures with a flat rebate per unit amount, PSE uses regionally or nationally accepted energy savings estimates. Where not readily available, incremental costs are based on best determination of the “incremental” cost of the Measure; that is the additional cost above a standard installation using a less efficient model. PSE monitors “incremental” cost in the marketplace and will adjust rebates as these costs change.

A list of all requirements for eligibility and participation can be found on individual program application forms.

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and its location within PSE service territory, fuel type (gas or electric), product type and product quantity. A detailed list of Energy Efficiency Service Measures, Incentive and Eligibility are included as an Attachment to this 2011 Annual Conservation Plan as Exhibit 4.

Marketing Plan

Marketing efforts are based on consideration of specific market sub-segments, Customer decision making, market penetration estimates and PSE engagement with relevant Customer and trade groups.

REGIONAL PROGRAMS

2. NEEA's Northwest Ductless Heat Pump Pilot project will accelerate market adoption of ductless heat pumps (DHPs) to displace electric resistance heat in the Northwest. NEEA is continuing to conduct an evaluation to assess cost, energy savings potential and non-energy benefits associated with this technology. The Project partners with market actors to increase the market's capability to deliver residential ductless heat pumps. With the potential for approximately one million installations in the Northwest, DHPs will result in significant long-term savings.
3. The NEEA Consumer Electronics initiative will increase the market share of energy-efficient retail electronics within the Northwest. NEEA is working with major "big box" retailers to reward sales of highly-efficient TVs, computers and monitors—including ENERGY STAR version 5.0 TVs—two years before the spec goes into effect. NEEA has initiated "upstream" incentive plans for retailers to participate in its 2011 Consumer Electronics initiative. To raise the bar on TV standards, NEEA actively participates in national initiatives to raise voluntary specifications and standards for consumer electronics, as described within the Codes and Standards section of this report.

Industrial Initiatives

In 2011, NEEA will work to ensure the industry-wide goals are met working with regional stakeholders to advance best practices. NEEA will continue to develop and promote Continuous Energy Improvement (CEI) as a widely-accessible energy efficiency methodology and validated energy savings. NEEA will deliver targeted industrial training to empower employees with the energy expertise to accelerate and sustain energy improvement opportunities uncovered by earlier CEI work.

Commercial Initiatives

NEEA's commercial initiatives have been updated. NEEA regularly monitors and reviews its initiatives to ensure they are meeting business plan objectives and to identify opportunities for course corrections. NEEA concluded that it needed to make modifications to its commercial sector portfolio.

NEEA's work over the past decade in integrated design, high performance buildings, system optimization, and strategic energy management through its BetterBricks initiative have helped to transform commercial sector building and management, however, some of the energy savings associated with NEEA's efforts proved difficult to Measure. Moving forward, the commercial sector is focusing on cost-effective initiatives that accelerate more Measureable market transformation, while filling the energy efficiency pipeline with next generation opportunities to achieve significant regional savings."

NEEA recently completed a stakeholder engagement process as it revised its commercial sector portfolio. Out of this process has come a refined commercial portfolio, which includes the following three new initiatives:

- **Existing Building Renewal:** NEEA will work with commercial market actors to accelerate the energy-efficient renovation of the 98 percent of commercial building stock that is not naturally replaced each year.
- **Commercial Lighting Templates:** NEEA will work with trade associations to equip them with the resources to offer more energy-efficient lighting design

Codes & Standards Initiatives

Since 1997, NEEA has supported code development, training, and education in Washington in partnership with the Department of Commerce, the WSU Energy Extension Program and the Northwest Energy Efficiency Council. Codes and standards can be viewed as the end game of NEEA's market transformation effort by "locking in" savings through regulatory requirements. NEEA will continue ramping up codes and standards work to reflect increased utility and state interest related to I-937, SB5854 and the governor's Climate Action Taskforce. Activities and outcomes for the reporting period follow.

Evaluation Activities and Accomplishments

NEEA is committed to having both its current and past initiatives evaluated by objective third party contractors in order to continuously validate and improve its market transformation work.

Regulatory / Compliance Interaction

NEEA is committed to serving its regional stakeholders across diverse geographic areas and markets. We encourage stakeholder participation in our processes. In 2011, interaction is invited and encouraged at:

- NEEA Board Meetings
- NEEA Advisory Committees and public meetings
- Energy Efficient Events facilitated by NEEA and regional utilities, including Puget Sound Energy
- WUTC Commissioners workshops as requested
- Washington State Building Code Council as requested

Additional Information

Along with abundant news on energy efficiency initiatives in the region, NEEA organizational reports are available online. See the [Q1 2010 Report](#) and [2006-2009 Annual Reports](#).

The NEEA Board of Directors will meet December 10th, 2010 in Portland, Oregon. Please contact Liz Saunders at 503-827-8416 for meeting time and location details.

Questions or comments on this report? Please contact Aaron Cohen, Sr. Manager of Corporate Communications, acohen@neea.org

SUPPORT ACTIVITIES

Energy Efficient Technology Evaluation

Schedules E261/G261

Technology Evaluation

The purpose of Energy Efficiency Technology Evaluation is to identify new, energy efficient technologies and products for our program offerings. Ideally, we would identify cost effective technologies and Measures with significant savings potential, which are commercially available. However, there are many emerging technologies that range from “commercially available, but not used in the Northwest,” to “conceptual” or “prototypical” technologies still in the development phase.

It is relatively simple to determine whether new, commercially available technologies are suitable, as long as generally accepted engineering calculations can be used, and manufacturers can provide reliable data. For example, vendors frequently approach us with new, improved products, claimed to save more energy than their older models, or their competition. Usually these proposals are evaluated by the Energy Management Engineer who is managing the project, who then shares his/her experience with others in the group.

Some technologies are not so simple to evaluate. Those that are truly new typically have little experiential history, or there is no generally accepted method to calculate the performance. Clearly, it would be risky to broadly offer incentives through our programs - risky with regard to uncertain savings and risky for our Customers due to unforeseen product issues. If the potential savings look significant, we may try the technology on one or two projects, especially if we are working with a Customer who understands the risks and would like to be an “early adopter.” Sometimes the most prudent approach is to monitor the progress of the technology, especially if the savings potential appears limited. Our effort is not intended for basic research, or product development, but to identify technologies that are available and suitable for our programs.

The most challenging situations arise when vendors propose products that are “too good to be true.” Often their savings claims are supported by testimonials from satisfied Customers, with little or no reliable test data. Many technologies, such as transient voltage suppressors, power factor correction devices and paint with high R-Value, have been known for years to save little or no energy, but the vendor may insist that his product is different, even though it may only have a different name on the box. Fortunately we have experience with many of these products, or can readily find others who have had experience. It is important, however, to distinguish between the bogus claims and those that might truly be the new emerging technology that deserves attention.

Energy Efficient Communities

No Associated Conservation Schedule

Purpose

Develop a new channel for increased participation in PSE's Energy Efficiency programs through direct contact with governments and community stakeholders. The program works with PSE's communities to identify and engage with underserved populations and leverage community resources to increase Energy Efficiency Services (EES) program participation.

Description

Puget Sound Energy's Energy Efficient Communities (EEC) program aims to increase participation in PSE's Energy Efficiency programs by linking up local governments with EES programs to increase efficiency in their facilities, their residents' homes and their businesses. The program partners with cities, counties and other community entities to discover locally-appropriate ways of engaging the communities by leveraging PSE's resources, community knowledge and partner support.

With communities taking responsibility for their energy usage and carbon emissions, they are looking to partner with PSE expertise. There is great emphasis on energy efficiency in the American Recovery and Reinvestment Act of 2009 with local governments receiving funds for said purpose. PSE is working with its communities to help them utilize their Federal stimulus dollars to work in tandem with PSE's programs. With local governments directly receiving these funds, there is ample opportunity to create new delivery mechanisms that can utilize a Federal resource to make PSE's programs go further with our Customers and achieve more savings.

Target Markets

PSE's Energy Efficient Communities Program will have staff located in regional offices to provide an improved connection to the multiple community stakeholders that Energy Efficiency serves throughout the service area.

Energy Efficient Communities will also work closely with the Business Energy Management team to reach out to the underserved small business population to deliver consistent programs throughout the service area.

2. The second component of Mainstreaming Green involves research, Re-Energize umbrella graphic standards and outreach. The Re-Energize graphic standards are designed to make all PSE Energy Efficiency promotions consistent so all programs can better leverage the attention other programs generate with Customers. This results in doors being opened more easily when new program promotions are put before Customers. The Re-Energize graphic standards are now being utilized on program promotions.

Originally, the outreach component of Mainstreaming Green anticipated the need for paid advertising to generate additional Customer attention for energy efficiency and establish the Re-Energize umbrella in the minds of PSE Customers so Customers would be familiar with it when follow-on promotions arrived. The paid advertising component has been cancelled because federal stimulus funding and the overall economic downturn have significantly increased Customer interest in energy efficiency, negating the need for an incremental PSE effort to get Customers' attention.

Research was utilized in the development of the web and the Re-Energize components of Mainstreaming Green and was utilized to test the Re-Energize final product before it was implemented.

Market Integration

The Market Integration initiative consists of salary costs of employees working on Mainstreaming Green-related items. This is being done to increase the transparency of the work being done on marketing-related items. These include the enhancement of the energy efficiency web capability and the Re-Energize effort.

Marketing Plan

There is no marketing plan uniquely prescribed for Mainstream Green. Its branding platform "Re-Energize" is an integrated messaging and positioning system that carries all program offerings.

focused on specific programs or promotional initiatives and often involves analysis of existing databases and qualitative research from focus groups.

Conservation Supply Curve

The Conservation Supply Curve function focuses on identifying the amount of energy savings potential that is technically and economically achievable over the 20-year planning horizon of PSE's Integrated Resource Plan (IRP). The IRP, which is filed every two years, is the basis for PSE's electric and gas energy resource acquisition strategy, as well as the targets for our energy efficiency programs. The IRP analysis may also be used to derive the ten-year conservation potential and two year electric conservation target required to comply with the Washington Energy Independence Act (commonly referred to as I-937).

PSE's next IRP and conservation potential assessment are due in 2011. The Company will conduct an assessment of the long-term market potential for energy savings from energy efficiency and other demand-side resources, covering the twenty year period 2012-2031. This analysis will be a key component in establishing program savings targets for 2012-2013.

Program Evaluation

Description

The EES New Program Development and Evaluation Team are committed to the verification of claimed energy savings and the continual improvement of energy efficiency service delivery to Customers. The Evaluation Team validates the cost effectiveness of both Residential and Business programs. Utility Cost and Total Resource Cost benefit-to-cost ratios are the two primary cost-effectiveness tests performed.

Evaluation staff manage the evaluation of programs and Measures with input from program staff to develop evaluation plans, including evaluation criteria, accumulation of Customer data, conducting Customer surveys performing other evaluation methodologies and making program recommendations. These include savings claim figures, delivery methods, incentive levels and actual savings verification. Evaluation staff also develop and maintain a strategic evaluation plan, ensuring that all programs receive review on cyclic basis. The 2011 Evaluation plan is shown in Exhibit 5.

The Evaluation staff is also closely engaged in the Measure Metrics process. Using the Evaluation Report Response (ERR), the Evaluation staff ensures that study results are implemented in the program. Once an evaluation study is complete, the findings are reviewed with the program staff, along with key recommendations. The program staff then complete their input on the ERR, indicating what actions will be taken as a result of the findings. This ensures a closed-loop system.

Key evaluation data are archived in the Measure Metrics system, such as Measure cost, Measure life, incentive value and delivery method. The Evaluation staff also tracks a Measure's "sunset date", which indicates that a particular Measure is due for a renewed review.

In addition, PSE is monitoring Regional Technical Forum (RTF) work on Commercial Refrigeration, and the Direct Use of Natural Gas. A member of the evaluation staff continues to serve on the RTF, attending meetings and providing input to RTF discussions. PSE relies on the RTF for many of its Deemed Measures. The RTF also practices the use of a sunset date for RTF approved Measures to ensure that Measures are updated within a reasonable timeframe. Care will be taken to assure that general staff time for RTF and other regional support organizations is charged to Program Support rather than PSE Program Evaluation budgets.

Net Metering

Schedule E150

Purpose

To provide interconnection services for qualifying Customer-generators in accordance with State legislation enacted into law in February 11, 1999 and amended June 8, 2000 (see RCW 80.60).

Description

PSE provides interconnection services to qualifying Customer generators who operate fuel cells, hydroelectric, solar or wind generators of no more than 100 kW. Service under this schedule is limited to a total of 11.2 MW of cumulative nameplate generating capacity, of which no less than 5.6 MW of cumulative nameplate generating capacity shall be attributable to net metering systems. Customer generation can be used to offset part or all of the Customer-generator's electricity use under Schedules 7, 8, 11, 12, 24, 25, 26 or 29 of Electric Tariff G.

At the time a Customer enrolls in the Net Metering program, they are also provided the necessary information to receive annual benefits from the Production Metering, or REAP, which is described in Schedule 151.

Target Market

All Customers who are within the Company's service territory and receive electric service under terms of the Company's electric Tariff G.

Customer Incentives

No direct Customer incentives are provided under this tariff. Energy produced by Customer generator systems directly reduces energy used in the home or business from the grid. When energy generated exceeds home or business electrical loads, the excess energy flowing to PSE is separately metered and credited to the Customer at the retail rate for future use. The program's year runs May 1 to April 30 of the following year through 2020. Any excess credit each month is rolled forward to the following month; however, when the new program year begins April 30, the credit is reset to zero.

Renewable Energy Education

Schedule E248

Purpose

To provide grants for small scale renewable energy demonstration and education projects and to promote the acceptance of local energy development through brochures and displays.

Description

Small Scale Renewables, Schedule 248 was added to Schedule 120 funding when the Residential Exchange Credit was cancelled by the Ninth Circuit Court in May, 2007. The program provides grants for small scale renewable energy education demonstration projects which are tied in with both a curriculum and energy efficiency services at the location. The grants can pay for a turn-key system or focus on leveraging local participation by supporting additional Measures that will improve the educational benefit of the project.

The program also funds brochures and informational displays to encourage Customer understanding of renewable energy and its potential.

Target Market

Primarily schools and other educational opportunities where the public will congregate.

Customer Incentives

The grants go directly to organizations such as school districts.

Marketing Plan

PSE will develop marketing materials which explain the alternatives available to Customers and promote the benefits of small scale renewables. Contractors and consultants will also be targeted with information including best practices and current regulations.

Customer facility or residence when either a winter or summer peak demand event is called by the utility

Direct response mailings, telephone and personal contacts through PSE Business Account Managers offer low cost, effective mechanisms for recruitment for these pilots.

Initial Pilots

PSE's commercial Load Control Pilot (LCP) is a two-year limited demand response program for large commercial electric service Customers located throughout PSE service area. It became fully subscribed with 25 participating Customers in the spring of 2009, and is currently anticipated to end following the 2010/11 winter season. Total cost of the commercial/industrial pilot is estimated to be \$1.8 million.

PSE's residential Demand Response Pilot (DRP) is a two-year limited program targeting direct load control of electric space and water heat in 510 single family homes on Bainbridge Island. The DRP began with the 2009/2010 winter season, and is currently planned to end following the 2011 summer season. Total cost of the residential pilot is estimated to be \$2.1 million.