

Appendix A

Proposed Conditions for 2014-2015 PSE Electric Conservation

- (1) Ten-Year Potential/Biennial Conservation Target – Approval and Conditions.**
 - a.** Puget Sound Energy’s 2014-2023 ten-year achievable electric conservation potential of 2,730,408 megawatt-hours (311.7 average megawatts), and Puget Sound Energy’s 2014-2015 biennial conservation target of 485,770 megawatt-hours (55.5 average megawatts) at the customer meter, identified in Puget Sound Energy’s 2014-2015 Biennial Conservation Plan (BCP) filed on November 1, 2013, are approved with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-010(4)(c). This approval is subject to the Conditions described in Paragraphs (2) through (12) below. The Conditions in this Order, and not those in Section K of the EIA Settlement filed September 3, 2010 and approved by the Commission in Order 05 in Docket UE-100177, nor the Conditions listed in Order 01 of Docket No. UE-111881, shall apply to Puget Sound Energy’s 2014-2023 Ten-Year Achievable Conservation Potential and Puget Sound Energy’s 2014-2015 Biennial Conservation Target.
 - b.** As part of Puget Sound Energy’s biennial conservation acquisition efforts, Puget Sound Energy will continue to pursue regional electric market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that:
 - (i) Complements Puget Sound Energy’s energy efficiency programs, services, and measures,
 - (ii) Achieve long-term, cost-effective, reliable, and feasible electric energy savings. Cost effectiveness will be consistent with methodologies described in Paragraph (10) below, and will be developed by the regional market transformation entity or entities. Puget Sound Energy will conduct cost-effectiveness tests independently of the regional market transformation entity or entities.

(2) **Puget Sound Energy Retains Responsibility.** Nothing within this Agreement relieves Puget Sound Energy of the sole responsibility for complying with RCW 19.285 and WAC 480-109, which requires Puget Sound Energy 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 Puget Sound Energy's operational authority nor its ultimate responsibility for meeting the biennial conservation target approved herein.

(3) **Advisory Group.**

- (a) Puget Sound Energy must maintain and use an external conservation Advisory Group of stakeholders to advise Puget Sound Energy on the topics described in subparagraphs (i) through (ix) below. To meet this condition, Puget Sound Energy 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) Updates to the evaluation, measurement, and verification (EM&V) framework as implemented by Puget Sound Energy which guides its approach to evaluation, measurement, and verification of energy savings. This framework must be reflected in the Biennial Conservation Plan for each subsequent biennium; and
 - (2) Modification of existing, or development of new, EM&V conservation protocols based on Puget Sound Energy'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 Puget Sound Energy regarding methodology inputs and calculations for updating cost-effectiveness.

- (iv) Market assessments and the data values used in updating Puget Sound Energy's supply curves.
 - (v) Need for tariff modifications or mid-course program corrections.
 - (vi) 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) Conservation program budgets and actual expenditures compared to budgets. Puget Sound Energy shall inform the CRAG members when its projected expenditures indicate that Puget Sound Energy 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. Puget Sound Energy shall make arrangements to hold a meeting within 2 weeks from the date of the request.
- (c) Except as provided in Paragraph (8) below, Puget Sound Energy will provide the CRAG an electronic copy of all tariff filings related to programs funded by the Electric Conservation Service Rider that Puget Sound Energy plans to submit to the Commission at least two months before any proposed effective date. When extraordinary circumstances dictate, Puget Sound Energy 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) Puget Sound Energy will notify CRAG members of public meetings scheduled to address Puget Sound Energy's integrated resource plan.

Puget Sound Energy will also provide CRAG members with an opportunity to meet with the entity conducting the conservation potential assessment regarding the scope and design of the study, as well as the assumptions and relevant information utilized in the development of Puget Sound Energy'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.

(4) Annual Budgets and Energy Savings.

- (a) Puget Sound Energy 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 the Biennial Conservation Plan (BCP).
- (b) Puget Sound Energy 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.** Puget Sound Energy 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 the Annual Conservation Plan in this Docket.—Puget Sound Energy 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) Puget Sound Energy has identified a number of 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. Puget Sound Energy 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, Puget Sound Energy must use the Council's Regional Technical Forum's ("RTF's") "unit energy savings" ("UES") and approved methods and protocols for electricity measures, and distribution efficiency. As of the date of this Agreement, the RTF maintains a Web site at <http://www.nwcouncil.org/energy/rtf/>.
- (c) If Puget Sound Energy uses savings estimates, methods or protocols that differ from those established by the RTF, such estimates, methods or protocols 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 Puget Sound Energy 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, Puget Sound Energy 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) Puget Sound Energy 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) Puget Sound Energy must spend a reasonable amount of its conservation budget on EM&V, including a reasonable proportion on independent, third-party EM&V. Puget Sound Energy must perform EM&V annually on a 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. 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 Paragraph (8)(b) below.

- (g) An independent third-party review of portfolio-level electric energy savings reported by Puget Sound Energy for the 2014-2015 biennial period, from existing conservation programs operated during that period, shall be conducted. The independent third-party reviewer shall be selected through an RFP process, unless unanimously agreed by the CRAG. The review will be funded by the Puget Sound Energy Electric Conservation Service Rider. The review will be managed by UTC and Puget Sound Energy staff with input on the scope, cost, RFP development, reviewer selection and ongoing oversight by the CRAG. A final report for the entire 2014-2015 biennium shall be submitted as part of Puget Sound Energy 's two-year report on conservation program achievement, required by Paragraph (8)(e) below. The report shall be finalized and made available no later than June 2016 and may be implemented in phases and delivered as a final product at an earlier date, as needed by Puget Sound Energy.

(7) Program Design Principles

- (a) All Sectors Included — Puget Sound Energy 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 Puget Sound Energy's Annual Conservation Plan, as appropriate.

- (b) Outreach on Programs — Puget Sound Energy 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. Puget Sound Energy 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 — Puget Sound Energy 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. Puget Sound Energy 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 — Puget Sound Energy 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.

Puget Sound Energy may ask the Commission to modify this spending limit following full CRAG consultation.

(8) Required Reports and Filings

Puget Sound Energy must file the following:

- (a) By December 1, of each even-numbered year, the following year's Annual Conservation Plan (ACP), containing any changes to program details and an annual budget with a requested acknowledgement date of January 1, of that following year. 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, of the even-numbered year.
- (b) An Annual Report on Conservation Acquisition for the previous year, including an evaluation of cost-effectiveness and comparing budgets to actual, by March 1, of the following year.
- (c) Revisions to cost recovery tariff (Schedule 120) by March 1 each year, with requested effective date of May 1 of that same year.

- (d) A report identifying its ten-year achievable potential and its biennial conservation target (Biennial Conservation Plan, or BCP), including revised program details and program tariffs by November 1, every odd year, requesting an effective date of January 1, of the following, even year. 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, Puget Sound Energy shall provide the following information to the CRAG: draft ten-year conservation potential and two-year target by August 1, of that same odd year; draft program details, including budgets, by September 1, of the same year; and draft program tariffs by October 1, of the same year.
- (e) Two-year report on conservation program achievement (Biennial Conservation Report, or BCR) by June 1, every even year. 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.
- (f) Examples of even/odd years, discussed in parts (8)(a) through (e) above.

“Even” Year (ACP, BCR)	“Odd” Year (BCP)	“Subsequent” or “Following” Year	“Previous” Year
2016		2017	2015
	2017	2018	2016

- (g) If a due date of a required filing or report falls on a weekend or holiday, the deliverable is due on the business day immediately prior. Annual Conservation Plans apply to the odd year of a biennium. Biennial Conservation Plans address an even-and-odd year combination.

(9) Required Public Involvement in Preparation for the 2016-2017 Biennium

- (a) Puget Sound Energy must consult with the Advisory Groups on the scope and design of a 10-year conservation potential analysis, which shall be completed by November 1, 2015. *See* RCW 19.285.040(1)(a); WAC 480-109-010(1). This must be based on a current conservation potential assessment study of Puget Sound Energy's service area within Washington State. This may be conducted within the context of Puget Sound Energy's integrated resource plan. If Puget Sound Energy 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) Puget Sound Energy must consult with the Advisory Groups starting no later than July 1, 2015, to begin to identify achievable conservation potential for 2016-2025 and to begin to set annual and biennial targets for the 2016-2017 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 Total Resource Cost Test (TRC), as modified by the Council, as its primary cost-effectiveness test. The Council-modified TRC test includes quantifiable non-energy benefits, a risk adder, and a 10 percent conservation benefit adder. Puget Sound Energy's portfolio must pass the TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.
- (b) Puget Sound Energy 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."

- (c) Puget Sound Energy must calculate cost-effectiveness at the portfolio and program levels. Conservation-related administrative costs must be included in portfolio level analysis.

(11) Recovery Through an Electric Conservation Service Rider

- (a) Annual Filing — Puget Sound Energy’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 — Puget Sound Energy shall retain existing Rider mechanisms, subject to the Commission’s Order in Docket UE-970686.
- (d) Recovery of costs associated with distribution and production efficiency initiative are not funded through the Electric Conservation Service Rider because these programs are not customer conservation initiatives. These are company conservation programs. As such, these costs are recovered in the general rate making process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanism.

(12) Additional Commitments

- (a) Puget Sound Energy will continue to review the feasibility of pursuing cost-effective conservation in the form of reduction in electric power consumption resulting from increases in the efficiency of energy use at electric power production facilities it owns in whole or in part and inform

the CRAG at least semi-annually regarding progress in making efficiency improvements in those facilities. Puget Sound Energy shall work with the CRAG to identify options for overcoming obstacles.

PSE shall also work with the CRAG to determine how to avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part by PSE and located within the service territory of a separate electric utility.