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October 29, 2015

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Mr. Steven V. King, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

RE: PSE's Biennial Conservation Plan for 2016-2017

Dear Mr. King:

Pursuant to WAC 480-109-120(1) and condition (8)(d) in Appendix A of Order 01 in Docket No. UE-132043, (hereinafter referred to as "Condition", or "Requirements") Puget Sound Energy, Inc. ("PSE") submits this 2016-2017 Biennial Conservation Plan (the "Plan"). The Plan is also consistent with RCW 19.285.040(1)(b), which indicates that every two years, PSE must establish its biennial electric target. In addition to identifying and presenting its biennial electric conservation target, PSE also included its two-year natural gas conservation goal, consistent with various Requirements stated in Exhibit F of the Stipulation Agreement in Docket UG-011571.

Savings Targets

The Plan presents detailed information on programs and customer offerings that PSE will implement to achieve a 2016-2017 total Portfolio (as described in Exhibit 1) savings of 605,194 MegaWatt-hours (MWh) or 69.1 average MegaWatts (aMW), and 7.43 million therms. PSE requests that the Commission approve its electric Energy Independence Act (EIA) penalty target of 537,078 MWh, or 61.3 aMW. PSE's natural gas penalty target for the next biennium is 6.96 million therms.

The 2016-2017 Plan discusses savings target factors considered and presented to PSE's Conservation Resource Advisory Group (CRAG). The key savings baseline is PSE's draft 2015 IRP guidance, establishing PSE's 2-year pro-rata share of its 10-year electric conservation potential, which is consistent with WAC 480-109-100(3)(b). PSE engaged the CRAG in determining its electric decoupling commitment, the Northwest Energy Efficiency Alliance (NEEA) electric and gas savings reporting, and behavioral pilot program savings. It is important to note that PSE requests Commission approval of the indicated single EIA penalty savings target, in compliance with WAC 480-109-100(3). Similar to the adjustments made to its electric target, PSE worked with the CRAG to establish the indicated natural gas 2016-2017 savings target.

Budgets

PSE's 2016-2017 electric budget reflects forecasted expenditures needed to achieve the total Portfolio conservation savings of 605,194 MWh, which includes the Commission-approved EIA electric penalty target of 537,078 MWh, the decoupling commitment of 27,993 MWh,¹ behavioral pilots without verified savings of 17,347 MWh, and the NEEA goal of 22,776 MWh. The proposed two-year electric budget is \$198.98 million. Please note that this amount includes \$2.73 million allocated to electric programs (Net Metering and Electric Vehicle Charger Incentives) that are excluded from cost-effectiveness calculations.

PSE has budgeted \$29.48 million to achieve the total Portfolio natural gas savings goal of 7.43 million therms over the two years. That amount includes \$2.48 million allocated to the NEEA Natural Gas Market Transformation initiative. PSE and the CRAG applied the same target-setting methodology of excluding NEEA natural gas savings and behavioral pilot savings to develop its natural gas penalty target. It is noteworthy that the Commission indicated in Order 07 of Dockets UE-121697 and UG-121705 (consolidated), and Dockets UE-130137 and UG-130138 (consolidated), that due to continued low natural gas avoided costs, it isn't possible to establish a natural gas decoupling savings adder.

Cost-Effectiveness

The Portfolio of electric conservation is calculated to achieve a Total Resource Cost (TRC) benefit-to-cost ratio of 1.69. PSE's natural gas portfolio cost-effectiveness estimates indicate that PSE will achieve a natural gas TRC of 1.49. PSE provides a complete discussion of cost-effectiveness calculation methodology in Chapter 3, page 48 of the "BCP Overview" in the attached Plan filing.

Compliance

The Plan represents compliance with several Requirements, including these highlights:

- (2010 Settlement Agreement, Docket No. UE-100177)
 - *F(11) – Program Budget*
- (2013 Order 01, Appendix A, Docket No. UE-132043)
 - *(3)(a)(v) – Tariff modifications*
 - *(3)(a)(vi)(1) – Marketing Initiatives*
 - *(3)(a)(vi)(2) – Incentive Levels*
 - *(3)(a)(vii) – Consideration for Low-income Customers*
 - *(4)(a) – Annual Budgets and Energy Savings*
 - *(5) – Program Details*
 - *(7) – Program Design Principles*
 - *(8)(d) – Biennial Conservation Plan*

¹ As agreed by the CRAG, PSE based its 5 percent calculation on the base potential of 63.9 aMW, or 559,854 MWh, rather than the lower EIA target value.

PSE partnered with the CRAG over a period of several months to develop a revised set of 2016-2017 Conditions. These Conditions reflect the effect of new requirements created in WAC 408-109 that were adapted from the 2014-2015 set of Conditions. The WAC revision created the need to remove those Conditions that were duplicative and move the remaining, applicable Conditions to new locations. No new Conditions were created for this biennium.

2016-2017 Plan Organization

The 2016-2017 Biennial Conservation Plan consists of many documents, which are presented as Exhibits and organized into two volumes for logical reference:

- Volume 1: Includes the BCP Overview, Exhibit i: Ten-Year Conservation Potential and Two-Year Electric Target, Exhibit 3: Program Details, and Exhibit 4: Measures, Incentives & Eligibility. PSE also includes summary pages of Exhibit 1: Savings & Budgets, and Exhibit 2: Cost-Effectiveness Calculations in this volume. This will allow Stakeholders to reference the majority of pertinent program information in a single, easy-to-manage binder.
- Volume 2: Includes the full, 126-page Exhibit 1: Savings & Budgets. This document is a comprehensive view of program-level budget and savings details. The volume also includes Exhibit 2: Cost-Effectiveness Calculations, providing program-level detailed cost-effectiveness calculation elements, along with the remaining Exhibits.²

Below is an outline of the eleven Exhibits, that provide the 2016-2017 Plan detailed information required, consistent with key requirements outlined in WAC 480-109-120(1), and Appendix A of Order 01 in Docket No. UE-132043:

- Exhibit i: Ten-year Conservation Potential and Two-year Conservation Targets
- Exhibit 1: Savings and Budgets
- Exhibit 2: Program Cost Effectiveness Estimates
- Exhibit 3: Program Details (*Excluded from Volume 2*)
- Exhibit 4: List of Measures, Incentives and Eligibility (*Excluded from Volume 2*)
- Exhibit 5: Prescriptive Measure Tables
- Exhibit 6: Evaluation Plan
- Exhibit 7: Marketing & Outreach Executive Summary
- Exhibit 8: EM&V Framework
- Exhibit 10: Northwest Energy Efficiency Alliance (NEEA) Plan
- Exhibit 11: 2016-2017 Tariff Revisions

² Exhibits i (10-year potential and 2-year target), 3 (Program Details) and 4 (Measures, Incentives & Eligibility) are provided in Volume 1. To minimize printing costs and replication, PSE excludes them from Volume 2.

It is important to note that Exhibit 9: Condition Compliance Checklist is excluded from the Plan, as it is a backward-looking document, reflecting PSE's achieved compliance with regulatory requirements. Exhibit 9 will be included as a part of PSE's Annual Report of Energy Conservation Accomplishments, submitted on March 1, 2016.

Plan Development Deliverables

PSE and the CRAG collaborated four times throughout 2015 to share and discuss plans for energy efficiency programs, establish and agree upon targets and budgets, and agree on a course of action for 2016-2017. In accordance with Condition (8)(d), PSE provided CRAG members the following elements of the Plan in preparation for this filing:

- May 21: Review steps to calculate the conservation potential and 2015 IRP guidance.³
- July 16: Ten-year Conservation Potential and Two-year Conservation Target for 2016-2017
- August 20: Draft budget details and draft program details
- September 17: Draft tariff schedule revisions

An electronic copy of the complete Plan, including all Exhibits, will be mailed to each CRAG member concurrently with this filing. Revisions to tariff sheets (included in separate filings and attached as Exhibit 11 to this Plan) clarify terminology, update budgets and provide Plan effective dates.

Since providing the first deliverable in July 2015, PSE has provided responses to all questions from CRAG members relative to the Plan and will continue to respond to all questions going forward.

Plan Publication

Exhibits 1 through 4, will be posted on the PSE website (www.PSE.com) following Commission approval. Due to the document size, the posted Exhibit 1 will be limited to the 2016-2017 portfolio view only. Exhibits 2 through 4 will replace documents currently posted. Tariff sheet revisions will not be posted alongside the other Exhibits, as tariff sheets are posted in a separate section of the website, at <https://pse.com/aboutpse/Rates/Pages/default.aspx>.

³ Although this step is excluded from the deliverables outlined in Condition (8)(d), PSE and the CRAG consider it to be an essential step in developing the 2016-2017 electric and natural gas targets.

Mr. Steven V. King

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Please contact Lynn Logen at (425) 462-3872 for general information about this filing or contact Andy Hemstreet at (425) 424-6918 for additional information about the Plan. Please contact Bob Stolarski at (425) 456-2585 for policy related questions about this submittal. If you have any other questions please contact me at (425) 462-3495.

Sincerely,



Manager Regulatory Initiatives & Tariffs

for

Kenneth Johnson

Director, Rates & Regulatory Affairs

Enclosures

cc: Simon J. ffitich
Sheree Carson