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June 1, 2012

Mr. David Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

**RE: Advice No. 2012-19
Electric Tariff Filing – Filed Electronically**

Dear Mr. Danner:

Pursuant to RCW 80.28.060 and Chapter 480-80 WAC, please find enclosed for filing the following proposed revisions to the WN U-60, Tariff G for electric service of Puget Sound Energy, Inc. (the “Company” or “PSE”).

Fifteenth Revision of Sheet No. 83 - Electricity Conservation Service
Twenty-First Revision of Sheet No. 120 - Electricity Conservation Service Rider

The purpose of this filing is to cease all non-cost effective conservation programs in the Jefferson County portion of PSE’s electric service territory, and for cessation of charging PSE’s Jefferson County customers the charges under Schedule 120 Electricity Conservation Rider. The request to cease charging Schedule 120 to Jefferson County customers represents an overall average rate decrease of 4.0% for electric customers in Jefferson County. PSE is specifically requesting the Commission to order it to cease non-cost-effective conservation in Jefferson County through these requested tariff changes. In the absence of that order, PSE requests that the WUTC order PSE to continue with non-cost-effective conservation in Jefferson County until a date certain, and that the Commission order PSE to collect costs for non-cost-effective programs from all PSE customers.

In the remainder of this letter, PSE will demonstrate that:

- Investments in Electric Conservation Programs are no longer cost-effective in Jefferson County;
- PSE is expected to run cost-effective conservation programs;
- PSE can terminate a non-cost-effective program;
- The Total Resource Cost Test measures utility and customer benefits and costs;

- Jefferson County customers have not already “paid for” future conservation services;
- PSE will still meet its RCW 19.285 Biennial Conservation Target;
- PSE’s proposal is fair to all customers;
- PSE has an orderly transition plan to stop offering conservation programs in Jefferson County; and
- PSE’s proposed method of notification meets the requirements of WAC 480-100-194(2).

Investments In Electric Conservation Programs are no longer cost-effective in Jefferson County

Jefferson PUD announced on April 10, 2012 that it had secured a loan guarantee from the federal government’s Rural Utilities Service to purchase certain electric facilities from PSE in Jefferson County. April 1, 2013 is the expected transaction date for Jefferson PUD to own selected assets of that part of PSE’s system. PSE’s Conservation Portfolio of programs has an average measure life of about 9 years and is cost effective on that basis. Measure lives are typically more than one year, except for Home Energy Reports which currently have a one-year measure life, however, that specific measure is not currently being offered in Jefferson County. So based upon the fact that there is less than one year of life left for conservation programs to achieve savings in Jefferson County, and that all conservation programs offered have measure lives three years or greater, there are no conservation programs that are currently cost-effective being offered in Jefferson County given the pending circumstances. It is no longer cost-effective to PSE and *all* of PSE’s customers to continue offering conservation programs in Jefferson County. Please see the table below for cost effectiveness tests and measure lives.

PSE Electric Conservation Programs: Benefit Cost Summary

Program Name	Utility Cost Test	Total Resource Cost Test	Measure Life (years)
Low Income Weatherization	1.23	1.23	21
Residential Lighting	3.04	2.38	7
Space Heat	4.30	1.82	20
Water Heat	2.66	2.25	15
HomePrint	1.01	1.12	5
Home Appliances	2.12	1.52	10
Showerheads Elect	6.01	4.11	10
Weatherization	5.56	2.80	28
Home Energy Reports	2.49	2.73	1
Single Family New Construction	1.96	1.63	16
Fuel Conversion Rebate	1.14	1.00	30
Multifamily Existing	2.95	2.07	17
Multifamily New Construction	1.68	1.36	15
Total Residential Energy Management	2.75	1.97	
Commercial/Industrial Retrofit	3.29	2.33	13
Commercial/Industrial New Construction	1.61	1.77	15
Resource Conservation Manager	2.69	1.64	3
Small Business Lighting	2.75	2.47	12
High Voltage, Self-Directed	2.97	2.49	13
Business Rebates	3.25	1.53	7
Total Business Energy Management	3.03	2.16	
Northwest Energy Efficiency Alliance	1.62	1.78	5
Transmission & Distribution	22.89	6.95	12
Total Regional Programs	2.81	2.69	
Total Portfolio	2.80	2.05	

PSE is expected to run cost-effective conservation programs

Under the current Settlement Agreement (Agreed Conditions for Approval of Puget Sound Energy, Inc.'s 2010-2011 Biennial Electric Conservation Targets under RCW 19.285, Docket No. UE-100177; And Agreed Modifications to Electric Settlement Terms for Conservation in Docket No. UE-011570 ("Settlement Agreement")), in section C.6 it states:

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

PSE can terminate a non-cost-effective program

Under PSE's currently approved tariff schedule covering Electric Conservation, PSE may terminate a conservation program that is no longer cost effective. Schedule 83, Electricity Conservation Service states in paragraph 11, Termination:

“Programs under this tariff will terminate...when a program is no longer cost effective”.

While PSE believes that it has the ability to terminate an individual conservation program, it is seeking the Commission's direct clarification if it can terminate all non-cost-effective conservation programs in an area where customers will be transferred to another electric service provider in less than one year.

The Total Resource Cost Test measures utility and customer benefits and costs

Under the current Settlement Agreement and under PSE current tariffs, PSE uses the Total Resource Cost Test to determine if the benefits to the utility and the customer outweigh the costs. The Settlement Agreement states that each program shall be designed to be cost-effective. Under the current Settlement Agreement it states:

K(10) Cost-Effectiveness Test is the Total Resource Cost (“TRC”) Test

(a) The Commission uses the TRC, as modified by the Council, as its primary cost-effectiveness test. PSE's portfolio must pass the TRC test. In general, each program shall be designed to be cost-effective as measured by this test.

In PSE's Tariff Schedule 83, it defines Total Resource Cost and Total Resource Cost Test:

Total Resource Cost is the cost to the Customer and/or other party costs to install or have installed approved Measures plus Utility Costs and minus Quantifiable Benefits (or Costs).

Total Resource Cost Test is a cost-effectiveness calculation which demonstrates that the total benefits, including electricity, natural gas, and other savings benefits (assessed using the Energy Efficiency Cost Effectiveness Standard for electricity and natural gas), exceed total costs including those incurred by the utility, the Customer, and any other contributing party. The benefits and costs not directly associated with electrical energy efficiency in this calculation may fall under Non-quantifiable Benefits (or Costs) or Quantifiable Benefits (or Costs) as defined above. Where there are a significant amount of Non-quantifiable Benefits (or Costs), then Total Resource Cost may be up to 150 percent of Energy Efficiency Cost Effectiveness Standard, with a Total Resource Cost benefit/cost ratio of 0.667 or greater.

Please also see Attachment A, Calculating the Cost-Effectiveness of Puget Sound Energy's Energy Efficiency Programs, which was submitted as part of its latest Biennial Conservation Plan.

Jefferson County customers have not already "paid for" future conservation services
It should be noted that electric customers do not "pre-pay" for the conservation programs. Even though the Electricity Conservation Service Rider has a pay-as-you-go element to the way it collects costs; there should be no confusion that Jefferson County customers have already "paid" for this calendar year's conservation. The conservation program year starts on January 1, but new rates for the Rider based on the current calendar year budget don't go into effect until May 1; so electric customers did not start paying for the calendar/program year 2012 conservation until May 1 of 2012. The non-cost-effective conservation programs should not be allowed to continue under the false argument that customers in Jefferson County have "already paid for" their conservation.

PSE will still meet its RCW 19.285 Biennial Conservation Target

The Biennial Conservation Target approved by the Commission represents PSE's total obligation, relative to achieving all available, feasible conservation under the terms of RCW 19.285 and WAC 480-109. After Commission approval of PSE's Biennial Conservation Target, that conservation energy target is deemed to be all cost-effective, reliable, feasible and available conservation that the Company must pursue in that biennium. PSE believes that it will still be able to achieve its approved Biennial Conservation Target regardless if the programs in Jefferson County cease in July of 2012.

PSE's proposal is fair to all customers

PSE believes that all customers should not have to pay for the unnecessary continuation of electric conservation programs that are no longer cost-effective in a selected area. If acquisition of long-term conservation programs in Jefferson County is no longer cost effective, it is fair to stop making all other customers in PSE's service territory pay for those non-cost-effective programs. In the interest of fairness, it also makes sense to cease charging PSE's Jefferson County customers the charges under Schedule 120 Electricity Conservation Rider.

PSE has an orderly transition plan

If these tariff sheet changes are approved by the Commission or allowed to go into effect on July 1, 2012, they will bear an effective date of July 1, 2012; but for an orderly transition, both *before* and *after* that date, specific activities are planned to take place for all the PSE conservation programs in Jefferson County. As an illustration, below is a sample plan for the transition for one conservation program. This is the current plan, and is subject to change, depending on conditions at the time, and necessary changes that may

need to be made. Please see Attachment B for a more comprehensive list of transition plans.

Sample Plan:

Residential Program: Rebates

June 1, 2012

PSE's Residential Energy Management (REM) informs internal and external partners of potential sunset of all electric single family existing rebate programs.

July 2, 2012

REM announces discontinuation of all electric single family existing rebate programs to internal and external partners and Jefferson County ratepayers.

- E-mail blast to manufacturers, distributors, contractors, retailers, other utilities, and related associations.
- Internal PSE - Energy Advisor / Efficient Communities / CRMs / Other EES staff (Systems Channel) / Satellite Offices / Corp Comm.
- Post notice on "For your Home" main page of pse.com
- Update pse.com
- Message to satellite offices to pull old collateral – follow up to be done by community representatives

August 3, 2012

Retailers are required to end any PSE promotions by close of business Friday, August 3rd.

August 3, 2012

Qualified measures must be installed/purchased on or before this date.

August 17, 2012

Rebate applications for all installations must be received on or before this date.
Rebate applications received after this date will be rejected.

Consistent with of the Commission's order in Docket No. UE-970686 and with Section K, Condition (3)(c) of the Settlement Terms for Conservation approved by the Commission in Docket Number UE-100177 and with settlements adopted by the Commission in Docket Nos. UE-011570 and UG-011571, the Company provided members of the Conservation Resource Advisory Group ("CRAG") with the enclosed proposed tariff sheets two months prior to the proposed effective date of this tariff filing. This has allowed the Company to interact with the CRAG and respond to any comments or questions.

PSE's proposed method of notification meets the requirements of WAC 480-100-194(2)
Included in the proposed tariff changes are provisions that provide for the effective date of the changes to be thirty-four days following the Commission's order in this docket. In other words, the changes become effective approximately thirty days following the effectiveness of the tariff sheet. PSE is aware of parties having differing opinions regarding the cessation of conservation programs and the conservation rider, therefore it is

June 1, 2012

proposing the change in this manner in order to avoid misleading or confusing notice to customers. This will allow customers to receive a single notice giving them accurate information. As required by RCW 80.28.060 and WAC 480-80-121 this tariff change is being submitted to the Commission not less than thirty days prior to the effective date. RCW 80.28.060 and WAC 480-100-194(2) provides for publication thirty days prior to the change becoming effective, these requirements will be met by PSE publishing notice of the change within four days of the Commission's order in this docket.

The tariff sheets described herein reflect issue dates of June 1, 2012, and effective dates of July 2, 2012. Posting of proposed tariff changes, as required by law and the Commission's rules and regulations, is being completed immediately prior to or coincident with the date of this transmittal letter through web, telephone and mail access in accordance with WAC 480-100-193.

Please contact Lynn Logen at (425) 462-3872 or at lynn.logen@pse.com for additional information about this filing. If you have any other questions please contact me at (425) 462-3495.

Very truly yours,



Tom DeBoer
Director, Federal & State Regulatory Affairs

Enclosure

cc: Sheree Carson, Perkins Coie
Simon ffitich, Public Counsel