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November 14, 2016

Filed Via Web Portal and Overnight Courier

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

**RE: Puget Sound Energy's 2017 Annual Conservation Plan
Docket Nos. UE-152058 and UG-152075**

Dear Mr. King:

Pursuant to WAC 480-109-120(2) Puget Sound Energy ("PSE" or the "Company") submits this 2017 Annual Conservation Plan ("ACP" or the "Plan"). The Plan updates the original 2017 savings acquisition goals and anticipated expenditures noted in the 2016-2017 Biennial Conservation Plan ("BCP"). In addition to identifying and presenting its 2017 electric conservation acquisition target, PSE also included its 2017 natural gas conservation acquisition goal, consistent with requirements stated in Exhibit F of the Settlement Terms for Conservation (the "Stipulation Agreement") in Docket No. UG-011571. PSE requests that the Commission approve its Plan, allowing it to become effective on January 1, 2017.

Savings Targets

The Plan presents detailed information on programs and customer offerings that PSE will implement to acquire a 2017 total first-year Portfolio savings of 309,932 MWh or 35.4 aMW, as reported at the customer meter, which is 0.2 percent lower than the originally-indicated amount in the 2016-2017 BCP (310,687 MWh). The Portfolio savings acquisition target includes savings that, consistent with agreements established with Commission Staff and the Conservation Resource Advisory Group ("CRAG"), are excluded from PSE's biennial EIA Target. Those are: Northwest Energy Efficiency Alliance ("NEEA"), 15,593 MWh; and PSE's residential behavioral pilot (an expansion of PSE's Home Energy Reports program), 5,323 MWh. The 2017 Portfolio first-year savings target also includes those needed to achieve PSE's 2016-2017 biennial decoupling commitment target of 27,993 MWh. It is important to note that decoupling savings are not distinguishable from standard program savings, nor are they sequential. It

therefore is not possible to indicate the specific first-year savings value attributable to that commitment on a yearly basis.

PSE's 2017 updated first-year natural gas savings target is 3.53 million therms, as reported at the customer meter, an increase of 2.0 percent over the originally-indicated 2017 value of 3.49 million therms.

The ACP Overview document discusses savings target key drivers considered and presented to PSE's CRAG on October 12, 2016.

Budgets

PSE's 2017 electric budget reflects forecasted expenditures needed to achieve the total Portfolio conservation savings of 309,932 MWh: \$103.45 million. Please note that amount includes \$1.57 million allocated to electric programs (Net Metering and Electric Vehicle Charger Incentives) that are excluded from cost-effectiveness calculations. This amount is 3 percent higher than the 2016-2017 BCP originally-indicated value for 2017: \$100.43 million. Key drivers of the increase include, but are not limited to: a \$322,000 planned expense for the development of PSE's Demand Response Program; \$375,000 budgeted for PSE's share of a regional end-use load study; and \$296,000 to continue the EV Charger Incentive Program¹ into 2017.

PSE has budgeted \$14.69 million to achieve the total Portfolio natural gas savings goal of 3.53 million therms in 2017. That amount includes \$1.39 million allocated to the NEEA Natural Gas Market Transformation initiative. This amount is 1.0 percent lower than the BCP's originally-indicated amount of \$14.77 million.

Cost-Effectiveness

The portfolio of electric conservation is calculated to achieve a Utility Cost ("UC") benefit-to-cost ratio of 2.24, with a Total Resource Cost ("TRC") benefit-to-cost ratio of 1.71. PSE's natural gas portfolio cost-effectiveness estimates indicate that the Company will achieve a natural gas UC of 1.78, with a TRC of 1.54.

2017 ACP Organization

The 2017 ACP consists of several documents, which are presented as Exhibits and organized into two volumes for logical reference:

- Volume 1: Includes the ACP Overview, 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

¹ In order to coordinate with the timing of the Commission's EV Policy filing, Commission Staff requested PSE to extend the program in October 2016.

provides Regulatory Stakeholders a reference to the majority of pertinent program information in a single, easy-to-manage binder.

- Volume 2: Includes the complete, 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. Finally, Volume 2 includes Exhibit 5: 2017 Prescriptive Measures, and Exhibit 10: 2017 NEEA Plan.

These are the six Exhibits that provide the 2017 ACP detailed information, consistent with key requirements outlined in WAC 480-109-120(2) and applicable Sections of Exhibit F of the Stipulation Agreement, including but not limited to Section H:²

- Exhibit 1: Savings and Budgets
- Exhibit 2: 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 10: Northwest Energy Efficiency Alliance Plan

CRAG Engagement

The Company and the CRAG met four times throughout 2016. The August 24 and October 12 meetings were dedicated to sharing and discussing plans for 2017 energy efficiency programs. PSE provided electronic copies of all 2017 ACP documents to the CRAG on October 14, 2016 in accordance with WAC 480-109-110(3). PSE will provide an electronic copy of the complete Plan, including all Exhibits, via its secure FTP access site concurrent with this filing. Since providing the draft ACP, the Company has provided responses to all questions from CRAG members relative to the Plan and will continue to respond to all future questions.

ACP 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 Exhibits 1 and 2 will be limited to the 2017 portfolio view only. Exhibits 3 through 4 will replace documents currently posted, which will be archived in the list of previous plans.

Please contact Nathan Hill at (425) 457-5524 for general information about this filing or contact Andy Hemstreet at (425) 424-6918 for additional information about the Plan. Please contact

² For instance, Section H.21 requires PSE to develop an annual budget built from the bottom.

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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,



Kenneth Johnson
Director, Rates & Regulatory Affairs

Enclosures

cc: Lisa Gafken
Sheree Carson