

## Appendix A

### Proposed Conditions for 2016-2017 PSE Electric Conservation

- (1) **Ten-Year Potential/Biennial Conservation Target – Approval and Conditions.**
  - a. Puget Sound Energy’s 2016-2025 ten-year achievable electric conservation potential of 2,715,486 megawatt-hours (310 average megawatts), and Puget Sound Energy’s 2016-2017 biennial conservation target of 537,078 megawatt-hours (61.3 average megawatts) at the customer meter, identified in Puget Sound Energy’s 2016-2017 Biennial Conservation Plan (BCP) filed on October 30, 2015, are approved with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1) This approval is subject to the Conditions described in Paragraphs (2) through (10) below. The Conditions in this Order shall apply to Puget Sound Energy’s 2016-2025 Ten-Year Achievable Conservation Potential and Puget Sound Energy’s 2016-2017 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 complements Puget Sound Energy’s energy efficiency programs, services, and measures,
- (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. 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) To meet the requirements of WAC 480-109-110, 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.
  - (b) 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.

- (c) Puget Sound Energy must consult with the Advisory Groups starting no later than July 1, 2017, to begin to identify achievable conservation potential for 2018-2027 and to begin to set annual and biennial targets for the 2018-2019 biennium, including necessary revisions to program details. *See* RCW 19.285.040(1)(b); WAC 480-109-110.
- (d) Puget Sound Energy shall inform the CRAG members when its projected expenditures indicate that Puget Sound Energy will spend more than 120 percent or less than 80 percent of its annual conservation budget.
- (e) 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, 2017; draft program details, including budgets, by September 1, 2017; and draft program tariffs by October 1, 2017.

**(4) Annual Budgets and Energy Savings.**

- (a) 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.

**(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.
- (b) When Puget Sound Energy proposes a new tariff schedule, it must present it to the CRAG for comment with program details fully defined. After

consultation with the CRAG in accordance with WAC 480-109-110(1)(h), Puget Sound Energy must file a revision to its currently-filed Conservation Plan in this Docket.

- (c) 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 WAC 480-109-120(3)(v).
  - (d) An independent third-party review of portfolio-level electric energy savings reported by Puget Sound Energy for the 2016-2017 biennial period, from existing conservation programs operated during that period, shall be conducted, per WAC 480-109-120(4)(b)(v). 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.
  - (e) A final report for the entire 2016-2017 biennium 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) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to Puget Sound Energy's current Conservation Plan, as appropriate.
  - (b) Incentives and Conservation Program Implementation —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. Puget Sound Energy shall work with the CRAG to establish appropriate penetration

levels consistent with Council methodology and the Energy Independence Act.

- (c) 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) 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) Conservation-related administrative costs must be included in portfolio level analysis.

**(9) Recovery through an Electric Conservation Service Rider**

- (a) 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; for example, for net metering administration costs, small-scale renewable programs and demand response pilots.
- (b) Recovery for Each Customer Class — Puget Sound Energy shall retain existing Rider mechanisms, subject to the Commission’s Order in Docket UE-970686.<sup>1</sup>
- (c) 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.
- (d) Puget Sound Energy must file revisions to cost recovery tariff (Schedule 120) by March 1 each year, with requested effective date of May 1 of that same year.

**(10) 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.
- (b) PSE shall also work with the CRAG to determine how to avoid double-counting of efficiency savings achieved at electric power production

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<sup>1</sup> Commission’s, “Final Order” on May 16, 1997 to Puget Sound Energy’s Petition for an Order (1) Authorizing Deferrals of Electricity Conservation Expenditures and (2) Approving a Tariff Rider for Concurrent Recover in Electric Rates of such Deferred Electricity Conservation Expenditures. Docket No UE-970686. It is important to note that there were two subsequent Orders in this Docket; the Second Supplemental Order and Order 03; both of which pertained to semi-annual reporting of conservation program progress.

facilities owned in whole or in part by PSE and located within the service territory of a separate electric utility.

- (c) Fuel switching program will continue to use current practice of upgrading only to high-efficiency gas measures.