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February 15, 2006

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Via Electronically & Regular Mail

RE: Docket: UE-970686
Semi-Annual Report of Demand Side Management (DSM) Programs

Dear Ms. Washburn:

Enclosed is an original and three copies of Puget Sound Energy's semi-annual report covering its DSM programs in 2005. This submission contains a progress report on the results of the 2005 DSM programs through December 31, 2005, and a summary of accounting for each of the DSM programs for the same period.

This report is prepared in accordance with the Second Supplemental Order under Docket No. UE-970686, Requiring Reporting on Programs Funded by the Tariff Rider Mechanism.

Please contact me at (425) 456-2797 if there are any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karl Karzmar', with a long horizontal line extending to the right.

Karl Karzmar
Director, Regulatory Relations

Enclosure

cc: Simon J. Ffitch



***PUGET
SOUND
ENERGY***

Energy Efficiency Services
Program Results
January – December, 2005

February 14, 2006

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Executive Summary

This annual report of Puget Sound Energy's (PSE's) Energy Efficiency Rider/Tracker funded programs covers the period January, 2005 through December, 2005. During this 12 month period, energy efficiency programs under the electric Rider and gas Tracker totaled first year savings of 143,837 MWh (16.42 aMW) at a cost of \$20,884,430 and 2,892,995 therms at a cost of \$3,800,311.

In addition, under Bonneville Power Administration's (BPA) Conservation and Renewables Discount (C&RD) program, PSE saved an additional 27,553 MWh (3.15 aMW) in first year savings at a cost of \$4,363,354 (does not include cost of renewables). Detailed Rider/Tracker program numbers are available in Exhibit 1 at the end of this report.

The year 2005 marked the end of the energy efficiency tariff period spanning 2004 and 2005. The table below shows PSE exceeded savings goals under budget for Jan. 2004 thru Dec. 2005 in comparison to two-year budget and savings goals filed with the WUTC. Note - the exceptional results for gas savings were primarily due to the concentrated contractor-installed Restaurant Low Flow Dishwasher Sprayhead Rebate.

January, 2004 – December, 2005 EES Program Summary

<u>Tariff + C&RD EES PROGRAM INFO</u>	<u>2 YEAR ACTUALS</u>	<u>2 YEAR BDGT./GOAL</u>	<u>Compare % Total</u>
ELECTRIC Costs	\$50,444,047	\$52,218,000	96.6%
MWH Savings	344,606 (39.34 aMW)	343,080 (39.16 aMW)	100.5%
GAS Costs*	\$7,285,121	\$9,706,000	75.15%
THERM Savings	6,072,348	5,013,480	121.1%

* Includes Low Income Weatherization O&M funding of \$300k per year.

Program Descriptions

Residential & Commercial Energy Efficiency Information Services, *Schedules E200/G206 and E260/G260*

These services consist of four components that complement each other to provide information regarding customer programs and efficiency improvements tailored to customers' interests and energy-use concerns.

Energy Advisors

Specially trained and dedicated call representatives provide all customer sectors direct access to PSE's array of energy efficiency services through a toll-free number. Energy Advisors discuss with customers the potential benefits of various conservation programs, eligible incentives, and introduce related products and services.

Energy Efficiency Brochures

PSE provides brochures and how-to guides on various energy efficiency opportunities, including behavioral measures, low-cost equipment, weatherization measures, major weatherization improvements, and equipment upgrades. This information includes investment and savings estimates where appropriate. These brochures are available to customers in paper form and online at the PSE Web site.

On Line Services

To assist customers with information and questions, a section of the PSE web site (www.pse.com) is dedicated to energy efficiency and energy management for customers that prefer on-line services. PSE provides "Energy at Home", a quarterly e-newsletter promoting energy efficiency services. This free service contains articles about energy efficiency, timely seasonal tips, links to PSE program information and coupons for energy efficient products. A similar bimonthly "Energy in Business" e-newsletter features case studies of PSE energy efficiency projects, as well as announcements of upcoming training opportunities. Other services include an email box, and links from a customer's Energy Tracker information and graphs to energy efficient tips and ideas.

On-Line Personal/Business Energy Profile

Personal Energy Profile (residential) and Business Energy Profile (small business) are free energy self-audit surveys, with PSE follow-up analysis and a report that provides customers with specific and customized energy efficiency recommendations. These services identify current energy costs and consumption by end-use, and provide a list of specific recommendations for energy efficiency opportunities and their associated savings estimates.

Personal Energy Profile has taken on a new name with a new application. It is available at www.pse.com under the "MY PSE Account" logon. It now incorporates customer's actual bill history and bill details, with a bill analyzer tool that helps explain why bills may be high. Customers can understand what changes can be made to reduce energy usage. This new application also supports what use to be named Energy Tracker, the daily online usage tool. Personal Energy Profile is no longer available by mail and the Business Energy Profile is available only to online users.

Recap: Major improvements to navigation of PSE website, with easier access to on-line efficiency calculators and tools, have been implemented. The New "Self Serve" audit and analysis tools with actual customer-specific billing history downloaded is now called "My PSE Account". A major revamp and updating of energy efficiency brochures is underway and will take place over the next 12 months.

Residential Low Income Programs, Schedules E201/G203 and E209/G209

Description: PSE provides funding of cost-effective home weatherization measures for low-income gas and electric heat customers. Funds are used for single-family, multifamily, and mobile home residences.

Program participation takes place through referrals from low-income and crisis service agencies. PSE customers who are having difficulty paying heating bills are also referred to the appropriate serving agency when they apply for energy bill payment assistance. Income qualification for the low-income weatherization program takes place at the local weatherization agency or other designated agency. Local agencies assume responsibility for getting permission from rental property owners to install weatherization measures. The elderly, disabled, and households with very young children receive priority in scheduling of the weatherization work. In addition to the structure audit and measures installation, agencies might provide energy use education to participants.

Recap: Coordinating a streamlined process for centralizing agency data into a web-based reporting application by mid-Summer '06.

Efficient Gas Water Heater Program, Schedule G201

Description: PSE offers a \$25 rebate for the purchase of a natural gas water heater with an energy factor of .62 or higher. These rebates are promoted to customers in bill inserts, the *Energy Wise* Newsletter, referrals from other PSE departments, energy efficiency brochures and handouts, and a network of contractors, builders, and retailers. Customers may obtain rebate forms by calling the EEIS Hotline (1-800-562-1482) or at www.pse.com. Planned promotional efforts are coordinated with related programs such as Energy Star Efficient Gas Furnaces.

Recap: This program improved awareness of the higher efficiency tanks in the new construction and retrofit markets. PSE evaluated the rebate amount in 2005 and has increased the rebate from \$25 to \$40 in 2006. We anticipated an increase in activity as a result to this change

Energy Education, Schedules E202/G207

Description: Powerful Choices is a 4-day school program that empowers Washington State's secondary students with the ability to make informed choices regarding the use of natural resources. This program fills a need for environmental education in Washington State with no cost to schools.

Powerful Choices also helps students in reaching Washington's learning standards by aligning the curriculum with Washington State's Essential Academic Learning Requirements (EALRS). Students participate in a variety of activities focusing on energy, water, solid waste, and air quality.

Recap: Program has increased student critical thinking opportunities in the classroom and students' homes based on partner and classroom teacher feedback.

Residential Energy Efficient Lighting, Schedule E214 and C&RD

Retail Incentive

Residential customers receive an instant rebate when purchasing an Energy Star qualified CFL lamp or fixture at participating retailers, lighting showrooms and distributors.

New Construction/Remodeling

Builders receive an instant rebate when they purchase Energy Star qualified fixtures and CFLs through participating lighting showrooms, distributors and retailers for installation in new homes. PSE provides training and support for lighting showrooms and distributors to specify the appropriate CFL fixture or bulb for the location.

Cross Promotional/WEB Incentive

CFL bulbs or rebate coupons may be given to customers that participate in other programs such as PSE's online energy-use analysis tools, at energy efficiency and related events or supplied to low income agencies to distribute to PSE customers needing energy assistance.

Recap: Exceeded the program goal for 2005. In 2006 the rebates will continue to vary based on retail pricing. The program will focus on providing product & rebate information to the customer, retailer education, and broadening product inventory. Additional focus is on providing recycling information/education for proper handling/recycling of CFLs by working in partnership with local hazardous waste utilities.

Energy Star Efficient Gas Furnace Program, Schedule G214

Description: PSE offers a \$150 rebate for the purchase of an Energy Star 90% natural gas furnace in residential single family homes. This rebate for energy efficient furnaces is offered to all residential homeowners and new construction builders in PSE's natural gas service area.

Recap: Implemented a streamlined process with contractors and focused on the new construction market. PSE evaluated the rebate amount in 2005 and has increased the rebate amount from \$150 to \$250 in 2006. We look forward to seeing an increased activity as a result of this new change.

Energy Efficient Manufactured Homes - C&RD & G213

Description: This program targets buyers of new HUD-code manufactured homes with a \$300 (electric heat) and \$150 (gas heat) rebate to the buyers of qualifying homes in the PSE service area. Participants provide a completed PSE rebate form, a photocopy of the NC/ES certificate that comes with the home, and a photocopy of the purchase agreement. Participants also provide a current PSE gas service account number to prove established PSE service to the site of the manufactured home. Upon receipt of qualifying documentation, PSE pays the rebate. PSE uses C&RD funding for electric program costs.

Recap: Sales of new units continue to be slow. Work is presently underway with the Oregon Department of Energy, which tracks participation in the Northwest, to improve consumer participation within the PSE service-area.

Commercial-Industrial Retrofit, Schedules E250/G205

Description: PSE works with commercial and industrial customers to review energy consumption at the customer's facility, and to assess cost-effective energy savings opportunities from equipment, building shell, industrial process, or O&M improvements. These services are provided on the customer's behalf and, where specified by the customer, will be developed in conjunction with design engineers, contractors, and/or vendors. PSE will review third-party savings estimates and analyses. Where the project meets PSE cost-effectiveness funding criteria, PSE will provide grants toward energy savings projects. PSE works with the customer to make sure financial decision makers at the customer's facility are aware of the cost-savings opportunities, including review of energy saving projections that can help obtain favorable financing rates. Upon notice of installation/implementation, PSE will verify the project as complete and operational and payment will be issued.

Recap: We saw a shrinking market for this program due to our increased emphasis on rebates and lowered customer interest. We have revised savings expectation from this program in '06/'07 to reflect this.

Commercial-Industrial New Construction, Schedule E251/G251

Description: PSE works with designers and developers of new C/I facilities, or major remodels, to propose cost-effective energy efficient upgrades that exceed energy codes by 10% or standard practice in industrial facilities. Two paths may be followed to qualify for assistance and/or funding for energy efficiency measures. The first path is a prescriptive measure approach, similar to meeting code using the prescriptive path. PSE recommends and reviews measures beyond what is included in the proposed design. Where the project proposes savings 10% beyond the applicable local Energy Code, PSE provides grant funding.

The second path is similar to meeting the code using a performance path. PSE will work with designers to incorporate measures that produce 10% overall savings beyond the applicable local energy code. Given the time frame of new construction planning to completion, these projects may not be complete in the first year.

All C/I customers are eligible, although larger projects tend to be more cost effective. Customers provide PSE with project costs and estimated savings, and assume full responsibility for selecting and contracting with third-party service providers. Projects must be approved for funding prior to installation/implementation to be eligible.

Recap: Economic growth allowed us to exceed our goals for this program. We continue to explore ways to cost-effectively pursue all the opportunities available in this market.

Resource Conservation Manager, Schedules E253/G208

Description: PSE offers Resource Conservation Manager Services (RCM) to any school district, public-sector government agency, and commercial or industrial (C/I) customer, with a focus on larger customers with multiple facilities. An RCM customer employs or contracts with someone who has designated resource management responsibilities, including accounting for resource consumption and savings.

PSE assists in designing and implementing an RCM program. Salary guarantees are available for RCMs, and training opportunities are available for RCMs and corollary staff such as custodial and maintenance personnel.

In some cases, PSE provides a grant to partially fund a start-up RCM position, provided there is a mutual agreement that if the program generates dollar savings, funding by the customer will continue after "start-up" funding support terminates.

Depending on individual customer needs, PSE may provide additional services or assistance, including resource policy guidelines; a resource accounting system; PSE billing data; informational materials; and a forum for resource conservation managers to exchange information, ideas, and techniques for controlling utility costs. Any grants for retrofits are coordinated through PSE's C/I retrofit or new construction programs.

Recap: The success of the RCM program has led to increased participation from state, county, and local government organizations, community colleges, and large portfolio real estate management organizations in addition to the traditional school district customers.

Northwest Energy Efficiency Alliance, Schedule E254

Description: Northwest Energy Efficiency Alliance's (NEEA) market transformation initiatives will increase the availability and consumer acceptance of energy-efficient technologies and practices. As a partner with NEEA, PSE contributes funding for regional programs, actively participates on the NEEA Board of Directors, and supports various related initiatives within the PSE service area. PSE is working with NEEA on market research specifically to establish baseline market practices for commercial buildings, participates in work that involves PSE customers, co-funds projects to gain enhanced services for customers, and is closely involved in the development and implementation of NEEA initiatives.

Detailed information on NEEA history, structure, funding, projects, reports, press-releases, proposals and more is available at NEEA's web site at www.nwalliance.org.

Small Business Lighting Rebate, Schedule E255

Description: The program offers a variety of lighting fixed-incentives that streamline the delivery of energy-saving measures for a variety of small usage commercial businesses and building types. Eligibility is limited to Schedule 24 and Schedule 8 electric customers. Rebates for small businesses cover efficient incandescent and fluorescent lighting conversions and lighting.

Recap: Worked closely with contractors and adjusted rebates amounts during the year resulting in savings achievement of almost 300% of the original 2-year target.

LED Traffic Lights, Schedule E257

Description: The program educates public-sector customers with traffic control authority (cities, counties, and DOT's) on the benefits of installing red and green LED traffic signals. PSE provides an LED informational packet along with a rebate application by mail or in person. Customers must receive electric service from PSE to qualify for the rebates, and customers with unmetered accounts must document all connected load at the intersection.

Recap: The program is successful with good participation from cities.

Large Power User, Self Directed, Schedule E258

Description: This program provides an Energy Efficiency Project Request for Proposal (RFP) to C/I customers receiving high-voltage electrical service under Schedules 46, 49, or 449. The RFP offers incentives for new energy efficiency projects conceived, developed, and implemented by customers for their facilities. Customers submit a project application form with supporting documents for PSE review and approval. Customer proposals will be evaluated by PSE engineering staff for cost-effectiveness, and for energy code and tariff compliance. The customer then signs a standard PSE Conservation Grant Agreement, defining the total project cost and PSE incentive amount, prior to installation of project measures. All projects will be field-verified by PSE as completed and operating before the grant payment is made.

Recap: All projects expected from customers were completed and inspected by year-end as called for in the tariff resulting in all the program funds to be utilized.

Commercial Rebates (including Low Flow Sprayhead), Schedules E258/G258)

Description: PSE offers fixed rebates for select, commonly applied measures to commercial customers. Rebate measures are those with energy-savings that can reasonably be standardized over a wide variety of applications, and that have competitive market pricing to ensure cost-effectiveness. The current list (effective January 2004) of eligible Commercial Rebates is maintained by the Company and made available upon request. Rebate amounts are updated as market conditions change.

Recap: We expanded the number of rebate measures that we offered and increased customer participation resulting in more than double the expected savings. In '06/07 it will be difficult to replace the gas savings produced by the dishwasher pre-rinse valves.

PILOT PROGRAMS

Targeted Fuel Switching Pilot, Schedule E212

Description: This pilot program was designed to test customer decision-factors for converting from electric to natural gas space and water heating. The program offered two levels of incentives and measured customer response. Offers were mailed to over 1800 customers in three selected geographic areas.

Recap: Billing Analysis underway with participant and control groups.

Mobile Home Duct Systems, Schedules E203

Description: This program targets residential customers living in manufactured (mobile) homes with central forced air electric heating systems. Key stakeholders: Homeowners, duct sealing specialists contractors.

Recap: Pilot will become a program with increased targets in the 2006-2007 period. RTF deemed savings will increase from 1034 to 1151 kWh per home for 2006/07.

Commercial/Industrial Boiler Tune-up Pilot, Schedule G259

Description: It has been the experience of PSE Energy Management Engineers, City of Seattle boiler inspectors and mechanical contractors that commercial customers seldom have the air to fuel ratios tuned on their boilers for efficient operation. A boiler that has not been tuned for many years can use as much as 20% more gas fuel. This pilot program will consist of working with mechanical contractors to design a pilot that provides sufficient incentive to persuade customers to have their boilers tuned up for the first time, so that they can see the resulting energy savings on their bills.

All non-transportation PSE gas C/I customers with gas boilers that can be tuned are eligible. Since the last report, PSE has expanded eligibility to interruptible gas customers. Funding is limited to one time per boiler.

Recap: Progress motivating contractor marketing of this program continues to be very slow. Incentive will be increased to improve participation in '06/'07.

Energy Star New Construction Pilot, Schedules E249/G249

Description: The program is a package of energy savings measures installed in single-family new construction homes. To achieve the Energy Star Northwest rating a new homes will include:

- Shell and insulation beyond current code
- High efficiency heat pumps and gas furnaces
- High efficiency gas and electric water heaters
- Heating system commissioning (blower door / duct testing)
- Energy Star windows
- 50% of all lighting sockets filled with Energy Star CFLs or CFL Fixtures
- Energy Star Dishwasher

Recap: While this pilot presented some challenges in coordinating and tracking it had many successes. Approximately 35 builders have signed on to the program and 190 homes have been built to Energy Star Standards in 2005. The program has gained momentum and will continue in 2006 as a part of the New Construction Tariff.

Multi-Family Lighting Retrofit Pilot, Schedule E249

Description: Achieve cost effective energy savings by promoting installation of lighting efficiency measures in apartments and condominium buildings. These measures are offered for dwelling units for which the tenants or owners are the individual PSE electric account holders. Promote sustainable use of Energy Star rated compact fluorescent fixtures.

To assist customer (participating building owner or manager) with appropriate Energy Star fixture selection and locations, information will be provided in PSE lighting materials, in retail stores and showrooms, as well as provided by the installing contractor. PSE Hotline advisors will also help identify areas in the building/unit where installation of energy efficient fixtures would be most beneficial to the customer.

This pilot will be coordinated with Puget Sound Energy's small business lighting rebates and residential energy efficient lamp program to provide comprehensive lighting solutions for building owners and managers.

Recap: One project for 310 fixtures was installed and completed in 2005. Two more projects will be completed in first quarter of 2006; King Co. (2271 fixtures) & Skagit Co. (637 fixtures).

Refrigerator Decommissioning Pilot, Schedule E249

Description: Encourage PSE electric customers to remove second refrigerators operating in their homes.

Current planning includes the following elements:

- Offer rebates to single-family residential customers who certify that they have an existing second refrigerator (of more than 10 cubic feet) and who remove this refrigerator from service by contacting with an approved decommissioning contractor.
- Cash rebates payable to the participating customer by third party contract service
- PSE single family electric service customers
- Key stakeholders include: third party program service contractor, EPA certified appliance decommissioning contractor, and appliance dealers

Recap: Pilot ran in Whatcom and Skagit Counties; completed with 485 units decommissioned between Oct. 2004 - Feb. 2005. Customer satisfaction was very high. Slated for full program implementation in 2006.

Residential Heat Pump Maintenance Pilot, Schedule E249

Description: On June 3, 2005 PSE filed a change to E249 Heat Pump Maintenance Pilot with the WUTC to allow limited incentives for replacement of qualifying heat pumps that are found to be beyond repair. This filing will reflect acceptance of an updated contractor proposal (submitted under the Energy Efficiency RFP) by Proctor Engineering Group, Inc. to manage this pilot.

PSE staff has worked with the contractor since the beginning of the year. The proposal incorporates the most recent regional technical consensus on energy savings achievable from application of advanced diagnostics, targeted component adjustments, controls improvements, as well as the limited incentives for replacement of qualifying heat pumps that cannot be restored to nominal heating efficiency.

Recap: Two contractors trained. Production ended mid-October as outdoor temperatures dropped below the 53°F threshold for conducting the diagnostic testing of heat pumps. Production will restart in mid-March 2006.

Multi-Family Fuel Choice Pilot, Schedule E249

Description: By analyzing market segmentation findings, potential energy savings and barriers to natural gas expansion in the multi-family segment are expected to be discovered. The Company hopes that a program design will be created to optimize fuel choice selection to natural gas and better identify potential energy savings.

Phase 1: The first phase of the pilot, primarily the first and second quarter of 2004 will primarily consist of fact-finding and pilot design. We will identify current practices and costs, confirm gas equipment options and determine the levels and types of incentives needed to encourage changing to natural gas.

Phase 2: Phase two, beginning in approximately July 2004, will be to implement and test the pilot measures. Based on results and early feedback, design features can be reassessed and changed as needed.

Recap: The pilot is progressing well. The pilot is currently evaluating two projects, one involving the retrofitting of an existing apartment complex and the second the specification of natural gas in a new construction project. The Multifamily Fuel Choice Report will be completed and distributed by the end March 2006.

Premium Service HVAC Maintenance Pilot, Schedules E249/G249

Description: Four prominent HVAC contractors serving the Puget Sound region expressed interest in developing the premium HVAC service concept; they have agreed to participate in this pilot. They have undergone extensive training in maintenance techniques; include use of special measurement and diagnostic equipment. Participating contractors recruit PSE customers with whom they already have HVAC maintenance contract in place. Customers agree to PSE pilot guidelines, which add a "premium" level of service to the existing contract, focusing on energy savings as well as other maintenance needs. Under this program, three rebate incentive levels have been established for the premium HVAC service depending on the level of service required at the site. Customers agree to continue the maintenance-contract for three to five years.

Contractors are trained and work is closely monitored. PSE uses ECOTOPE staff to support the rooftop diagnostics. Pre and post energy use is being tracked on a year-round basis. To date, PSE premium HVAC maintenance service pilot is successfully achieving 10 to 15 percent energy savings for pilot participants.

The pilot is being refined by working with contractors to further define savings, costs and PSE incentive levels.

Recap: Program delivered as expected and will be incorporated as a rebate measure for '06/'07.

Gas Single-Family Weatherization Pilot, Schedule G249

Description: Offer certain weatherization measures for gas-heated single-family homes. These measures would be targeted to existing gas heated homes typically constructed between the 1950's and mid 1970's that lack floor insulation (above unheated crawl space), heating supply duct insulation (located in unheated spaces of the home) and have inadequate ceiling insulation (R11 or less). Homes may lack one or more of these measures.

- PSE would offer fixed, per measure unit discounts to qualifying residential customers who have installed under floor, heating duct or attic insulation and duct sealing using the services of a trained energy services contractor
- The specific measure rebate amounts are \$0.50 per square foot per measure.
- Eligible customers are single-family customers using natural gas for space heat. Tenants may participate in the rebate with written owner permission.
- PSE will need to carefully develop the program and contractor arrangements to avoid problems with moisture, mold, lead paint, and gas appliance back drafting.
- PSE has already selected two contractors to conduct the installation of measures on behalf of PSE customers.

Recap: The pilot will move to a program 06/07 with an expanded target to a two-year goal of 2,000 homes.

Residential Gas Furnace Maintenance Pilot, Schedule G212

Description: Demonstrate the energy savings and market acceptance of gas furnace maintenance service that is directed by an advanced diagnostic protocol. The pilot would also demonstrate the efficacy of adding a heating supply duct leakage screening performed by the HVAC contractor at the time of the gas furnace maintenance service.

- Offer a rebate to PSE single-family residential gas service customers using ducted gas furnaces for home heating. The rebate would be paid upon completion of an advanced gas furnace diagnostic protocol and minor furnace service and supply duct leakage-screening test. A certified heating contractor/PSE technician using the advanced protocol and reporting procedure would perform the diagnostic.
- Supply duct screening results would be used by PSE to inform customer with apparent high (crude) leakage values and above average gas heating usage (based on bill history), of the merits of seeking more precise duct testing and sealing service from a certified duct leakage contractor. A separate rebate for completed duct sealing to be offered by PSE.
- Up to a \$50 rebate to customer per completed/reported furnace diagnostic test and service. Payments processed by third party contract service.
- Single-family residential customers heating their homes primarily with gas furnaces. Tenants eligible for this rebate with owner permission perform the service.
- Key stakeholders include residential HVAC contractors/ PSE Checkup Service, third party technical certification, training and reporting contractor(s), diagnostic equipment suppliers. Duct leakage assessment will also yield some number of duct sealing jobs for certified duct sealing (weatherization contractors).

Recap: Pilot program focused on enhanced combustion appliance service & combined with quick evaluation of potential duct repair. Very limited number had potential for duct repairs. Energy savings and cost effectiveness of the pilot did not justify moving to permanent program.

**Local Infrastructure, Market Transformation & Conservation Potential
Market Research, Schedule E270/G270**

PSE participates with or utilizes the services of many organizations to support the local delivery, management, and promotion of a broad range of energy efficiency programs. Financial support for these organizations is provided through Schedule 270, with spending capped at 5% of overall program budgets. These schedules include expenditures for an assessment of conservation market potential in PSE's service area.

Net Metering, Schedule E150

Schedule 150, Net Metering for Renewable Energy Services, became effective February 11, 1999. Subsequently, Schedule 150 was revised on June 8, 2000 in response to legislative action¹, which modified certain aspects of the net metering program. As revised, the schedule applies to customers who operate fuel cells or hydroelectric, solar or wind generators of no more than 50 kW.² Service under this schedule is limited to a total of 4.5 MW of cumulative nameplate generating capacity, of which no less than 2.25 MW of cumulative nameplate generating capacity shall be attributable to net metering systems that use either solar, wind, or hydroelectric power as its fuel. Customer generation can be used to offset part or all of the customer-generator's electricity use under Schedules 7, 24, 25 or 29 of Electric Tariff G.

<p>Recap: Interconnected three customers in the third quarter 2005 with two pending. Total interconnected capacity for the 59 Solar PV customer-generators is 141 kW.</p>
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¹ On March 27, 2000, Engrossed House Bill 2334 relating to the definition of net metering systems and amending RCW 80.60.010, 80.60.020 and 80.60.040 was signed into law. The revised law became effective June 8, 2000.

² Revisions to Schedule 150, including increasing the maximum generator capacity to 50kW became effective May 13, 2004.

Exhibit 1: Tariff Program Results, January-December 2005

Elec Sch #	Gas Sch #	Service	kWh Savings	Therm Savings	Electric Costs	Gas Costs	Total Costs
200	206	Res. Energy Effic. Information	-	-	\$ 498,431	\$ 256,681	\$ 755,112
260	260	Com'l Energy Effic. Information	-	-	\$ 87,555	\$ 49,501	\$ 137,056
201	203	Low-Income Retrofit	961,264	25,058	\$ 861,163	\$ 222,394	\$ 1,083,557
na	201	Efficient Gas Water Heater	-	149,224	\$ -	\$ 148,676	\$ 148,676
202	207	Energy Education	962,822	53,782	\$ 270,251	\$ 156,427	\$ 426,678
214	na	Res. Energy Effic. Lighting Rebate	23,228,999	-	\$ 1,306,655	\$ -	\$ 1,306,655
na	214	Energy Efficient Gas Furnace	-	247,153	\$ -	\$ 504,692	\$ 504,692
na	213	Energy Effic. Manufactured Homes	-	3,604	\$ -	\$ 6,302	\$ 6,302
250	205	C/I Retrofit	46,179,066	497,280	\$ 7,686,733	\$ 842,018	\$ 8,528,751
251	251	C/I New Construction	8,750,194	81,068	\$ 1,033,913	\$ 136,340	\$ 1,170,253
253	208	Resource Conservation Manager	10,214,491	535,050	\$ 417,171	\$ 240,484	\$ 657,655
254	na	NW Energy Efficiency Alliance	15,329,000	-	\$ 1,053,655	\$ -	\$ 1,053,655
255	na	Small Business Lighting Rebate	6,904,905	-	\$ 1,412,959	\$ -	\$ 1,412,959
257	na	LED Traffic Lights	1,162,500	-	\$ 99,646	\$ -	\$ 99,646
258	na	Large Power User/Self Directed	20,143,333	-	\$ 4,153,166	\$ -	\$ 4,153,166
262	262	Commercial Rebates	4,762,100	22,780	\$ 605,606	\$ 109,644	\$ 715,250
262	262	Low Flow Spray Head Pilot	2,346,427	1,164,320	\$ 14,655	\$ 139,011	\$ 153,666
212	na	Targeted Fuel Switching Pilot	-	-	\$ 140	\$ -	\$ 140
203	na	Mobile Home Duct Systems Pilot	623,502	-	\$ 258,687	\$ -	\$ 258,687
na	259	Gas Boiler Tune-up Pilot	-	18,577	\$ -	\$ 4,848	\$ 4,848
249	249	Energy Star New Const. Pilot	-	-	\$ 214,012	\$ 91,357	\$ 305,369
249	na	Multi-Family Lighting Retrofit Pilot	74,203	-	\$ 51,663	\$ -	\$ 51,663
249	na	Refrigerator Decommissioning Pilot	460,750	-	\$ 65,301	\$ -	\$ 65,301
249	na	Residential Heat Pump Maint. Pilot	3,909	-	\$ 54,651	\$ -	\$ 54,651
249	na	Multi-Family Fuel Choice Pilot	-	-	\$ 97,995	\$ -	\$ 97,995
249	249	Prem. Svc HVAC Maintenance Pilot	1,690,458	61,282	\$ 187,134	\$ 102,758	\$ 289,892
na	249	Gas Single Family Weatheriz. Pilot	-	33,577	\$ -	\$ 242,654	\$ 242,654
na	212	Residential Furnace Maint. Pilot	-	200	\$ -	\$ 10,074	\$ 10,074
261	261	Energy Efficient Technology Eval.	39,016	-	\$ 18,800	\$ 801	\$ 19,601
270	270	Local Infrastructure&Mkt Trans	-	-	\$ 43,094	\$ 18,781	\$ 61,875
270	270	Conservation Market Research	-	-	\$ 134,827	\$ 141,250	\$ 276,077
150	na	Net Metering	-	-	\$ 36,123	\$ -	\$ 36,123
na	na	Conservation Voltage Regulation	-	-	\$ 14,727	\$ -	\$ 14,727
na	na	Home Voltage Regulation	-	-	\$ 56,769	\$ -	\$ 56,769
na	na	CVR- Union Hill Substation	-	-	\$ 4,160	\$ -	\$ 4,160
na	na	Electric Conservation Support	-	-	\$ 31,401	\$ -	\$ 31,401
na	na	Electric Efficiency RFP	-	-	\$ 23,469	\$ -	\$ 23,469
na	na	Program Evaluation & Research	-	-	\$ 89,918	\$ 78,618	\$ 168,536
na	209	<i>Low Income Customers (O&M)</i>	-	-	\$ -	\$ 297,000	\$ 297,000
Total			143,836,939	2,892,955	\$ 20,884,430	\$ 3,800,311	\$ 24,684,741