



Customer
Solutions,
Energy Efficiency



2013

Annual Conservation Plan



PUGET SOUND ENERGY
The Energy To Do Great Things

With the exception of this sentence, this page is intentionally left blank.

This page intentionally left blank.

Table of Contents

TABLE OF CONTENTS	ii
EXECUTIVE SUMMARY	2
<i>2013-Specific Savings, Budgets and Cost Effectiveness</i>	2
<i>Achieving 2013 Savings Goals</i>	3
<i>Condition Compliance</i>	4
<i>Additional Details Provided in the 2013 Annual Conservation Plan</i>	5
INTRODUCTION	6
ANNUAL CONSERVATION PLAN CONTENTS.....	6
<i>2013 Program Revisions</i>	6
<i>2013 Annual Conservation Plan Exhibits</i>	8
EXHIBIT SUMMARY	10
EXHIBIT 1: TEN-YEAR ACHIEVABLE CONSERVATION POTENTIAL AND BIENNIAL CONSERVATION ACQUISITION TARGETS.....	10
EXHIBIT 1: SECTOR-LEVEL BUDGETS AND CONSERVATION GOALS.....	10
<i>2013 Sector-Level Budgets and Savings</i>	11
EXHIBIT 2: 2013 COST EFFECTIVENESS ESTIMATES.....	12
<i>Exhibit 2, Supplement 2</i>	14
EXHIBIT 3: CS/EE PROGRAM DETAILS.....	14
EXHIBIT 4: CS/EE MEASURES.....	14
EXHIBIT 5: CS/EE PRESCRIPTIVE MEASURES.....	15
EXHIBIT 6: CS/EE EVALUATION PLAN.....	15
EXHIBITS 7 & 8: MARKETING PLAN AND EM&V FRAMEWORK.....	15
EXHIBIT 9: CONDITION COMPLIANCE CHECKLIST.....	16
EXHIBIT 10: NORTHWEST ENERGY EFFICIENCY ALLIANCE.....	16
EXHIBIT 11: TARIFF REVISIONS.....	16
<i>2013 Revisions</i>	16
COMPLIANCE	18
CONDITIONS ENUMERATING PSE’S CONSERVATION DELIVERABLES.....	18
SPECIFIC CONDITIONS APPLICABLE TO THE ANNUAL CONSERVATION PLAN.....	19
PROGRESS OF OVERALL 2012-2013 CONDITION COMPLIANCE.....	21
PSE’S 2013 ANNUAL CONSERVATION PLAN	24
2013 CONSERVATION SAVINGS GOALS AND BUDGETS.....	25
<i>Key Drivers of Budget Revisions</i>	30
PROGRAM PLANS.....	32
<i>Residential Energy Management Sector</i>	32
<i>Business Energy Management Sector</i>	37
<i>CS/EE Marketing Overview</i>	43
<i>Regional Programs</i>	44
<i>Portfolio Support</i>	45
<i>Research & Compliance</i>	47
<i>Other Electric Programs</i>	49
GLOSSARY OF TERMS	51
ACRONYMS.....	54
CONCLUSION	57

2012-2013 Biennial Conservation Plan Supporting Documents

- Exhibit i: Ten-year Potential and Two-year Targets
- Exhibit 1: Order number level budget and savings details
- Exhibit 2: Cost effectiveness tables
 - Supplement 2: Low Income Weatherization cost-effectiveness tables
- Exhibit 3: Program details, with target market, marketing plans, customer incentives
- Exhibit 4: Customer Services List of Measures, Incentives and Eligibility
- Exhibit 5: Prescriptive Measure Tables
- Exhibit 6: Program Evaluation Plan
- Exhibit 7, Supplement 1: Residential Propensity Model, Marketing
- *Exhibit 8, the EM&V Framework, will be included in the 2014-2015 Biennial Conservation Plan*
- Exhibit 9: Condition Compliance Status Report
- Exhibit 10: Northwest Energy Efficiency Alliance Plan
- Exhibit 11: Tariff Updates

2012-2013 Biennial Conservation Plan Tables

Table 1: 2013 Customer Solutions/Energy Efficiency Savings Goals and Budgets.....	2
Table 2: 2013 CS/EE Conservation Acquisition and Budgets by Exhibit 1 Sector Grouping.....	11
Table 3: 2013 CS/EE Cost Effectiveness Estimates, Sector View.....	13
Table 4: Conditions Addressed in the 2013 Annual Conservation Plan.....	20
Table 5: Conditions Completed by Year-end 2012	22
Table 6: 2013 CS/EE Conservation Targets and Budgets, Comparing 2012-2013 Figures to Updated 2013-Specific Values	25
Table 7: 2013 CS/EE Conservation Goals and Budgets by Program	27
Table 8: 2013 REM Conservation Targets and Budgets, Comparing 2012-2013 Figures to Updated 2013-Specific Values	33
Table 9: 2013 BEM Conservation Targets and Budgets, Comparing 2012-2013 Figures to Updated 2013-Specific Values	38

2012-2013 Biennial Conservation Plan Figures

Figure 1: 2012-2013 Condition Compliance by Quarter.....	23
--	----

This page intentionally left blank.

Executive Summary

Consistent with requirements outlined in Commission Order 01 of Docket number UE-111881, condition (8)(b) PSE presents this 2013 Annual Conservation Plan (the Plan or ACP). Pursuant to condition (8)(b), the Company requests Commission acknowledgement by January 1, 2013.

In the following pages, PSE outlines a variety of new and revised programs, functions, and activities the Company is putting into place to exceed customer expectations, and meet our aggressive electric conservation targets and natural gas conservation goals. The Company appreciates the opportunity to collaborate with its Conservation Resource Advisory Group (CRAG) on many of these initiatives.

PSE solicits and incorporates comments and suggestions from the CRAG on all of its filing documents. Per condition (8)(b), PSE provided the CRAG with a draft of the Plan on November 1, 2012. With this 2013 ACP, PSE continues its tradition of providing a wide range of business information in a form that meets Stakeholder needs with a high degree of transparency. In increasing levels of detail, this extends from the Executive Summary, where readers are able to quickly ascertain the key points of PSE's 2013 conservation plans, to the Introduction, which provides an additional level of detail, to program and measure-by-measure detail in the attached Exhibits. These are organized in a logical flow, reinforcing the business processes used to build the Plan.

2013-Specific Savings, Budgets and Cost Effectiveness

Table 1 presents the budgets and savings goals planned for 2013. Figures noted in green text indicate the 2013-specific amounts presented in the original 2012-2013 Biennial Conservation Plan.

Table 1: 2013 Customer Solutions/Energy Efficiency Savings Goals and Budgets

2013	Electric	Gas	Total Budget
Targets	333,520 MWh, 38.1 aMW <i>37.4 aMW</i>	4.62 Million Therms <i>4.67 M</i>	
Budgets	\$94.4 million <i>\$95.05 M</i>	\$13.2 million <i>\$13.16 M</i>	\$107.6 million <i>\$108.2 million</i>

Figures in *green print* represent original 2013-specific budgets and savings goals

Table 2 in the Introduction section, page 11, presents portfolio-level and program-level budget and savings summaries.

Pertaining to Table 1, the 2013-specific savings goals represent 50 percent and 48.4 percent of the originally-filed 2012-2013 biennial electric and gas savings, respectively.¹ The 2013-specific budgets are 48.8 percent and 49.6 percent of the original 2012-2013 biennial electric and gas biennial budgets, respectively.² In the 2013 period, PSE estimates that the aggregate of electric programs will achieve a Utility Cost benefit-to-cost ratio (UC) of 2.91 and a Total Resource Cost benefit-to-cost ratio (TRC) of 2.19 at the portfolio level.

Gas programs, in aggregate, are estimated to achieve a UC of 1.75 and a TRC of 1.26. This TRC value is calculated without a 10-percent conservation benefit adder used, consistent with the last Integrated Resource Plan (IRP). For the 2013 ACP, and to provide a direct comparison, PSE also calculated the TRC with a 10-percent conservation benefit adder. The resulting TRC benefit-to-cost ratio is 1.47.

Achieving 2013 Savings Goals

In 2013, the Company will continue to execute its measure revision process principle of adjusting its measure savings on an annual basis, commensurate with RTF Deemed (also known as “UES” – Unit Energy Savings) revisions. Likewise, measures that underwent impact evaluations in 2012 will also be adjusted according to the evaluation findings. This leading-edge tenet is unique among Northwest utilities. PSE’s execution of this best-in-class principle reflects our operational authority and commitment to ensuring the highest level of savings reporting accuracy as possible. Doing so increases the challenge of meeting aggressive energy conservation targets and requires constant monitoring and nimble program reaction.

Building our savings achievement strategies from the bottom-up, the Customer Energy Management (CEM) team will maximize customer satisfaction and plans to exceed its 2013-specific electric plan by approximately two percent, as compared to the indicated values presented in the original 2012-2013 Biennial Conservation Plan.

Despite the effects of reduced gas avoided costs, PSE’s 2013 natural gas conservation goal remains relatively unchanged, with a planned reduction of only one percent. PSE was able to sustain most of its gas programs through the incorporation of quantifiable Non-Energy Benefits (NEBs),³ and strategically optimizing the portfolio by reviewing individual measure cost-effectiveness.

The Residential Energy Management Sector is expanding the scope of its appliance programs, and will also pursue an expanded offering of LED-related measures. Insulation measures are undergoing modifications, and residential structure sealing is being offered to REM’s suite of services.

¹ The 2012-2013 electric savings target is 666,000 MWh, while the gas savings goal is 9,549,000 therms.

² The 2012-2013 electric budget is \$193.4 million, and the gas budget is \$26.6 million.

³ The value of water saving accounted for the majority of these quantifiable NEBs.

As a result of cost-effectiveness revisions in some gas programs, certain gas measures will be retired in 2013.⁴ These include 2.0 Gallon Per Minute (GPM) showerheads and gas furnaces in certain programs. Web-enabled thermostats, though, are expected to offset a portion of therm losses associated with measure retirement.

In the Business Energy Management Sector, the Energy Smart Grocer program will offer additional gas measures, and a large new construction project is planned to bring a significant amount of therm savings. Fluorescent lighting options will continue in 2013, when it was originally expected that these would be unavailable.⁵ Some contracted programs will also realize increased savings after a ramp-up period in 2012. The Business Rebates program should also see an increase in 2013 savings, resulting from increased lighting activity.

The Company will be able to achieve these savings goals with minimal change from the originally-stated 2013-specific planned budgets. The electric budget will increase from that stated in the 2012-2013 Biennial Conservation Plan by approximately 0.9 percent. This is largely due to an adjustment of the corporate overhead rate for 2013. The gas budget will increase by less than 1 percent.

Condition Compliance

PSE consistently meets and frequently exceeds condition compliance requirements enumerated in three separate documents. The Company consistently strives to provide an exceptional level of background and details in its filing documents and Conservation Resource Advisory Group (CRAG)-related materials. Consistent with condition (3)(b), PSE initiated and coordinated four formal CRAG meetings in 2012.⁶ These meetings were productive and integral to our ongoing planning processes.

This Plan satisfies several specific conditions, and includes an extensive discussion of condition background, conditions met with the filing of this Plan, and a 2012 year-end status of overall condition compliance, beginning on page 18.

⁴ As is PSE's standard Measure Metrics practice, measures are retired, rather than cancelled.

⁵ During the 2012-2013 BCP planning, it was generally understood within the lighting industry that certain T8 upgrade offerings would no longer be available in 2013, due to more rigid standards. Product improvements, however, allowed some T12 lamps to meet these standards.

⁶ In its quarterly Order Compliance Checklist, which provides CRAG members with up-to-date status of compliance with conditions outlined in the 2012 Commission Order 01 in Docket No. UE-111881, PSE clearly indicates those orders that are completed with their completion date, as well as orders that are in progress. PSE also maintains lists of action items that arise in its CRAG meetings, email requests and informational queries, tracking and reporting on their progress as well.

Additional Details Provided in the 2013 Annual Conservation Plan

To ensure consistency, all Exhibit names continue through PSE's planning documents and associated results reporting documents. This affords easy comparisons of data points for Stakeholders, and provides them with expected information in accepted and traditional formats.

This document provides discussion on the management steps that PSE put into place in order to achieve the indicated savings goals, including those in Residential Energy Management (REM) and Business Energy Management (BEM) sectors.

Budget and program details, cost-effectiveness estimates, prescriptive measure tables, evaluation plans, and the condition compliance status report are included in a logical flow as Exhibits to this report. PSE made several improvements from previous planning documents, including adjustments to its budget portfolio presentation, Exhibit 1, in order to provide readers with easy reference to 2013-specific details. Measure tables in Exhibit 4, the List of Measures, Incentives & Eligibility, now align with, and have the same "look and feel" as table formats presented in all Customer Solutions/Energy Efficiency (CS/EE) reports.

The following sections of the 2013 Annual Conservation Plan expands on all key components of the 2012-2013 electric and natural gas conservation targets and their associated budgets.

Introduction

This document, the 2013 Annual Conservation Plan (ACP), will discuss PSE conservation program objectives, plans, and revisions to its 2012-2013 Biennial Conservation Plan (BCP). Many sections will reference and summarize supporting Exhibits, which provide detailed information. The ACP is consistent with condition (8)(b), which indicates that it must discuss "...any changes to program details and an annual budget...". PSE requests that the Plan be acknowledged by the Washington Utilities and Transportation Commission (WUTC) by January 1, 2013.

The 2013 ACP will focus on adjustments and revisions to the 2012-2013 BCP, made in order to exceed customer expectations, and be proactive in adjusting to ever-evolving market conditions. Drivers include customer participation and feedback, updated avoided cost calculations, CRAG recommendations, new RTF deemed (or Unit Energy Savings – UES) values,⁷ technology updates, and trade ally support.

PSE included several value-add modifications to its Plan standards in this 2013 ACP. PSE takes into account and appreciates Stakeholder comments relative to our documentation ease-of-use, presentation formatting, and ability to effectively access the required information. We've re-prioritized the information that Stakeholders indicated that isn't as valuable, expanding that which is useful, and organized the entire ACP package in a very logical and methodical flow.

The current iteration contains improvements to key Exhibits, including Exhibit 1: Budgets and Savings, and Exhibit 4; the List of Measures, Incentives & Eligibility. The enhancements are discussed in the following Exhibit Summary section.

Only those Exhibits that contain revisions to the 2012-2013 Biennial Conservation Plan (BCP) are included. PSE made formatting allowances to ensure that differences from the 2012-2013 BCP are clearly indicated, and can be readily understood.

Annual Conservation Plan Contents

2013 Program Revisions

Each program discussion in the following sections of this document contains a "Notable 2013 Revisions" topic to clearly articulate revisions, adjustments and modifications that PSE plans, reflecting its sole responsibility in maintaining full compliance with RCW 19.285 and WAC 480-109. Based upon the original plans outlined in the 2012-2013 BCP, the adjustments are consistent with PSE's long-standing program management process, and reflect PSE's operational authority.

⁷ It is important to note that PSE adapts the savings values of RTF UES measures annually, rather than biennially, in order to reflect actual conservation savings in the most accurate manner.



PSE routinely and consistently provides Stakeholders with in-depth discussions of important revisions. These are continuously implemented on an as-needed basis during the standard course of business throughout a program year, and applied to a dynamic conservation environment. In addition to previous versions of Conservation Plans and Semi-Annual Reports, PSE documents and publishes a number of processes and guidelines, along with new reports, outlining the rigor with which the Company implements, and manages, and measures the success of its programs.

Examples of routine Stakeholder notifications include, but are not limited to:

- “Continuous Improvement” discussions in both the 2010 and 2011⁸ Annual Reports of Energy Conservation Accomplishments,
- “Factors Impacting Program Revisions” in the 2011 Annual Conservation Plan,
- “Program Revisions” in every program annual recap in both 2010 and 2011,
- “Key Results Drivers” sections in Sector overviews in the 2010 and 2011 Annual Reports.
- “Notable Revisions” discussions in the 2012-2013 Biennial Conservation Plan,
- Appendices, Exhibits, and Supplements providing details on prescriptive measures, their savings values and types,⁹ and all revisions and revision reasons throughout the year,
- A detailed Microsoft® Excel™ spreadsheet, indicating measure revisions, their cause and results in each routine filing of Exhibit 4, the CS/EE List of Measures, Incentives & Eligibility,
- Prompt and thorough responses to all ad-hoc queries.

In an ongoing effort to engage its Stakeholders, PSE has invited CRAG members to visit the Customer Solutions/Energy Efficiency offices on numerous occasions. We’ve been pleased to host several topic-specific meetings throughout the past several years, providing an opportunity for interested members to review programs or strategic operations in-depth. CS/EE Program Staff continue to extend an enthusiastic invitation to CRAG members on a variety of conservation topics during 2013.

The primary focus of the “Notable 2013 Revisions” in each program discussion in the following sections is on modifications implemented as a result of routine business management, changing market conditions, risk mitigation, RTF savings value updates, improved delivery methods, impact evaluation results, and engineering analyses, among other driving factors.

⁸ Continuous improvement discussions noted on page 24 of the 2010 Annual Report, filed under Docket Nos. UE-970686 and UE-100177 and page 27 of the 2011 Annual Report, filed under Docket No. UE-970686.

⁹“PSE Deemed”, “RTF Deemed”, etc.

2013 Annual Conservation Plan Exhibits

In this Plan, PSE references 12 Exhibits that provide additional details about key elements of Customer Solutions/Energy Efficiency operations. Exhibits noted in **blue text** were included with the 2012-2013 Biennial Conservation Plan (BCP), but are excluded from this Annual Conservation Plan. Exhibits noted in *italics* are new. They are:

- Exhibit i: Ten-year Achievable Conservation Potential and Two-year Targets.¹⁰
- Exhibit 1: Program-level budget and savings goals details
- Exhibit 2: Cost-effectiveness tables. Includes avoided cost and cost effectiveness calculation methodologies.
- Exhibit 3: Program details, with target market, marketing plans, and customer incentives descriptions.
- Exhibit 4: CS/EE List of Measures, Incentives and Eligibility
- Exhibit 5: Prescriptive Measure Tables¹¹
Includes Residential Energy Management, Business Rebates, and applicable Small Business Lighting programs.
- Exhibit 6: Program Evaluation Plan
- **Exhibit 7:** (excluded from this ACP): Marketing Plan
- **Exhibit 8:** (excluded from this ACP): EM&V Framework
- Exhibit 9: Condition Compliance Status Report
- *Exhibit 10: Northwest Energy Efficiency Alliance (NEEA) report*
- *Exhibit 11: Tariff Updates*

¹⁰ A part of the 2012-2013 BCP filing, Exhibit i is included as a part of this 2013 ACP for reference and to provide readers its new place in the Exhibit organization.

¹¹ Since new measures are added to the Measure Metrics database only when they are active, Exhibit 5 lists planned 2013 measures. Actual measures available and their savings values, along with the 2012 measure revisions, aren't available until the 2012 Annual Report is published in February 2013. 2013 measure counts are included, however, within the Exhibit 1 program budget detail pages.

This page intentionally left blank.

Exhibit Summary

This section provides a brief overview of the contents of each Exhibit and Supplement, where applicable, attached to the 2013 Annual Conservation Plan.

Exhibit i: Ten-year Achievable Conservation Potential and Biennial Conservation Acquisition Targets

In the 2012-2013 Biennial Conservation Plan (BCP), this was an unnamed Exhibit. Since this document is so integral to establishing the ten-year and two-year conservation figures, though, it was appropriate to insert it at the beginning of the Exhibits, rather than at the end.

However, since there was already an “Exhibit 1”, the ACP authors faced a conundrum. The solution was—similar to pagination tenets used in most Tables of Content or forwards—the name “Exhibit i” was selected. This maintains the numerical integrity of Exhibits 1 through 11. This practice will also provide for future expansion of detailed information, if needed. For easier reference, and to introduce the document under its new name and location within the overall planning documentation, Exhibit i is included with the 2013 Annual Conservation Plan.

The **2012-2021 Ten-year Achievable Conservation Potential and 2012-2013 Biennial Conservation Targets** document provides detailed discussion on the development of the ten-year achievable conservation potential and two-year conservation target. The document is referenced as “The Ten-year Potential and Two-year Target”, “Two-year Target”, or “2012-2013 Biennial Target”. Each designation has the same meaning for purposes of referencing the Ten-year Achievable Conservation Potential and 2012-2013 Biennial Conservation Targets.

For reference, Exhibit i indicates that PSE’s ten-year achievable electric conservation target is 3,531,508 MWh, or 403.1aMW and the two-year electric conservation target is 666,000 MWh, or 76.0 aMW of first-year savings, as measured at the customer meter. The gas 2012-2013 biennial target is 9.55 million therms.

Exhibit 1: Sector-Level Budgets and Conservation Goals

As previously indicated, PSE maintained its Exhibit 1 format, established in the 2011 ACP, in order to provide Stakeholders with a consistent view of CS/EE program budget and savings details. This allows readers a consistent presentation approach, proving them with the ability to compare actual results (from the Company’s Annual Conservation Reports) to planned goals and budgets.

Original 2013 budget figures are included, along with revised figures noted in **red or highlighted cells**. “Total” figures noted in the top horizontal budget detail sheet tables are calculated using the original 2012 budget number plus the revised 2013 figure. The “original 2013” budget figures are included for comparison purposes only.

To enhance Stakeholders’ reviewing capabilities, we’ve also incorporated sub-total comparisons with the 2013-specific figures in the Sector views and total comparisons in the Portfolio view.

2013 Sector-Level Budgets and Savings

Current 2012 forecasts indicate that PSE will achieve 52 percent of its 2012-2013 biennial electric and natural gas conservation targets. Electric spending is forecast to finish 2012 below 50 percent of the original biennial budget, while gas spending is expected to finish 2012 at 51 percent of the biennial budget. This establishes a very good foundation for the 2013 conservation plan to exceed our biennial savings targets while maintaining focus on our fiscal responsibility to customers.

PSE's 2013 electric savings goal is 38.1 aMW, with a corresponding budget of \$94.4 million. These figures are 2 percent higher and 1 percent lower, respectively, than the originally-reported 2013-specific figures. The natural gas savings target is 4.6 million therms, with a budget of \$13.2 million. These figures are 1 percent lower and the same, respectively, relative to the originally-reported 2013 period in the 2012-2013 BCP. The combined 2013 total expenditure is \$107.6 million, which is approximately 0.7 percent lower than the originally-indicated 2013-specific period.

Table 2 provides Sector views of Customer Solutions/Energy Efficiency's 2013 targets and budgets.

Table 2: 2013 CS/EE Conservation Acquisition and Budgets by Exhibit 1 Sector Grouping

	Electric MWh	Gas Million Therms
Residential	149,050 <i>\$42.5 Million</i>	1.98 <i>\$6.9 million</i>
Business	156,980 <i>\$38.5 million</i>	2.64 <i>\$5.0 million</i>
NEEA	27,490 <i>\$5.3 million</i>	- -
Portfolio Support	- <i>\$3.6 million</i>	- <i>\$554,000</i>
Research & Compliance	- <i>\$3.7 million</i>	- <i>\$777,000</i>
Other Electric Programs	- <i>\$835,000</i>	- -
Total	333,520 MWh, 38.1 aMW <i>\$94.4 million</i>	4.62 million <i>\$13.2 million</i>
\$107.6 million		

Despite reduced gas avoided costs and new construction energy codes, PSE is able to maintain its gas conservation programs through a concerted effort by Customer Energy Management Program Staff. Throughout the 2013 planning process, to avoid the elimination of entire natural gas programs, PSE developed creative solutions to sustain existing customer offerings wherever possible, consistent with cost-effective principles.

Solutions include the incorporation of quantifiable Non-Energy Benefits (NEBs),¹² establishing new gas measures, and optimizing the overall Portfolio by reviewing individual measure cost effectiveness.

This Portfolio optimization included, but was not limited to:

- Eliminating measures which were not cost effective on their own,
- Increasing the efficiency of the measures that we will offer, and
- Adding new measures; such as web-based residential thermostats, for instance.

Residential Energy Management (REM) retired gas furnaces from New Construction programs, and 2.0 Gallon Per Minute (GPM) showerheads from Multifamily New Construction programs. The Business Energy Management (BEM) Sector will modify Custom Grant funding to avoid incenting gas savings measures that are detrimental to the program's cost effectiveness, and expand the scope of gas offerings; in the Energy Smart Grocer program, for example.

Complete Portfolio, Sector and Program-level budget and savings details for all gas and electric programs, Regional Efficiency programs, Portfolio Support, Research & Compliance, and Other Electric programs are contained in Exhibit 1.

Consistent with condition (4)(a), Exhibit 1 contains a 2013-specific annual budget and conservation target view. These are also summarized at a sector level in Table 2 on the preceding page. The Exhibit 1 electronic Microsoft® Excel™ workbook employs hyperlinks for all 93 sheets, facilitating direct comparisons and reference for Stakeholders without the need to navigate tab-by-tab. Notations are included in the applicable pages to facilitate direct comparisons of the original 2013 budget (first presented in the 2012-2013 Biennial Conservation Plan) to the updated 2013 budget and savings targets. Affected programs are highlighted, with each supporting worksheet containing the pertinent notations.

Exhibit 2: 2013 Cost Effectiveness Estimates

Table 3 on the following page provides PSE estimates of the portfolio-level cost effectiveness of its electric and gas programs. Cost effectiveness estimates for gas and electric programs, and their supporting calculations and references are provided in Exhibit 2.

¹² Some quantifiable NEBs considered by Program Staff included water-savings, furnace filters, and CO detectors.

Exhibit 2 contains Portfolio summary tables, including benefit and cost summaries by program, in addition to program-specific pages that represent cost and benefit details. Comparable to Exhibit 1, PSE has formatted the 50-page Microsoft® Excel™ Exhibit 2 workbook with hyperlinks to facilitate easy reference for Stakeholders.

Table 3 also presents two variations of the projected 2013 natural gas program Total Resource Cost (TRC). PSE recognizes that there is considerable interest around the issue of 2013 natural gas avoided costs.¹³ Table 3 presents a gas TRC that was calculated without adding a 10-percent conservation benefit credit—as is PSE’s standard practice. In consideration of Stakeholder interest, however, PSE also calculated a gas TRC value reflecting that credit—which is normally reserved for electric TRC calculations—and included the results for comparison in Table 3.¹⁴

Table 3: 2013 CS/EE Cost Effectiveness Estimates, Sector View

	UC	TRC (WITHOUT 10% Conservation Credit)	TRC (WITH 10% Conservation Credit)
Overall CS/EE			
Electric	2.91		2.19
Gas	1.75	1.26	1.36
Residential			
Electric	3.10		2.20
Gas	2.18	1.34	1.45
Business			
Electric	3.26		2.35
Gas	1.62	1.34	1.47

¹³ It is noteworthy that natural gas avoided costs use a different discount rate than electric.

¹⁴ In its October 5 Reply Comments and Responses to Statements of Proposed Issues in Docket No. UG-121207, PSE indicated on page 7, Other Issues--Environmental Adder, that "...the natural gas calculation has been consistently different than the electric calculation. In the electric calculation, there is the use of a 10% environmental adder, this factor is only appropriate to be used on the electric side and not on the natural gas side. The only reason it is applied to electric, because there is a law proscribing it for the Council. Beyond that law there is no reason to do so. There are no regulatory requirements for applying this to natural gas. So applying it to natural gas would be arbitrary. This has issue has been transparent with our stakeholders and has a long-time precedent within PSE’s Commission-acknowledged Integrated Resource Plan.

It is important to note that cost effectiveness calculations performed for planning purposes rely on measure cost, customer incentive, and savings projections. Definitive cost-effectiveness rates are finalized only after actual costs are accumulated and reported. These figures are reported in the CS/EE Annual Report of Energy Conservation Accomplishments each February.

Exhibit 2, Supplement 2

PSE added a new Supplement, number 2: Low Income Weatherization Cost Effectiveness Tables to its Exhibit 2: Cost Effectiveness suite of information.¹⁵ Normally, this information is contained in the Exhibit 1 budget detail sheets. However, the complexities associated with agency payments, the incentive structures, different TRC rates, and the comprehensive array of measures in the Low Income Weatherization program necessitated the creation of this Supplement. Pertinent measure information remains in the LIW budget detail pages of Exhibit 1.

Exhibit 3: CS/EE Program Details

If there are revisions from the 2012-2013 BCP, they are noted in a [track changes/mark-up view](#), replacing the original 2012-2013 BCP text.¹⁶ The revision, its reason and effects, are discussed in the applicable program within this document. The final draft of the document will be filed with the WUTC on December 1, 2012 without mark-ups.

Sector-level strategic and tactical updates to the Company's 2012-2013 plans are listed in the CS/EE 2013 Annual Conservation Plan section, beginning on page 24. Revised Program Details, for all conservation programs in the Customer Energy Management (CEM) department, Portfolio Support, Research & Compliance, and Other Electric Programs, are provided in Exhibit 3.

Exhibit 4: CS/EE Measures

Exhibit 4 provides, by program and by fuel type, all incentives CS/EE will offer as of January 1, 2013.

PSE established a standard business practice several years ago to ensure that the CRAG was informed of measure offering revisions in a reasonable timeframe of their execution, in which PSE provided the CRAG with periodic updates to Exhibit 4 (in prior iterations, this document was referred to as "Attachment 1").

¹⁵ Supplements were introduced in PSE's 2011 Annual Report of Energy Conservation Accomplishments. They allow inclusion of additional value-add details while preserving the Exhibit naming tenets. In the 2013 ACP, the only Supplement included with Exhibit 2 is Supplement 2: Cost-Effectiveness tables for Low Income Weatherization. The remaining Supplements are included with reporting of annual results in February each year.

¹⁶ In the draft 2013 ACP, CRAG members receive a mark-up version, so as to more easily make direct comparison of the 2012-2013 BCP-vs-2013 ACP.



Beginning in 2012, PSE updated Exhibit 4 each quarter or as needed by filing a replacement copy with the WUTC, consistent with condition (5). PSE also provides the CRAG a mark-up draft and a “clean” copy of Exhibit 4. In addition, to provide additional measure revision details, the CRAG receives a comprehensive table that illustrates the specific element of the measure being revised; the incentive amount, savings value, or delivery method changes, and its corresponding business case for the revision.

The 2013 version of Exhibit 4 represents the most significant formatting change to the document since its creation. Readers will now notice an entire new look to all of the measure tables. This was done to enhance the consistency of all CS/EE presentations. All of the tables now have a “shadow” and each heading is in the “PSE Teal” color. We’ve also established alternating-row colors, which make scanning larger tables much easier.

A critical point about these revisions is that they do not represent changes in the measure offerings themselves. These are only formatting revisions designed to enhance the customer experience.

Exhibit 5: CS/EE Prescriptive Measures

Exhibit 5 represents the savings values that PSE will use for eligible prescriptive measures in 2013. Exhibit 5, Supplement 1; the table of prescriptive measure revisions for 2012, will be presented in the 2012 Annual Report of Conservation Accomplishments, published in February, 2013.

Exhibit 6: CS/EE Evaluation Plan

As with several other Exhibits, the CRAG draft, presented on November 1, 2012, contains revisions in a mark-up, track changes view. The revisions, their reasons and effects, are discussed in the applicable program within this document. The final draft, filed with the WUTC on December 1, 2012, will be “clean” copies.

Exhibits 7 & 8: Marketing Plan and EM&V Framework

As there are no updates to the CS/EE Marketing Plan: Exhibit 7, it is excluded from the 2013 ACP. The EM&V Framework: Exhibit 8 is included with PSE’s 2012-2013 Biennial Conservation Plan. The next update will be included in the 2014-2015 BCP.

However, consistent with the reporting tenets established in the 2011 Annual Report of Energy Conservation Accomplishments, pertinent Exhibit Supplements may be included. Such is the case with the 2013 ACP. Exhibit 7, Supplement 1 is the Residential Propensity Modeling Pilot summary. This pilot—funded through the Customer Online Experience budget—was discussed with the CRAG in its October 11, 2012 meeting.

Exhibit 9: Condition Compliance Checklist

Indicates the status of 2012-2013 conditions, including criteria for condition compliance, the means by which PSE will meet the condition, and completed and in-progress deliverables. Please note the new status icon, the hour glass. This signifies deliverables on which PSE is currently working.

Exhibit 10: Northwest Energy Efficiency Alliance

Formerly incorporated within Exhibit 3; Program Details, NEEA plans and reports will be a standalone document. This reflects the significant effort expended by NEEA staff to create these references for inclusion in PSE filings. A new Exhibit number is assigned and will be consistent in future reports and planning documents.

Exhibit 11: Tariff Revisions

In the 2012-2013 BCP, Tariff Updates were located in an unnamed Exhibit. Exhibit 11 is a newly-named Exhibit comprised of revised Tariff Sheet Schedules for reference. Tariff updates will be filed with the WUTC in a similarly timed filing, formatted according to RCW 80.28.040 & 050, and WAC 480-80. Following approval by the Washington Utilities and Transportation Commission, and made effective on January 1, 2013, they will be posted on PSE.com as separate documents. It is important to note that only those Tariff Sheets being revised are filed, rather than the entire Schedule or complete set of Conservation Schedules.

It is PSE's standard practice to post budget, program descriptions, and measure offering Exhibits on the PSE.com website under the Conservation Schedules listing. The Tariff Sheet revision set of documents; Exhibit 11, is the last Exhibit.

When the tariff sheets are approved, it will not be necessary to list them separately as an Exhibit; they will be posted in their respective categories in the PSE website. This practice will not alter the numbering sequence of preceding Exhibits.

2013 Revisions

Several Stakeholders have commented in the past that it would be easier to reference and compare electric and gas tariff Schedules if they have the same numerical designation.

These challenging schedules are:

Program	Pre-2013 Designation
Low Income Weatherization	Electric-201, Gas-203
Commercial/Industrial Retrofit	Electric-250, Gas-205
Resource Conservation Manager	Electric-253, Gas-208

In 2013, PSE will re-number these gas Schedules. Formerly, the Schedule numbers assigned to these gas programs caused sorting mis-matches and some confusion for readers.

The new Schedule numbers will enhance reference consistency and allow more effective sorting when needed. With these revisions, all program Schedule numbers will be the same for both electric and gas.¹⁷

It is important to note that the only revision to the conservation Schedules is to the number. Effective 2013, the three gas Schedules will become:

Former Name & Schedule Number	New Name & Schedule Number	Result
Low Income Weatherization, G203	Low Income Weatherization, G201	E201/G201
Commercial/Industrial Retrofit, G205	Commercial/Industrial Retrofit, G250	E250/G250
Resource Conservation Manager, G208	Resource Conservation Manager, G253	E253, G253

¹⁷ Readers will note that on each Tariff Sheet, in the “revisions” section, the gas Sheet’s number contains a “1” before the Schedule number (“nn revision of Sheet No. 1205...”, where “nn” is some number). This is a naming tenet that remains from prior to the merger of the Washington Natural Gas Company and Puget Power in 1997. The actual Schedule number, though, is contained in the Schedule title. (In this example, “Natural Gas Schedule No. 205”.)

Compliance

The conditions enumerated in Order 01 of Docket No. UE-111881 are those that were formerly provided in Section K of the 2010 Electric Settlement Agreement, Docket No. UE-100177. Sections A through J and L of that agreement remain in place, along with the natural gas provisions of the 2002 General Rate Case Stipulation Agreement, Docket No. UG-011571.¹⁸

Conditions Enumerating PSE's Conservation Deliverables

In 2013, PSE will uphold its continuous trend of frequently exceeding electric and gas conservation targets since 2002,¹⁹ when the Company's conservation targets were 9 aMW and 700,000 therms. Throughout that time, third-party reviews and evaluations, investigations—including on-site visits from WUTC Staff and other stakeholders--independent auditors,²⁰ found that Customer Solutions/Energy Efficiency (CS/EE) is consistently in complete compliance with laws and requirements. Since 2002, no audit findings were recorded during these reviews. In fact, the department quite often exceeds compliance requirements—even setting best-in-class customer focus and process benchmarks.

The 2002 Stipulation Agreement established the Conservation Resource Advisory Group (CRAG), with which PSE has maintained a long-standing engagement. Over the past ten years, PSE and the CRAG collaborated on strategic and tactical discussions ranging from conservation target setting, customer satisfaction, marketing concepts, budget reviews, tariff filing reviews, routine reporting, field trips to various conservation projects, and involvement with policy setting.

The Stipulation Agreement was used as the foundation for establishing the 2010 Electric Conservation Settlement Terms, Docket No. UE-100177, and those of other electric utilities serving Washington State. Obligations are consistent with those with which PSE has abided since 2002, including the natural gas requirements not outlined in the 2010 Electric Conservation Settlement Terms.²¹ Notable additions, such as a requirement to document an EM&V Framework and protocols, conduct an independent third-party savings reviews, and provide program-level budget details, created the opportunity for PSE to present to Stakeholders several processes and business principles under which PSE has successfully managed for a number of years prior to the passage of the Energy Independence Act (EIA), and implementation of RCW 19.285.

¹⁸ Order 05 of Docket No. UE-100177 (¶13) indicates that Docket numbers UE-011570 is vacated, while Exhibit F to the Settlement Stipulation shall continue in effect in Docket UG-011571.

¹⁹ 2002 is a significant milestone in PSE's energy-efficiency programs. The Stipulation Agreement, Attachment F in Docket numbers UE-011570 (since vacated by Order 05 in Docket number UE-100177) and UG-011571 established the CRAG, and set several conditions for deliverables that remain in place through two subsequent progressions.

²⁰ During the years in which PSE participated in the BPA's C&RD and CRC programs, Ernst & Young conducted two comprehensive audits of programs funded through the C&RD and CRC, with no audit findings.

²¹ Certain requirements from the gas 2002 Stipulation agreement, UG-011571 remain intact.



Those deliverables were updated in Order 01, Docket No. UE-111881, paragraphs 30 through 41, which approved PSE's 2012-2013 biennial savings target of 666,000 MWh. Applicable Sections of the Stipulation Agreement remain in effect, along with Sections A through J and L of the Electric Settlement Terms in Docket No. UE-100177. PSE tracks the progress of deliverables still in effect outlined in all three documents.

During 2013, PSE will continue to proactively manage its conservation programs under the guiding principle of condition (2):

Nothing within this Agreement relieves PSE of the **sole responsibility** for complying with RCW 19.285 and WAC 480-109, which requires PSE to use methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council ("Council"). Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, **diminish neither PSE's operational authority** nor its **ultimate responsibility** for meeting the biennial conservation target approved herein.²²

Specific Conditions Applicable to the Annual Conservation Plan

The 2013 Annual Conservation Plan (ACP, or Plan) outlines goals, targets, strategies, and operational issues that PSE will employ to meet the high expectations set by our customers and the biennial savings target noted in Table 1 on page 2. The Plan is consistent with applicable Commission Orders and Settlement conditions in Docket Nos. UE-111881 and UE-100177.

The ACP is submitted as a compliance filing, as it contains all changes to program details and an annual budget, consistent with condition 8(b).

(8) Puget Sound Energy must file the following:

By December 1, 2012, the 2013 Annual Conservation Plan, containing any changes to program details and an annual budget with a requested acknowledgement date of January 1, 2013. The Annual Conservation Plan may be acknowledged by placement on the Commission's No Action Open Meeting agenda. A draft will be provided to the CRAG by November 1, 2012.

²² Emphasis added.

This 2013 ACP also addresses, completes, or initiates compliance with other Sections, Orders, and conditions specific to the ACP's contents. Table 4 provides highlights of deliverables with which this report complies.

Table 4: Conditions Addressed in the 2013 Annual Conservation Plan

Condition/Order Subject	Plan Section
F(11) – Annual detailed program budget	Summary – Introduction Details – Exhibit 1
(3)(a)(v) – Review the need for Tariff modifications with the CRAG	Exhibit 11 – Tariff revisions
(3)(a)(vi)(2) – Review planning for measure & services incentives	Exhibit 4: CS Measures, Incentives & Eligibility
(3)(a)(ix) – Budget Review with the CRAG	Summary – Introduction Details – Exhibit 1
(3)(c) – Provide the CRAG with electronic copies of tariff filing	Exhibit 11: Tariff Revisions
(4)(a) & (4)(b) – PSE must submit annual budget, with program detail	Summary – Introduction Details – Exhibit 1
(5) – Program Details on file with UTC	Exhibit 3: Program Details
(6)(f) – PSE must spend a reasonable amount of its budget on EM&V	EM&V spending is highlighted and summarized in magenta in Exhibit 1.
(7)(a) – PSE must offer programs that reach each customer sector	2013 Annual Conservation Plan section Exhibit 3: Program Details
(7)(b) – Outreach on programs, inform participants	Exhibit 1, sector views, Marketing cost element
(7)(c) – PSE must offer incentives that are neither too high nor too low.	Exhibit 4: CS List of Measures, Incentives & Eligibility

Throughout this Plan, references to WUTC conditions 1 through 12, paragraphs 30 through 41 in Order 01 in Docket No. UE-111881, approving Puget Sound Energy's 2012-2021 Achievable Conservation Potential, and 2012-2013 Conservation Target Subject to Conditions; Sections A through J of the 2010 Electric Settlement Agreement, Docket No. UE-100177; and applicable Sections of the 2002 General Rate Case Stipulation Agreement, Docket No. UG-011571 may be cited where applicable within program progress discussions.

This discussion and the Glossary of Commonly Used Terms section contain the only citation of the complete, formal name of those orders and conditions. In the following discussions, the report will only reference “Section”, “condition”, or “order” to avoid repetition and unnecessary verbiage.

Progress of Overall 2012-2013 Condition Compliance

PSE acknowledges, and is very appreciative of our partnership with the CRAG and the collaboration that was cultivated with CRAG members throughout 2012. PSE looks forward to further success in 2013.



PSE continues to make steady progress towards the completion of all conditions and still-effective Sections enumerated in Order 01 of Docket No. UE-111881 and the Settlement Agreement of Docket No. UE-100177. As many conditions address the development of the Company’s Biennial Conservation Plan, we are confident that PSE will achieve completion of all deliverables by year-end 2013. Figure 1 on page 23 indicates that PSE is making excellent progress, having completed 50 percent of the deliverables by the end of 2012. Of the 61 deliverables, it is noteworthy that several conditions have deliverable dates in 2014; including 6(g), the independent Third-party Electric Savings Review, the 2014 Schedule 120 filing ((8)(h)), and the 2012-2013 Biennial Conservation Report, ((8)(i)).

In 2012, PSE classified several conditions as “Ongoing business practice”.²³ This is because they have no “deliverable” or initiate actions or reports; they outline a business practice or expectation. Examples (paraphrased) include Section G(14): PSE will honor Merger Commitments 22 and 23 from U-072375 regarding LIW funding levels, or (H)(16), regarding the use of peak credit method of assigning costs. These are classified as “completed” until the business practice or expectation changes.

We review these conditions annually, at a minimum, to ensure that PSE maintains compliance. A complete listing of completed condition deliverables is illustrated in Figure 1: 2012-2013 Condition Compliance by Quarter, on page 23.

Twice in 2012, PSE provided the CRAG with compliance progress updates relative to the three sets of requirements. We also include references to applicable conditions in each CRAG meeting slide presentation. PSE will continue its condition compliance, and update the CRAG regularly throughout 2013.

Table 5 provides a summary of orders and conditions with which PSE complied by year-end 2012. The year-end 2012 status²⁴ of PSE’s compliance is attached to this Plan as Exhibit 9. It is noteworthy that two new icons were added to the Exhibit: the hourglass,















 indicating deliverables in progress, and the yellow check,  indicating that a condition will be completed by year-end. A legend of icons is now included in the Exhibit 9 header.

²³ These are indicated in the “Deliverable Provided Date” column near the right-most margin of Exhibit 9.

²⁴ Although filed by December 1, 2012, the checklist in Exhibit 9 reflects planned year-end status.

Table 5: Conditions Completed by Year-end 2012

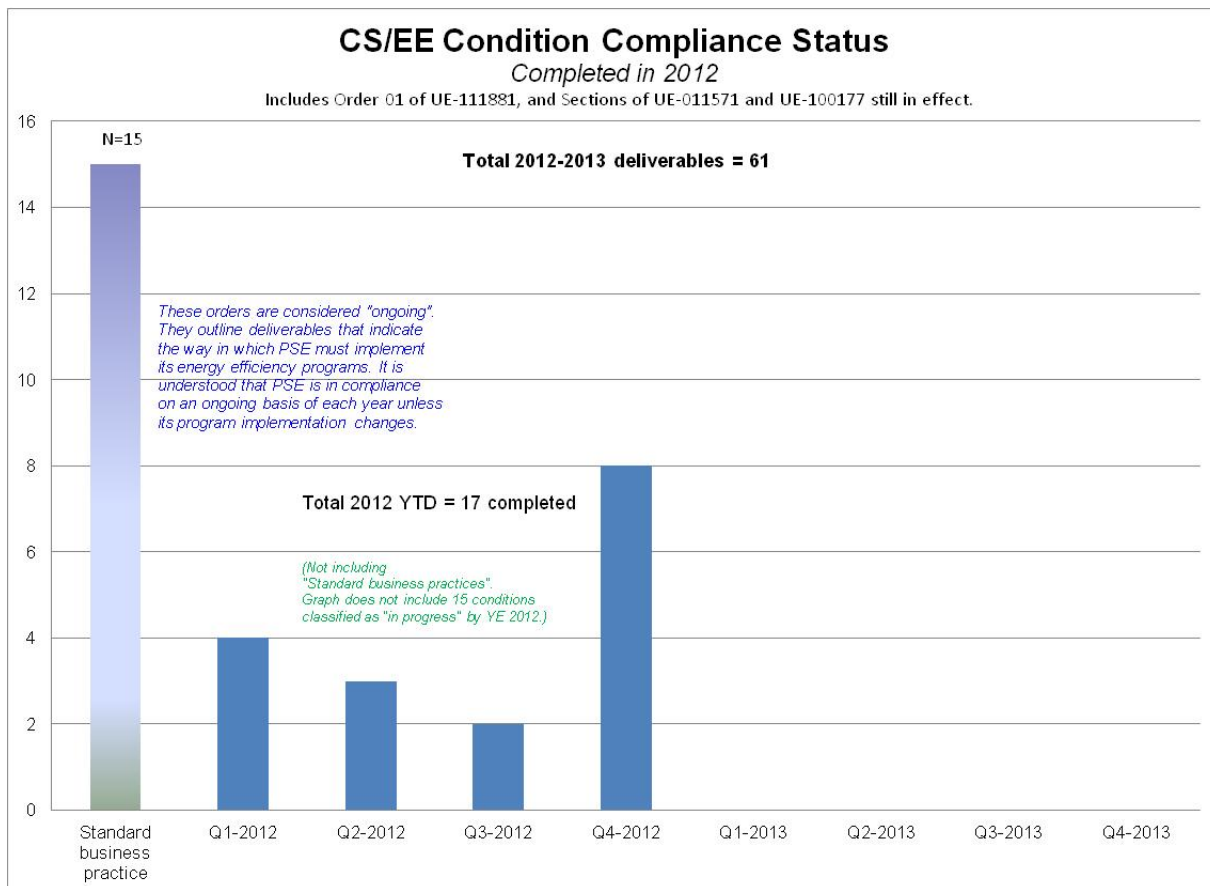
Conditions and orders completed by year-end 2012.

Section	Activity Status, UG-011571	
M(44)	Completed—PSE completed mailings of its Natural Gas 2010-2011 customer report card in June, 2012.	
Condition	Activity Status, UE-100177	
I(17)	Completed—PSE exceeded its 2010-2011 electric biennial conservation target, thus avoiding penalties.	
I(18)	Completed—PSE mailed its electric Conservation Report Card to customers between October 15 and November 15, 2012.	
K(6)(g)	Completed—PSE provided the final report of the Third-party review of 2010-2011 electric savings in the 2010-2011 Biennial Conservation Report on June 1, 2012.	
K(8)(g)	Completed—PSE filed 2011 Annual Report. (One of five 2012-specific conditions in the 2010 Electric Settlement Agreement.)	
K(8)(h)	Completed—PSE filed its 2010-2011 Biennial Conservation Report on June 1, 2012, and posted an electronic copy on its website.	
Condition	Activity Status, UE-111881	
(3)(a)(viii)	Completed—PSE provided all CRAG members with electronic copies of the 2011 Annual Report and the 2010-2011 Biennial Conservation Report.	
(3)(a)(ix)	Completed (Effective with this report)—Review 2013 conservation program budgets and projected 2012 expenditures with the CRAG.	
(3)(b)	Completed (by YE 2012)—CRAG meetings conducted March 22, June 21, October 11, and December 6.	
(4)(a) & (4)(b)	Completed (Effective with this report)—PSE provided its 2013 annual budget with program details, with sector and portfolio pages linked.	
(8)(a)	Completed—PSE's 2012 Semi-Annual Conservation Report was filed August 15, 2012.	
(8)(b)	Completed--This report, presented in draft form to the CRAG on November 1 and filed with the WUTC on December 1	
11(c)	PSE's Schedule 120 filing was made on March 1, 2012.	
12(a)	PSE filed its petition for Declaratory Order on July 6, 2012.	
<p><i>A yellow check mark indicates that the task will be completed by year-end of the reporting year.</i></p>		

Conditions noted as completed exclude those that are classified as "standard business practice" in the complete Exhibit 9: Condition Compliance Checklist.

These do not have a specific deliverable timeframe and are thus accounted for elsewhere.

Figure 1: 2012-2013 Condition Compliance by Quarter



PSE's 2013 Annual Conservation Plan

The following pages outline updates, revisions and strategies that CS/EE Staff plan to execute in 2013 in order to respond to changing market conditions, anticipate customer requirements, and achieve aggressive conservation targets. The sections follow the ACP Exhibits (noted in parentheses) in numerical order. These discussions address program revisions relative to plans outlined in the 2012-2013 Biennial Conservation Plan. New programs, new delivery methods, new and updated incentive structures, and other factors influencing program revisions are discussed within each sector and channel. If there is no need for a revision to a program, function or activity in 2013, this will also be noted.

The discussions will illustrate PSE Staff expertise to respond to industry trends, adapt to annual RTF UES revisions, and to develop creative, cost-effective conservation solutions for PSE customers. The discussions focus on steps that program managers are already putting into place to minimize ratepayer costs, streamline processes, and improve the customer experience. We will also demonstrate PSE's ongoing commitment to provide useful information, presented in a logical fashion that exceeds our Stakeholders' expectations.

Details that reflect these revisions are outlined in the attached Exhibit 3: Program Details.

2013 Conservation Savings Goals and Budgets

Table 6 provides a comparison of the 2013 budgets and savings goals as represented in the original 2012-2013 Biennial Conservation Plan, versus the updated 2013-specific budgets and targets in this ACP. Contents relative to key drivers of budget and savings updates are contained in the following Sector discussions.

Table 7 on page 28 and 29 presents the 2013 Customer Solutions/Energy Efficiency program view of electric and gas expected expenditures in addition to the conservation targets. A full-page view and all details are contained in Exhibit 1, which is most effectively viewed in its Microsoft® Excel™ format. Detailed budgets by program, classified by cost element are presented in the Exhibit 1 Sector views (tabs 2 and 3 in the workbook); both electric and gas programs. Table 7 is divided into two parts, formatted in such a way as to facilitate convenient side-by side reference in this report.

Table 6: 2013 CS/EE Conservation Targets and Budgets, Comparing 2012-2013 Figures to Updated 2013-Specific Values

2013 Budgets and Savings, Comparing Values Presented in the 2012-2013 BCP vs Updated 2013-Specific Figures		
	BCP 2013 Value	Updated 2013 Value
Electric Savings (aMW)	37.4	38.1
Electric Budget \$	95,054,000	\$ 94,401,000
Gas Savings (Therms)	4,671,600	4,618,000
Gas Budget \$	13,164,000	\$ 13,181,000

Conservation savings targets for 2013 include those resulting from conservation services in Jefferson County from January through the Closing Date, as authorized by Order 02 in Docket No. UE-120807.

Attachment A of that Docket, Full Settlement Re: Cessation of Conservation Programs and Charges for Customers in Jefferson County, indicates:

PSE will continue to offer and charge for approved electricity conservation programs in Jefferson County subject to the terms of Tariff WN U-60, up to and until the Closing Date.²⁵

And that:

... the Settling Parties will not claim that PSE's spending in its Jefferson County service territory for rebates and grants for calendar year 2012 and January 1, 2013 up to and until the Closing Date was inappropriate or imprudent based on the continuation of approved electricity conservation programs up to and until the Closing Date.²⁶

PSE will discontinue charging the Schedule 120 rates and offering approved electricity conservation programs under Schedule 83 to customers in Jefferson County on the Closing Date.²⁷

PSE will be allowed to count all the energy savings in Jefferson County for calendar year 2012 and for January 1, 2013 up to and until the Closing Date toward PSE's commission-approved 2012-2013 Electric Biennial Conservation Savings Target.²⁸

²⁵ ¶ 9, page 3 of 7; Full Settlement Re: Cessation of Conservation Programs and Charges for Customers in Jefferson County.

²⁶ Ibid, ¶ 10

²⁷ Ibid, ¶ 11

²⁸ Ibid, ¶ 12

This page intentionally left blank in order to provide a side-by-side view of Table 7.



Table 7: 2013 CS/EE Conservation Goals and Budgets by Program

Schedule Nos.	Program Name	MWH Savings	Electric Rider Budget	Therm Savings	Gas Tracker Budget	Total Tariff Budget	
Residential Energy Management							
E201	G201	Low Income Weatherization	1,200 \$	2,425,000	21,000 \$	301,000 \$	2,726,000 \$
E214	G214	Single Family Existing (Subtotal)	125,970 \$	30,183,000	1,889,000 \$	6,127,000 \$	36,310,000 \$
		Residential lighting	83,230 \$	13,123,000	- \$	- \$	13,123,000 \$
		Space heat	6,140 \$	3,004,000	748,000 \$	2,355,000 \$	5,359,000 \$
		Water heat	860 \$	589,000	- \$	- \$	589,000 \$
		HomePrint	4,080 \$	1,839,000	- \$	- \$	1,839,000 \$
		Home Appliances	12,410 \$	7,752,000	8,000 \$	- \$	7,752,000 \$
		Showerheads	3,500 \$	226,000	179,000 \$	296,000 \$	522,000 \$
		Weatherization	6,350 \$	2,134,000	553,000 \$	2,922,000 \$	5,056,000 \$
		Web-enabled Thermostats	0 \$	-	54,000 \$	455,000 \$	-
		Mobile Home Duct Sealing	1,050 \$	557,000	- \$	- \$	557,000 \$
		Home Energy Reports	5,500 \$	218,000	347,000 \$	99,000 \$	317,000 \$
E215	G215	Single Family New Construction	1,530 \$	1,249,000	-	-	1,249,000 \$
E216		Fuel Conversion	2,650 \$	1,084,000	-	-	1,084,000 \$
E217	G217	Multi Family Existing	16,750 \$	6,862,000	18,000 \$	118,000 \$	6,980,000 \$
E218	G218	Multi Family New Construction	950 \$	674,000	47,000 \$	317,000 \$	991,000 \$
E249	G249	Pilots	0 \$	-	0 \$	-	-
Total, Residential Programs			149,050 \$	42,477,000	1,975,000 \$	6,863,000 \$	49,340,000 \$
Business Energy Management							
E250	G250	Commercial / Industrial Retrofit	71,380 \$	18,986,000	487,000 \$	2,702,000 \$	21,688,000 \$
E251	G251	Commercial/Industrial New Construction	3,500 \$	1,470,000	156,000 \$	622,000 \$	2,092,000 \$
E253	G253	Resource Conservation Manager	18,750 \$	1,558,000	600,000 \$	851,000 \$	2,409,000 \$
E255		Small Business Lighting Rebate	16,040 \$	5,640,000	-	-	5,640,000 \$
E258		Large Power User - Self Directed Program	13,000 \$	4,189,000	-	-	4,189,000 \$
E261	G261	Energy Efficient Technology Evaluation	0 \$	31,000	-	28,000 \$	59,000 \$
E262	G262	Commercial Rebates	34,310 \$	6,648,000	1,400,000 \$	784,000 \$	7,432,000 \$
Subtotal, Business Programs			156,980 \$	38,522,000	2,643,000 \$	4,987,000 \$	43,509,000 \$
Regional Efficiency Programs							
E254		NW Energy Efficiency Alliance	19,410 \$	5,261,000	-	-	5,261,000 \$
E292		Generation, Transmission, and Distribution	8,080 \$	-	-	-	-
Subtotal, Regional Programs			27,490 \$	5,261,000	\$	-	5,261,000 \$
Subtotal, Programs with conservation savings values			333,520 \$	86,260,000	4,618,000 \$	11,850,000 \$	98,110,000 \$

Blue cells = use for 10% "info-only" calculation (per condition (7)(d)):

HER program costs excluded from "info-only" calculation because savings will be measured.

Purple cells = use for 1 - 3% eval calculation:

Schedule Nos.	Program Name	MWH Savings	Electric Rider Budget	Therm Savings	Gas Tracker Budget	Total Tariff Budget
Subtotals from previous page		333,520	86,260,000	4,618,000	11,850,000	98,110,000
Energy Efficiency Portfolio Support						
	Customer Engagement and Education		\$ 1,518,000		\$ 231,000	\$ 1,749,000
	Energy Advisors		\$ 1,083,000		\$ 162,000	\$ 1,245,000
	Events		\$ 297,000		\$ 48,000	\$ 345,000
	Brochures		\$ 54,000		\$ 8,000	\$ 62,000
	Education		\$ 84,000		\$ 13,000	\$ 97,000
	Customer Online Experience		\$ 999,000		\$ 150,000	\$ 1,149,000
	Web Experience (subtotal)		\$ 632,000		\$ 95,000	\$ 727,000
	Web Development		\$ 87,000		\$ 13,000	\$ 100,000
	Web content, maintenance + analytics		\$ 296,000		\$ 44,000	\$ 340,000
	Online customer tools		\$ 235,000		\$ 35,000	\$ 270,000
	E-news		\$ 9,000		\$ 2,000	\$ 11,000
	Miscellaneous applications		\$ 5,000		\$ 1,000	\$ 6,000
	EES Market Integration		\$ 367,000		\$ 55,000	\$ 422,000
	Energy Efficient Communities		\$ 381,000		\$ 57,000	\$ 438,000
	Trade Ally Support		\$ 62,000		\$ 25,000	\$ 87,000
	Marketing Research		\$ 608,000		\$ 91,000	\$ 699,000
	Subtotal, Portfolio Support		\$ 3,568,000		\$ 554,000	\$ 4,122,000
Energy Efficiency Research & Compliance						
	Conservation Supply Curves		\$ 255,000		\$ 38,000	\$ 293,000
	Strategic Planning		\$ 237,000		\$ 35,000	\$ 272,000
	Program Evaluation		\$ 2,159,000		\$ 550,000	\$ 2,709,000
	Program Support		\$ 454,000		\$ 53,000	\$ 507,000
	Subtotal, Research & Compliance		\$ 3,738,000		\$ 777,000	\$ 4,515,000
			\$ -		\$ -	\$ -
Total, Efficiency Programs Included in CE Calculations		333,520	\$ 93,566,000	4,618,000	\$ 13,181,000	\$ 106,747,000
Other Electric Programs						
E150	Net Metering		\$ 461,000		\$ -	\$ 461,000
E248	Renewables Education		\$ 120,000		\$ -	\$ 120,000
E271	C/I Demand Response		\$ 244,000		\$ -	\$ 244,000
E249a	Residential Demand Response Pilot		\$ 10,000		\$ -	\$ 10,000
	Subtotal, Other Electric Programs		\$ 835,000		\$ -	\$ 835,000

GRAND TOTAL All EES Programs	38.1 aMW	\$ 94,401,000	4,618,000	\$ 13,181,000	\$ 107,582,000
-------------------------------------	-----------------	----------------------	------------------	----------------------	-----------------------

2013 Figures as noted in 12-13 BCP	37.4 aMW	\$ 95,053,983	4,671,480	\$ 13,164,354	\$ 108,218,337
Difference	.7 aMW	\$ (652,983)	-53,480	\$ 16,646	\$ (636,337)

Blue cells = use for 10% "info-only" calculation: 3.8% 4.4%
 HER program costs excluded from "info-only" calculation because savings will be measured.

Purple cells = use for 1 - 3% eval calculation: 2.7% 4.6%

Key Drivers of Budget Revisions

The electric budget of \$94.4 million—a decrease of \$650,000 from the 2013-specific amount indicated in the 2012-2013 Biennial Conservation Plan, includes, but is not limited to the following key drivers:

- 1) An increase in the corporate overhead rate from those assumed in the 2012-2013 BCP. Overhead elements include those that are labor-related, rent, transportation, materials, etc.
- 2) An increase in the aggregate Direct Benefit to Customers, or incentives. This increase results from additional savings planned by various programs.
- 3) Some Residential Energy Management programs added a GFR (Gas First Response) to their marketing budgets. This budget amount reflects activities that Gas First Response service providers perform when making service calls to natural gas customers. In applicable cases, they will distribute applicable energy-efficiency brochures as part of their service call.
- 4) A slight increase in Evaluation spending. The Verification Team, which is associated with the Evaluation function, is a new budget item, which was formerly incorporated in the Evaluation budget item.
- 5) The BEM key drivers include a budget decrease of \$750,000 in the C/I New Construction and \$980,000 in Large Power User Self-Directed Programs.

The 2013 C/I New Construction program budget reduction was largely driven by revising the forecast to reflect actual projects that have been submitted since filing the 2012-2013 BCP. Due to the long lead time for these types of projects, the revised budget reflects a more accurate forecast based on current projects underway.

The Large Power User Self-Directed Program budget is fixed by the Schedule 120 Conservation Rider collections made over a four year timeframe. As discussed in the 2012 semi-annual report, "...the program will achieve, and possibly exceed, its conservation goal and originally targeted incentive budget for the year." Given more budget and collections are likely to be spent in 2012, means there is less money available to spend throughout the remainder of the program cycle. Thus, a reduction in the 2013 budget compared to the BCP.

- 6) Residential Electric Weatherization Direct Benefit to Customer (DBtC; approximately \$400,000 lower than first budgeted) and Outside Services (approximately \$1.5 million lower) are decreasing due to market conditions punctuated by the continued economic downturn.
- 7) The overall Portfolio Support budget is reduced by approximately \$500,000 as a result of updated labor allocations and reduced outside service contracts.

The gas budget of \$13.2 million—an increase of \$20,000 from the 2013-specific amount indicated in the 2012-2013 Biennial Conservation Plan is driven in large part by the effect of reduced gas avoided costs.

PSE's adjustments to several gas programs resulted in:

- 1) Reduced direct labor costs.
- 2) A slight increase in program marketing, which is needed to compensate for reduced offerings.
- 3) An increase in program evaluation spending.
- 4) Lower spending in both Materials and Direct Benefit to Customer (fewer and lower incentives offered) categories.

Program Plans

The following discussions provide, by Sector (following the organization of Exhibit 1's Portfolio View), details of 2013 Annual Conservation Plan strategic revisions that will be put into effect in order to meet PSE conservation targets. Please note that the discussions focus on notable revisions relative to the 2012-2013 Biennial Conservation Plan.

Residential Energy Management Sector

Consistent with its business management approach, demonstrating exceptional results for more than ten years, the Residential Energy Management (REM) Sector will make revisions to several measure offerings in order to meet its 2013 savings targets.

Many of these adjustments are made in order to reflect updated RTF UES values; clothes washer and heat pump water heaters are noteworthy examples. As discussed in the following program details, some insulation measures are also adjusted in response to a 2012 impact evaluation.

Presenting a particular challenge was the issue of reduced gas avoided costs.

Rather than retire gas programs in the entire Sector, Program Staff applied optimization techniques, using cost-effectiveness analysis on individual measures, allowing for more precise adjustments. Where quantifiable Non-Energy Benefits were available from the RTF, Program Staff also incorporated those, based on RTF values to evaluate the Total Resource Cost (TRC) of measures. Therefore, REM is able to continue offering gas incentives for our customers.

The only program impacted in its entirety was the Single Family New Construction program. The program's sole offering of high-efficiency gas furnaces are now code in new construction. Therefore, offering a higher-efficiency furnace is not cost-effective. High-efficiency gas furnaces are also no longer cost-effective in the Multifamily New Construction programs, nor are 2.0 GPM showerheads. These measures are retired for 2013. The addition of a new measure, Web-enabled Thermostats, will help augment the gas savings lost from those retired measures.

In 2013, REM will add to its suite of measure offerings:

- More LED offerings to include MR-16 and an LED Engagement Bulb.
- Occupancy sensors in the Residential Lighting program.
- Include all levels of Energy Star refrigerators in the Appliances program.
- A new Clothes Washer Replacement for electric water heat/electric dryers.
- Customers will be able to link and share energy use comparisons via Facebook®.²⁹

²⁹ Conditioned upon WUTC notification.

Additional details are noted in the following program detail discussions.

Table 8 provides a summary of the Residential Energy Management Sector’s 2013-specific budgets and savings goals as stated in the 2012-2013 Biennial Conservation Plan versus the updated 2013-specific budgets and savings goals. Key drivers of the updates are noted in the following program discussions. Exhibit 1’s portfolio view will highlight updated programs. Details of specific budget and savings changes are thoroughly highlighted in the specific budget detail sheets for each affected program in Exhibit 1.

Table 8: 2013 REM Conservation Targets and Budgets, Comparing 2012-2013 Figures to Updated 2013-Specific Values

2013 Budgets and Savings, Comparing Values Presented in the 2012-2013 BCP vs Updated 2013-Specific Figures			
		BCP 2013 Value	Updated 2013 Value
Electric Savings (aMW)		17.1	17.0
Electric Budget	\$	42,353,000	\$ 42,477,000
Gas Savings (Therms)		1,898,600	1,975,000
Gas Budget	\$	6,764,000	\$ 6,863,000

Low Income Weatherization

The 2013 Residential Low Income Schedule 201 program, in partnership with social service agencies and The Energy Project, will implement an incentive and overhead payment structure that may encourage sustained program production in the event that State and Federal dollars diminish. The updated program structure is the result of a work group that PSE formed in March 2012 consisting of social service agency representatives and the Energy Project.

The updated program offers a cost-effective incentive and overhead payment option that PSE and the agencies can exercise to pay for measures considered "mission critical" to the low income customer.

PSE worked closely with its partnering agencies to identify mission critical measures due to their field experience and long standing work with this customer segment.

Single Family Existing

This Sector group is the largest contributor of savings in REM and is made of these programs:

- Residential Lighting
- Home Appliances
- Showerheads
- Space and Water Heat
- Weatherization
- HomePrint
- Home Energy Reports

Retail Lighting

- To further engage and excite our customers, we have expanded the number of LED offerings to include MR-16 and an LED Engagement Bulb to use at outreach events.
- The program added residential room occupancy sensors for 2013 as a complimentary measure to our existing lighting portfolio.
- Measure allocation increased to reflect current market conditions resulting from continued customer demand.

Appliances

- For Clothes Washers, the measure allocation and associated savings values decreased significantly as a result of RTF savings revision and subsequent reduction. PSE has been a long-time contributor to successfully driving market transformation.
- In 2013, PSE is adding a Clothes Washer Replacement, similar to Refrigerator Replacement, for electric water heat/electric dryers throughout our service territory. The focus will be older inefficient models of Clothes Washers that would continue to be on the grid absence of a program that encourages their early retirement.
- We will include all levels of Energy Star refrigerators to ensure that the customer experience is at the highest, most inclusive level. This will also continue to keep administrative costs low by limiting customer confusion around what levels of Energy Star® refrigerators do and do not qualify.

Showerheads

Based upon our success in 2012, PSE will continue to offer a variety of options for our customers that will result in an increase of measure allocations.

Space & Water Heat

Measure allocation and associated savings values are revised in 2013 as a result of RTF savings updates in applicable instances.³⁰ This tenet is consistent with PSE's Measure Revision Guidelines, which indicate that savings revisions to RTF Deemed (also, "Unit Energy Savings", or UES) will be made annually, at the beginning of each year to ensure the most accurate savings reporting.

Web-Enabled Thermostat

A web-enabled thermostat management solution will optimize customers' space heating system by combing the latest thermostat technology with behavioral tools that customers have come to easily interact with in other social applications in their life. The result will be a fully installed pre-programmed system that will engage customers with a user interface that is easier to understand and control, helping reduce their energy usage while maintaining their comfort.

HomePrint

Apart from revising 2013 showerhead savings values to align with updated RTF values, no 2013 revisions are planned for the program.

Weatherization

- Measure allocation and associated savings values for insulation measures are revised in 2013 as a result of the 2012 Cadmus Single Family Existing Weatherization impact evaluation.
- The program adds PTCS Duct Sealing and Whole Home Air Sealing Measures for the 2013 program year.

Home Energy Reports

Through PSE's work with O-Power, we will offer a no-cost social media application that customers may access through their Facebook® account, pending Commission notification.

³⁰ Measure details are contained in the pertinent Exhibit 1 program detail pages.

Single Family New Construction

Due to the reduced avoided costs of natural gas, furnaces are no longer cost-effective and have been eliminated from the Single-Family New Construction program. Since this was the only remaining measure, we are no longer offering any natural gas incentives for this program. Due to the reduced market costs of LED products, we are able to begin to offer LED lamp and fixture incentives to the builder market through our showroom program.

Multifamily Existing

Due to the reduced avoided costs of natural gas, furnaces are no longer cost-effective and have been eliminated from the Multifamily Retrofit program. The 2013 gas savings goal has been reduced by roughly 30 percent. Due to the reduced market costs of LED products, we are able to begin transitioning our direct install bulb offerings from CFL to LED.

Multifamily New Construction

All prescriptive incentives for natural gas, except for showerheads, are no longer cost-effective in 2013 due to the reduced avoided cost of gas and will be deleted.

The market in multifamily new construction has moved to adopting 2.0 gpm showerheads so the program will delete this measure flow amount and replace with a 1.75 gpm and 1.5 gpm showerhead incentive.

Multifamily new construction will leverage the measure metrics from multifamily existing/retrofit and start offering the same LED lighting product incentives.



Business Energy Management Sector

As is the case with Residential Energy Management measures, the avoided cost of gas will impact some Business offerings. For instance, it is anticipated that custom grants will realize 10-to-15 percent lower natural gas savings in 2013. Longer-payback measures which previously qualified for funding will now receive reduced incentives—or possibly no incentive at all—under a revised funding formula that accounts for lower avoided costs.

The overall Sector impact on natural gas savings will be minimal, however, resulting from Program Staff anticipating the evolving market conditions, developing several creative solutions, and collaborating with customers, third-party service providers and contractors.

Additionally, the Commercial/Industrial Resource Conservation Manager (RCM) program is now incorporating water-saving quantifiable Non-Energy Benefits in its TRC calculation.

Among the BEM program revisions:

- PSE will implement several gas offerings in its Energy Smart Grocer program,
- The New Construction program anticipates that the completion of a large project in 2013 will generate a significant amount of therm savings,
- The RCM program will prorate measure costs based on the avoided costs of the electric and gas savings, rather than on a simple BTU basis.

On the electric side T12 lighting options will continue in 2013, when it was originally anticipated in the 2012-2013 Biennial Conservation Plan that new EISA standards would make them obsolete in 2013. New Business Rebate offerings will also continue to contribute additional kilowatt-hour savings. With continued advancement in LED technology and price reductions for LED products, the program plans an increase in lighting savings.

Table 9 provides a summary of the Residential Energy Management Sector's 2012-2013 BCP budgets and savings goals versus the updated 2013-specific budgets and savings goals. Key drivers of the updates are noted in the following program discussions. Exhibit 1's portfolio view will highlight updated programs. Details of specific budget and savings changes are thoroughly highlighted in the specific budget detail sheets for each affected program.

Table 9: 2013 BEM Conservation Targets and Budgets, Comparing 2012-2013 Figures to Updated 2013-Specific Values

2013 Budgets and Savings, Comparing Values Presented in the 2012-2013 BCP vs Updated 2013-Specific Figures		
	BCP 2013 Value	Updated 2013 Value
Electric Savings (aMW)	17.2	17.9
Electric Budget \$	38,641,000	\$ 38,522,000
Gas Savings (Therms)	2,773,000	2,643,000
Gas Budget \$	5,270,000	\$ 4,987,000

Commercial/Industrial (C/I) Retrofit

Changes to avoided costs make it necessary for PSE to change its custom grant funding formulas in 2013 in order to continue meeting cost effectiveness requirements. As a result, less cost-effective gas efficiency measures may receive reduced or no funding. Standard Retrofit Grant Savings will decrease with reduced funding, but Energy Smart Grocer is being enhanced to include new measures which will increase the gas savings for the Grant Program in 2013. This addition of natural gas efficiency measures to the Energy Smart Grocer program was a recommendation of the C/I Retrofit evaluation completed by Navigant Consulting in 2012.

Since measures in the program are inter-related, the increased focus on gas efficiency will also increase electric energy savings produced by the Energy Smart program. The Enhanced Lighting offering, launched in late 2011, has increased customer participation in lighting custom grants and will continue to do so in 2013. Anticipated reductions in savings from lighting retrofits, as T12 retrofits decline due to new EISA standards, will not be as extensive as initially anticipated due to continuing EISA compliant T12 lighting options available for customers in 2013. The industrial program is seeing slightly less projects submitted than originally forecasted, which is likely due to continuing effects of the down economy.

The Building Energy Optimization Program (BEOP) has been renamed to Comprehensive Building Tune-Up (CBTU) to clarify between the two existing building tune-up offerings (Comprehensive and Simple) and avoid customer confusion. Gas savings from the CBTU program are expected to decrease from original estimates due to program participation consisting of mostly of larger facilities with large internal heat gain which do not have significant gas space heat requirements. The electric savings are expected to increase due to more savings claimed per project.

Third party contracted programs are continuing to generate customer interest and will increase their contribution toward energy savings targets in 2013. Ramp-up of the new Simplified Building Tune-Up program has taken longer than anticipated. Once initial contact and interest has been established with the customer, it has taken longer than expected for customers to take action in this program. To account for the time it takes for the customer to participate and savings to be verified, targets have been reduced by from the original plan for 2013.

In-house process improvements will continue in 2013 to maximize operational efficiency and enhance reporting, tracking and data analysis. A re-organization of our central electronic storage drives is expected to be fully implemented in 2013 which will improve our project and program tracking capabilities. An Energy Management Engineer reporting tool has been developed to generate monthly reports producing a list of customers the EME is currently working with, the number of projects processed per month and savings values per project. This information is shared with various customer-facing PSE departments which will improve project management and support for customer participation in 2013.

As recommended by the C/I Retrofit evaluation completed by Navigant Consulting in 2012, case studies are being published, enabling customers to view examples of commercial businesses receiving PSE incentives for their energy efficiency projects. The case studies are broken out by customer type such as hospitality, office buildings, and medical facilities. Additional case studies will continue to be developed in 2013.

Commercial/Industrial New Construction

The gas savings target increased primarily due to an industrial laundry facility that will be completed in 2013, pushing the target beyond projections made during the 2012-2013 planning cycle. The revised 2013 target is largely based on projects already active in our system due to the long lead time for these types of projects. A process and impact evaluation by Navigant Consulting will be complete by 2013 providing program recommendations to enhance the program.

Resource Conservation Manager

The RCM program will begin allocating cost and incentives based on avoided costs by fuel type rather than units of energy (BTU), which will better align RCM program costs with avoided costs of the resources being saved. This change is being driven by a significant change in natural gas avoided costs, which created a misalignment between electric and gas program costs relative to value of savings. The RCM program will count quantifiable Non-Energy Benefits (NEBs) associated with its program. In particular, the program anticipates three percent water savings for all customers.

The RCM program decreased the anticipated gas savings for 2013. The drop in natural gas savings is attributed to large gas customers completing their third year of performance earlier than anticipated in 2012.

The RCM program will reduce the renewal grant cost structure. Previously, renewal grants were structured to achieve five percent savings over a three year period. For example, a customer with one FTE would have a measure cost of \$100,000 applied each year, while only achieving savings of 1.67 percent per year. It is expected that one fully dedicated FTE should achieve the five percent savings target over one year. If the one FTE takes three years to achieve the target, it is assumed that their time was allocated towards other things besides RCM program activities.

To improve accuracy of cost effectiveness calculations, the method of quantifying percent of FTE in the program will be modified. Previously, the FTE was rounded to the nearest 0.25 FTE. This created cost effectiveness issues. For example, when a large gas customer qualified for 1.0 FTE yet only had savings to justify 0.90 FTE, the grant analysis was rounded up to 1.0 FTE resulting in lower-than-actual cost effectiveness being calculated for this contract. The revised calculation rounds to the nearest 0.05 FTE for improved accuracy in reporting.

Small Business Lighting

The Small Business Lighting Program will continue to encourage comprehensive projects and target more LED lighting and controls opportunities. This will be achieved through continued contractor training, an improved Small Business Lighting application that was released midyear of 2012 and increased customer engagement in the field.

Recent federal lighting standards are not having the diminishing effect on lighting savings originally estimated. There will still be T12 lighting options available for customers in 2013 and beyond, making incentives for retrofit to efficient T8 lighting necessary throughout 2013.

Staffing is being increased to allow more time to work and engage with customers and contractors in-person, at their businesses, as well as increase project verification levels. This enhanced contractor and customer service will help facilitate full utilization of the new application and a more comprehensive approach to their lighting projects.

A management tool called Customer Management System (CMS) will be implemented for the Small Business Lighting Program enabling the Program to track project statuses more efficiently, streamline internal processing, and manage contractor project quality and verifications.

Large Power User Self-Directed

Customers have utilized their allocations more quickly in 2012 than expected in the original forecast and, as a result, the remaining savings potential of the program has decreased for the remaining program cycle. The competitive phase will be held in 2013, with customers having until December of 2014 to complete projects.

Technology Evaluation

The program is not intended for basic research or product development. Rather, it identifies new technologies (that are commercially viable and readily available) that are suitable for C/I programs. BEM Staff monitors the progress of technologies while gaining confidence in energy analyses and savings estimates. Staff will continue monitoring emerging technologies and participating in regional new technology assessment activities in 2013.

Commercial Rebates

The Commercial Rebate Program will continue offering its successful prescriptive rebates in kitchen, hospitality and other commercial establishments and contracting the delivery of specialty programs such as Premium HVAC Service, low-flow pre-rinse spray head/aerator installations and green motor re-winds.

In response to decreasing natural gas avoided costs, quantifiable Non–Energy Benefits (NEBs) will be included in 2013 cost-effective calculations for both Gas and Electric Commercial Rebate Programs in the form of Water/Sewer Savings to the customer.

Adding these benefits greatly improves the Commercial Rebate Programs Total Resource Cost (TRC) due to the significant quantity of reduced water consumption associated with measures incented by the commercial kitchen and laundry sectors. To provide timely resolution of issues identified by enhanced verification and inspection processes, a PSE Staff member will be added to the Commercial Rebate Programs to coordinate inspection results and follow-up with customers and contractors for all rebate programs.

The new contracted Small Business Direct Install Program startup work was completed in 2012. The program is expected to be a major contributor to both savings and customer service in 2013. The program provides a no-cost energy audit and direct installation of measures such as T12 to T8 linear fluorescent lighting, piping insulation, CFLs, refrigeration measures and low-flow hand washing sink aerators.

The Variable Speed Drive Program expects lower savings than originally planned for 2013 as some of the large projects expected to be processed by this program are being processed by the C/I Retrofit program in conjunction with more extensive HVAC control upgrades, or by Schedule 258 Large Power User Self-Directed Program customers who are required to first utilize their incentive allocation through the Schedule 258 program prior to accessing Commercial Rebate offerings.

Electric Savings will increase from the original 2013 plan in the Hospitality sector. 2012 has shown an increase of measure installation throughout whole buildings, in addition to the introduction of a new low-cost occupancy based control on the market that we expect will also increase participation in 2013.

Savings were evaluated for the Coolermiser Program in late 2012. During a trial installation of a limited quantity of this measure, evaluation findings indicated that actual savings were less than the RTF-published savings amount for Coolermisers.

While evaluations and engineering calculations continue, primarily focusing on the application of this measure as compared to the RTF sample, PSE will retire this program from its 2013 offerings. PSE will continue engaging the RTF with its engineering results as they become available.

The market for Commercial Kitchen incentives has been greatly affected by the economic downturn resulting in reduced participation. Therefore, savings for this program will be lower than originally planned in the Biennial Conservation Plan.

Customer acceptance of LEDs is leading to higher than expected performance in the Commercial Lighting Programs. The Lighting Markdown Program also has increased the number of participating vendors and new point-of-sale signage and banners will be displayed in the showrooms to increase program visibility.

In 2013, the overall Commercial Rebate Program is planned to increase in savings and incentives from the original Biennial Conservation Plan.

CS/EE Marketing Overview

The Marketing Plan, included in the 2012-2013 Biennial Conservation Plan as Exhibit 7, will remain unchanged for 2013.

Regional Programs

Northwest Energy Efficiency Alliance

PSE provided the Northwest Energy Efficiency Alliance 2012-2013 forecast of activities and initiatives in Exhibit 3, Program Details in the Biennial Conservation Plan.

NEEA's updated operational plan for 2013 is included in this 2013 Annual as a standalone document, Exhibit 10.

PSE extends its appreciation to the NEEA Staff for their gracious cooperation, and the additional effort and resources expended to develop this content.

Generation and Distribution

This initiative is consistent with the Company's IRP, which indicates that the ten-year conservation potential and two-year target includes efficiency gains in generation and distribution facilities within the state, and complies with the definition outlined in RCW 19.285.030(4):

“Conservation” means any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution.”

Plans include focus on Conservation Voltage Regulation (CVR) and phase balancing at substations, plus specific generation plant projects in the state, consisting mainly of lighting upgrades. Exhibit 3, Program Details, provides an overview of how PSE will execute the necessary efficiency initiatives and how CS/EE will provide the interface between the generating and distribution facilities and the PSE Stakeholders. These programs will operate under Schedule 292.

2013 program targets have been reduced due to budget constraints. Three substations will implement CVR and phase balancing instead of the planned six. Thus, the program targets have been reduced. Please see Exhibit 1 for more detail.

Portfolio Support

There are minimal revisions to the original Portfolio Support plans outlined in the 2012-2013 Biennial Conservation Plan. Applicable revisions and updates are discussed in the following function details.

Customer Engagement & Education

Any Portfolio Support function revisions are discussed in the following overviews.

Energy Advisors

There are no revisions to the Energy Advisors plans for 2013.

Events

There are no revisions to the Events plans for 2013.

Education

There are no revisions to the Education plans for 2013.

Customer Online Experience

There are no revisions to the Online Customer Experience group's (Mainstreaming Green and Marketing Integration) plans for 2013.

Energy Efficient Communities

Due to the effectiveness of program promotion through engaging more directly with customers and communities, the EE Communities team hired on two more Staff members; one to cover King County and the other to cover Snohomish County and Whidbey Island. This changed the budget by 11.4 percent due to the associated costs with Field Staff, including fleet vehicles, travel and salaries. Having two more team members allows for greater ability to work more closely on locally appropriate program promotion for both residential and commercial energy efficiency programs.

Part of the EE Communities work is also to educate PSE employees on the energy efficiency programs available so they are able to better serve customers who could potentially be interested in participating in one of the programs. The EE Communities team continues to promote all residential and commercial efficiency programs through leveraging local partnerships as well as working directly with customers on understanding their EE needs.

Trade Ally Support

There are no revisions to the Trade Ally Support plans for 2013.

Marketing Research

The focus of Conservation Marketing Research in 2013 will shift to provision of information in support of PSE's next biennial planning process. Most of this work will be completed by mid-2013 and will require fewer resources than were anticipated in the BCP. This will result in an 8 percent decrease in the 2013 budget.

Research & Compliance

The primary driver of 2013-specific modifications to the plans originally set out in the 2012-2013 Biennial Conservation Plan is the Evaluation function, which includes the formalization of Verification Team. The details of those revisions are provided in the following discussions.

Conservation Supply Curves

No revisions to the plans outlined in the 2012-2013 BCP are anticipated for 2013.

Strategic Planning

The Strategic Planning area will continue to provide IRP and program planning support, regulatory filings and legislative review. The 2013 budget represents a 3 percent increase from the BCP level, reflecting updated labor and outside service costs.

Program Evaluation

Exhibit 6: Evaluation Plan, describes an ongoing process for prioritizing measures and programs, as well as the four-year timetable to evaluate all CS/EE programs, consistent with condition(6)(f). PSE uses a standardized approach to program evaluations, using external, independent consultants, which are managed by PSE's Evaluation and Research group. Changes to the Evaluation Plan for 2013 are accelerating the Resource Conservation Manager program evaluation to allow completion in 2013, and shifting portions of the Single-Family Retrofit evaluation back to 2013 to allow for sufficient program participation to draw a more robust sample for evaluation.

The Evaluation budget, which consists primarily of third-party consultant studies, is budgeted at \$2.7 million in 2013. This represents a 23 percent increase over the estimated 2013 cost in the 2012-2013 Biennial Conservation Plan. The revised budget reflects shifting the schedules of some program evaluation projects, revised costs based on RFP responses, and inclusion of estimated costs for the independent third party electric biennial portfolio review.

The Evaluation report Response (ERR) process became a standard process for all evaluation studies in 2011. The team plans on continuing this process in 2013.

Verification Team

Supporting mainstream field work in 2013, other 2013 Verification enhancements will include the following:

1) Data Systems

The Verification tracking and scheduling database will be more closely aligned with the CMS tracking database to continue simplifying and automating the project sampling / job-pulling process. This will streamline workflow between the program and verification teams.

2) Sampling Rates

Verification sampling rates are based on installation forecasts from the program teams and anticipated compliance/discrepancy rates. These forecasts indicate that over 2,200 random verifications are needed in 2013. Individual measures/programs will each have a target number of verifications. Reviewing compliance rate results will inform Program Staff in the continued management of process improvements, data integrity, savings validity, and program delivery efficiency.

3) Additional Verification Measures

The Verification Team will continue to assist in other areas of Residential or Business efficiency programs, including non-random visits. Non-random visits, typically performed at the request of program managers for case-specific interests, are considered quality assurance reviews, and may also result in documented discrepancies for program management follow-up. Additionally, new measures/programs are planned for the Verification portfolio, including phone Verification for Appliances Recycling and De-commissioning, and site verification for Business Rebates-Commercial Kitchens.

Program Support

There are no notable revisions to Program Support plans for 2013.

Other Electric Programs

“Other Electric Programs” is segregated from other Customer Solutions Electric and Gas Rider programs because they generate no conservation savings and are not used in calculating cost effectiveness of the overall portfolio.

Net Metering

Specific 2013 plan revisions to those outlined in the 2012-2013 BCP are minimal, and are reviewed in the following detail discussions.

Renewable Energy Education

There are no 2013-specific revisions to the plans outlined in the original 2012-2013 Biennial Conservation Plan.

Commercial/Industrial Load Control

The 2012-2013 IRP Demand Side Resource RFP, for a Demand Response (DR) program targeting Commercial/Industrial business customers, yielded competitive bids in expected price ranges. However the bids were found to be non-competitive with IRP supply-side resource bids under review in the first quarter of 2012. As market prices for peaking resources continue to evolve into 2013, we will consider a new bidding process for DR resources for the 2014-2015 biennium. As such we are keeping all options open for a future C/I Load Control program.

Due to postponement of this program in the current biennium, the 2013 budget for this item is \$1.2 million less than shown in the original BCP.

This page intentionally left blank.

Glossary of Terms

Calculated Savings	This savings type is different than deemed values (described below). This term indicates that there is a pre-approved, stipulated input savings value (or cost) per measure. This value (or cost) is then multiplied by site-specific input values to arrive at the overall savings value (or cost). This term is used in the <u>Savings Type</u> field in Exhibit 5, List of Measures.
Channel	Within a CS/EE Residential or Business sector, an organization that is established to focus on the value chain—consisting of manufacturer distributor, dealer, contractor to the end-use customer—with the most similar market, delivery methods and ultimate purchasers or product users.
Conditions	Also “2010 Electric conservation Settlement Agreement Terms and conditions” or “Energy Independence Act conditions”. Specific deliverables and stipulations by which the Company must operate or produce through the course of operating and managing energy efficiency programs. In addition to compliance requirements outlined in the Settlement Terms Sections A through J and L, the conditions are listed under Section K of the Agreed Conditions for Approval of Puget Sound Energy, Inc’s 2010-2011 Biennial Electric Conservation Targets Under RCW 19.285 Docket No. 100177. There are additional sections that regulate the Company’s energy efficiency operations.
Custom Savings	This savings type applies to conservation projects where a PSE EME performs specific evaluation and review of a unique customer site to determine savings values—therms or kWh—that apply only for that site. For this type of measure, there is insufficient information, the occurrence is too infrequent or it cannot be specifically defined to justify development of a Calculated or Deemed protocol.
Deemed Measure	As in a measure’s deemed savings value; A savings (or cost) value that applies to a unit of specific measure, regardless of where or how the measure is installed. Measures for which it is possible to “deem” per unit energy savings, cost and load shape based on program evaluation data and engineering estimates. (For instance, one residential interior CFL lamp has a deemed value of 24 kilowatt-hours per year.) This classification applies to both RTF and PSE deemed (noted on the following page). This term has been supplanted by “UES”, defined below.

Definitions, continued

Direct Benefit to Customer (DBtC)	Rebates, grants, credits or services that are of value to customers. Services can include, but aren't limited to, credits on a monthly bill, upstream incentive provided to channel partners or trade allies—either within our service territory or regionally—and free energy efficient devices available by mail.
Direct Install Measure	A conservation measure that is installed by a PSE representative—rather than a PSE customer—into a qualifying structure.
Distribution	For the purposes of Schedule 292, means electrical facilities within the State of Washington that the Company owns or operates to convey electricity from the point of generation or purchase to the point of use by a Customer. Distribution includes transmission and distribution lines related substations and transformers.
EIA	Energy Independence Act. A reference to the 2006 voter initiative, The Washington Clean Energy Initiative. The vote resulted in the creation of RCW 19.285 and WAC 480-109, which is now referred to as the Energy Independence Act. The EIA was also sometimes colloquially referred to as “I-937”.
I-937	An informal reference to the 2006 voter initiative, The Washington Clean Energy Initiative. The vote resulted in the creation of RCW 19.285 and WAC 480-109, which, by law, is now referred to as the Energy Independence Act (“EIA”).
Measure	A product, device, piece of equipment, system or building design or operational practice used to achieve greater energy efficiency or to promote Fuel Conversion and Fuel Switching. Unless specifically enumerated in a specific Energy Efficiency Program, all Measures, proposed by Customers or otherwise, shall meet or exceed the efficiency standards set forth in the applicable energy codes, or, where none exists, “standard industry practice” as determined by the Company. Measures will meet common construction practices, and meet industry standards for quality and energy efficiency. ³¹ Measures should also meet cost-effectiveness standards.
Orders (see also Conditions)	Specific deliverables and stipulations by which the Company must operate or produce through the course of operating and managing energy efficiency programs. In addition to compliance requirements outlined in the 2010 Settlement Terms Sections A through J and L, of Docket number UE-100177, Orders 1 through 12 are listed in Order 01, Approving Puget Sound Energy's, 2012-2021 Achievable Electric Conservation Potential and 2012-2013 Conservation Target Subject to Conditions, Docket Number UE-111881. Effective June 14, 2012.

³¹ Schedule 83, section 4, Definitions, #m. Schedule 183, section 4, #l.

Definitions, continued

Program	Programs may consist of a single measure, an assortment of related measures or a suite of measures that are related strictly by delivery type or customer segment.
PSE Deemed	<p>Relative to measure savings types (Custom, Calculated, PSE Deemed or RTF Deemed), these measures are supported by PSE engineering calculations or evaluation studies, in compliance with Settlement Agreement condition K(6)(c).</p> <p>This term is used in the <u>Savings Type</u> field in Appendix B, List of Measures.</p>
RTF Deemed (see also UES)	Relative to PSE savings types (Custom, Calculated, PSE Deemed or RTF Deemed), supported by RTF analyses, in compliance with order (6)(b) in Docket number UE-111881.
Savings	<p>Savings (both gas and electric) are defined and reported as those recognized in the first year of a measure's total expected life. PSE reports the total savings for the year that the measure was implemented, regardless of when it is installed. Electric savings are counted at the customer meter, not the busbar. Gas savings are counted at the customer gas meter.</p> <p>It is important to note that all measures have an associated life, during which the noted annual savings accumulate. Each measure has a different life, as determined by rigorous evaluation. The average measure life per program can be found in the CS/EE Cost-Effectiveness tables in Exhibit 2 of this report. As noted above, measures have associated savings beyond the first year; those savings continue to accrue to the benefit of PSE.</p>
System	<p>In this document, System may have the following meanings:</p> <ol style="list-style-type: none"> 1) Any software program—supported by PSE's IT department or otherwise—or physical apparatus used to record, track, compile, report, archive, audit energy savings claims or financial data. 2) Electrical, and/or gas equipment that is either attached together or works in concert to provide space conditioning, plumbing functions or other end-uses associated with structures, such as HVAC systems, pumping systems, etc.

Acronyms

ACP	Annual Conservation Plan
AEE	Association of Energy Engineers
AIA	American Institute of Architects
ALP	Advanced Lighting Package. Referenced in the Single Family New Construction program discussion.
aMW	Average MegaWatt. An expression of energy (versus “power”). It is used to express very large amounts of energy. The term represents an average of power (Megawatts [MW]) used over time (the standard term being one year or 8,760 hours). Thus, 1 aMW = 8,760 MWh.
ARRA	American Recovery and Reinvestment Act
ASHRAE	American Society of Heating, Refrigerating and Air Conditioning Engineers
BCP	Biennial Conservation Plan
BEM	Business Energy Management
BEOP	Building Energy Optimization Program (within the BEM Sector).
BOMA	Building Owner and Managers Association
BPA	Bonneville Power Administration
CBTU	Comprehensive Building Tune-Up (program in the BEM Sector).
CFL	Compact Fluorescent Lamp
CHP	Combined Heat & Power
C/I	Commercial/Industrial. References programs in the Business Energy Management sector.
CLEP	Certified Lighting Efficiency Professional
CMS	Customer Management System. A PSE proprietary software application that tracks customer activities, inventory and rebate processing.
CRAG	Conservation Resource Advisory Group
CS/EE	Customer Solutions, Energy Efficiency
CSY	Customer Solutions database; used to process custom grants and select prescriptive rebates within CS/EE.
DCEEP	Data Center Energy Efficiency Program (within the BEM Sector).
DDC	Design, Development and Construction
DHW	Domestic Hot Water
DR	Demand Response

Acronyms, continued

EC Motor (ECM)	Electronically Commutated Motor
EE	Energy Efficiency
EIS	Energy Interval Service
EME	Energy Management Engineer
EM&V	Evaluation, Measurement and Verification
ERR	Evaluation Report Response. A form used to complete an evaluation study's resultant actions.
GIS	Geospatial Information System
GPM	Gallons Per Minute
HID	High Intensity Discharge (lamp type)
HVAC	Heating, Ventilation and Air Conditioning
IRP	Integrated Resource Plan
ISOP	Industrial System Optimization Program (within the BEM Sector.)
kWh	Kilowatt Hour. 1,000 watt-hours = 1 kWh, which is equivalent to 10 100-watt incandescent lamps being turned on for one hour.
LED	Light Emitting Diode (typically, a lamp type)
LEED	Leadership in Energy and Environmental Design
LIW	Low Income Weatherization (program)
MEF	Manufacturer's Energy Factor (applies primarily to appliances)
MWh	Megawatt-hour. 1,000 kWh = 1 MWh
NEEA	Northwest Energy Efficiency Alliance
NEEC	Northwest Energy Efficiency Council
NEMA	National Electrical Manufacturers Association
NWESH	Northwest Energy Star Homes
O&M	Operations & Maintenance
RBSA	Residential Building Stock Assessment
RB2B	Residential Business to Business Channel. Comprised of Multifamily Existing, Multifamily New Construction, Low Income Weatherization, and the Single Family New Construction programs. Formerly referred to as the Multifamily Channel.

Acronyms, continued

RCW	Revised Code of Washington.
REM	Residential Energy Management
RTF	Regional Technical Forum, an advisory committee and a part of the Northwest Power and Conservation Council. The RTF develops standardized protocols for verifying and evaluating conservation.
SBDI	Small Business Direct Install (program within the BEM Sector, Commercial Rebates).
SBTU	Simplified Building Tune-Up (program within the BEM Sector.)
TRC	Total Resource Cost: 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). ³²
UC	Utility Cost: The Company's costs of administering programs included, but not limited to, costs associated with incentives, audits, analysis, technical review and funding specific to the Measure or program and evaluation. ³³
UES	Unit Energy Savings. Formerly "Deemed", the RTF is replacing the term with UES.
ULI	Urban Land Institute
USGBC	U.S. Green Building Council
VO	Voltage Optimization
WAC	Washington Administrative Code
WSEC	Washington State Energy Code
WUTC	Washington Utilities and Transportation Commission

³² Schedule 83, section 4, Definitions, #z. Schedule 183, section 4, #x.

³³ Schedule 83, section 4, Definitions, #bb. Schedule 183, section 4, #z.

Conclusion

This concludes Customer Solutions/Energy Efficiency's 2013 Annual Conservation Plan. PSE appreciates the opportunity to collaborate with CRAG members throughout the year on its development. We additionally appreciate the input and cooperation of our regional partners, other PSE divisions, and our constituents. As we progress through the upcoming year, PSE will continue to keep our Stakeholders apprised of progress, program refinements, measure updates, and other adjustments as we utilize our business management acumen to anticipate and stay ahead of regional conditions.

Most importantly, we extend our thanks to PSE customers, who trust the dedicated men and women of Customer Solutions/Energy Efficiency to prudently use the funds that they provide in helping the Company move towards achievement of our 2013-specific and 2012-2013 biennial goals and provide the highest level of customer service in the Northwest.

The Staff of CS/EE look forward to a productive and constructive 2013!

Respectfully submitted,



Puget Sound Energy
Customer Solutions, Energy Efficiency