

October 31, 2013

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

**RE: WAC-Required Report, WAC 480-109-010(3)
Biennial Conservation Plan for 2014-2015 – Filed Electronically**

Dear Mr. King:

Pursuant to RCW 19.285.040(1)(b), which indicates that every two years, PSE must establish its biennial electric conservation target, and WAC 480-109-010(3), PSE submits this 2014-2015 Biennial Conservation Plan (the “Plan”). The Plan is also consistent with condition (8)(f) of Order 01 in Docket No. UE-111881¹. In addition to identifying and presenting its biennial electric conservation acquisition target, PSE also included its two-year natural gas conservation goal.

For the 2014-2015 period, PSE requests that the Commission approve its electric conservation target of 485,770 Megawatt-hours (55.5 average Megawatts), consistent with WAC 480-109-010(4)(c). PSE’s natural gas goal for the next biennium is 6.94 million therms. The 2014-2015 Plan discusses recently-added elements to conservation savings; including decoupling commitments and Northwest Energy Efficiency Alliance (NEEA) savings reporting methodologies.

PSE’s 2014-2015 electric budget reflects forecasted expenditures needed to achieve all of the conservation outlined in the decoupling settlement and NEEA savings reporting methodology, as agreed with the Conservation Resource Advisory Group (CRAG), in addition to the Commission-approved EIA electric target. Those targets include an additional 5 percent above the EIA electric target (27,920 MWh²) and the NEEA goal of 72,530 MWh. The proposed two-year electric budget is \$188.78 million. To achieve the natural gas savings goal of 6.94 million therms over the two years, PSE has budgeted \$24.197 million. It is noteworthy that, for this biennium, the Commission indicated that, due to continued low natural gas avoided costs, it isn’t possible to establish a natural gas decoupling savings adder.³

¹ Sections A through J and Section L of the Electric Settlement Agreement, Docket No. UE-100177, and the 2001 Rate Case Stipulation Agreement, Exhibit F in Docket No UG-011571 remain in effect. PSE reports compliance with these requirements in Exhibit 9: Condition Compliance Checklist.

² As agreed by the CRAG, PSE based its 5 percent calculation on the base potential of 63.7 aMW, or 551,880 MWh, rather than the lower EIA target value.

³ Order 07, Docket Nos. UE-121697 and UG-121705 (consolidated), Section D.2.c., ¶ 108: “[...] Considering current conditions in natural gas markets, a similar commitment is not feasible. [...]”

The portfolio of electric conservation will achieve a Total Resource Cost (TRC) benefit-to-cost ratio of 1.63. It should also be noted that PSE's natural gas portfolio cost-effectiveness estimates indicate that the Company will achieve a natural gas TRC of 1.22 by availing itself of already-approved methodology. The overall electric customer benefit (in the form of remuneration and other non-monetary benefits) is estimated to be 75%, while natural gas incentives are estimated to be 70% for the upcoming biennium.

The Plan represents compliance with several requirements, including these highlights:

(2010 Settlement Agreement – Docket No. UE-100177)

– *F(11) – Program Budget*

(2012 Order 01 – Docket No. UE-111881)

– *(3)(a)(v) – Tariff modifications*

– *(3)(a)(vi)(1) – Marketing Initiatives*

– *(3)(a)(vi)(2) – Incentive Levels*

– *(3)(a)(ix) – Budget Development & Details*

– *(4)(a) – Annual Budgets and Energy Savings*

– *(5) – Program Details*

– *(7) – Program Design Principles*

– *(8)(f) – Biennial Conservation Plan*

The 2014-2015 Biennial Conservation Plan consists of many documents, which are presented as Exhibits and organized into three volumes for easy reference:

- Volume 1: Includes the BCP Overview, Exhibit i: Ten-Year Conservation Potential and Two-Year Electric Target, Exhibit 3: Program Details, and Exhibit 4: Measures, Incentives & Eligibility.
- Volume 2: Includes Exhibit 1: 2014-2015 Budgets & Savings, which is a comprehensive view of program-level budget and savings details, and Exhibit 2: Cost-Effectiveness Calculations, providing program-level detailed cost-effectiveness calculation elements.
- Volume 3: All remaining supporting Exhibits are contained in this volume, including marketing, evaluation, and NEEA plans, the EM&V Framework and the Condition Compliance Checklist.

Twelve Exhibits, providing the 2014-2015 Plan detailed information required, consistent with key requirements outlined in Order 01 of Docket No. UE-111881:

- Exhibit i: Ten-year Conservation Potential and Two-year Conservation Targets
- Exhibit 1: 2014-2015 Budget & Savings Details
- Exhibit 2: Program Cost Effectiveness Estimates
- Exhibit 3: Program Descriptions
- Exhibit 4: List of Measures, Incentives and Eligibility
- Exhibit 5: Prescriptive Measure Tables
- Exhibit 6: Evaluation Plan

- Exhibit 7: Marketing Plan
- Exhibit 8: EM&V Framework, with addenda
- Exhibit 9: 2013 Condition Compliance Checklist
- Exhibit 10: Northwest Energy Efficiency Alliance (NEEA) Plan
- Exhibit 11: 2014-2015 Tariff Revisions

In addition to the Exhibits, there is one Supplement:

- Exhibit 10, Supplement 1: NEEA Savings Determination Methodology

Although the above-noted conditions apply to electric conservation programs, the Company is providing updated details on its gas conservation programs as well in order to comply with the requirements still in effect from the 2001 Rate Case Stipulation Agreement, filed under Docket No. UG-011571.

The Company and the CRAG met regularly in a spirit of collaboration throughout 2013 to share and discuss plans for energy efficiency programs, establish and agree upon, targets and budgets, for 2014-2015.

In accordance with Condition (8)(f) of Order 01 in Docket No. UE-111881, PSE provided CRAG members the following elements of the Plan in preparation for this filing:

- July 21: Ten-year Conservation Potential and Two-year Conservation Target for 2012-2013,
- August 22: Draft budget details and draft program details,
- Oct 1: Draft tariff schedule revisions.

The complete Plan, including all exhibits, will be mailed to each CRAG member shortly after this filing. As a courtesy, PSE offered to provide the Plan to CRAG members in their preferred media; some preferred to receive hard-copy binders, while others preferred electronic versions on USB flash drives.

During the 2012-2013 biennium the Company responded to most of the conditions and requirements reflected in Order 01 of Docket No. UE-111881 and intends on continuing delivery of the remaining conditions and requirements.⁴

Revisions to tariff sheets (included in a separate filing and attached as Exhibit 11 to this Plan) clarify terminology, update regulatory State code or industry references and address significant changes in program strategies that are made to implement the Plan.

Since providing the first deliverable in July 2013, the Company has provided responses to all questions from CRAG members relative to the Plan and will continue to respond to all questions going forward.

⁴ Four conditions in Order 01 of Docket No. UE-111881 have deliverables occurring in 2014.

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Exhibits 1 through 4, which reflect information for the 2014-2015 biennium will be posted on the PSE.com website following Commission approval. The posted Exhibit 1 will be limited to the 2012-2013 portfolio view only.⁵ Exhibits 2 through 4 will replace documents currently posted. Tariff sheet revisions contained in the unnamed Exhibit will not be posted alongside the other Exhibits, as tariff sheets are posted in a separate section of the website.

Please contact Lynn Logen at (425) 462-3872 for general information about this filing or contact Andy Hemstreet at (425) 456-2633 for additional information about the Plan. Please contact Bob Stolarski at (425) 456-2585 for policy related questions about this submittal. If you have any other questions please contact me at (425) 456-2110.

Sincerely,



Ken Johnson
Director, Rates & Regulatory Affairs

Enclosures

cc: Simon J. ffitch
Sheree Carson

⁵ The entire Exhibit 1 workbook consists of over 90 spreadsheets.