

Customer Solutions/Energy Efficiency

Exhibit 3

2013

Program Details



PUGET SOUND ENERGY

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Introduction

Exhibit 3 provides details of the Company’s Customer Solutions/Energy Efficiency department conservation programs, functions and activities, including those that do not have an associated Conservation Schedule. The contents of Exhibit 3 are developed to be consistent with the applicable 2012 Order 01 conditions provided in Docket number UE-111881, and sections A through J and L of the 2010 Electric Settlement Agreement in Docket number UE-100177, including but not limited to:

- o (3)(a)(vi)(1) Discussion of efficiency marketing efforts
- o (3)(a)(vi)(2) Discussion of Incentives
- o (5) Program Details filings
- o (7) Discussion of Program Design Principles
- o (8)(b) Filing of the 2013 Annual Conservation Plan

The Exhibit 3 program details also include gas programs discussions.

Associated Documents

As a part of its 2013 Annual Conservation Plan (ACP) filing, PSE includes several documents in addition to Exhibit 3. It is noteworthy that Exhibit 3 may be updated and filed, consistent with condition (5) when there are major program updates. Additional documents included with the 2013 ACP are:

PSE’s 2012-2013 Ten-year achievable conservation potential and biennial conservation targets ¹	Exhibit i
Budget and savings (both gas and electric) order number details	Exhibit 1
Cost Effectiveness Estimate Tables	Exhibit 2
List of Measures, Incentives and Eligibility	Exhibit 4
Prescriptive Residential and Business Rebates Measure Tables	Exhibit 5
Evaluation Plan	Exhibit 6
Condition Compliance Checklist	Exhibit 9
Northwest Energy Efficiency Alliance Plan	Exhibit 10
Tariff sheet updates	Exhibit 11

¹ This document is only required as a part of a Biennial Conservation Plan filing. The document is included in this Annual Conservation Plan filing as a reference, and to alert readers to its new name.

Exhibits 10 and 11 are new names for content that was previously incorporated under a separate document or Exhibit number.

Program Details

Following each program's title is the corresponding Conservation Schedule number. A number preceded by an E indicates that this is an electric Schedule. Similarly, a number preceded by a G indicates that this is a natural gas Schedule. All conservation programs have the same Conservation Schedule number for both natural gas and electric service.

Program Detail Revisions

As has been the standard business management practice for over ten years, PSE makes adjustments to its conservation offerings, delivery methods, marketing, incentives, and other elements of its programs on a periodic basis. This ensures that PSE stays current with customer demand, market trends, and is positioned to achieve aggressive conservation savings targets. Corresponding program revisions are noted in a draft version, provided to PSE's Stakeholders. The draft--or "mark-up"--version is available from November 1, 2012, through December 1, 2012, at which time, all documents associated with the 2013 ACP will be filed with the Washington Utilities and Transportation Commission (WUTC) in their "clean" iteration.

Any subsequent filings will be provided to the Stakeholders in their "mark-up" version prior to WUTC filings.

The program details organization aligns with that of Exhibit 1, program budgets. This will allow easy reference from a program's budget to its description, marketing plan and incentive offerings.

Document Contents

All program details within this Exhibit were updated to reflect the most accurate representation of their offerings and services. Each Program Detail² contains the:

- Purpose.
- Description.
- Target Market.
- Customer Incentives.
- Marketing Plan.

² Residential Energy Management and Business Energy Management sectors only. Portfolio Support functions and Other Electric Programs may exclude Target Market, Customer Incentives or Marketing Plan sections.

RESIDENTIAL ENERGY MANAGEMENT

Low Income Weatherization

Schedules E201, G201

Purpose

The Low Income Weatherization program assists low-income residential customers to improve the energy efficiency of single family residences, multifamily structures and manufactured/mobile homes.

Description

Key stakeholders are low-income gas and electric customers; county and municipal low-income weatherization agencies in the PSE service area, Washington State Department of Commerce (“Department of Commerce” or “Commerce”), and participating weatherization contractors and suppliers.

Residential Low Income Weatherization provides funding of many cost-effective home weatherization Measures for low-income customers receiving gas and/or electric heat from PSE. Funds are used for single-family, multi-family and mobile home residences. Some Measures which do not meet standard cost-effectiveness tests may also be approved.

In addition, this program provides funding for energy-related repairs and energy education. An energy-related repair is a repair that is necessary (1) to install a weatherization Measure properly, (2) to protect the health and/or safety of the occupants, (3) to address an existing problem that weatherization could aggravate or (4) to protect the integrity of the installed Measure. Examples include but are not limited to:

- Repair roof leaks
- Electrical inspection and repairs
- Mold/mildew remediation
- Rodent, insect and pest extermination
- Bath and kitchen ventilation upgrades
- Furnace or water heater repairs or replacement.

Sources of Low Income Weatherization funding include, but are not limited to, Electric Rider, Gas Tracker, Company funds, BPA credits or other federal or state government programs.

For those funds that must meet a cost effectiveness standard, up to 30 percent may be applied to energy-related repairs that are necessary to effect the installation of other cost-effective Measures. The final percentage allocated will be determined according to the overall program cost-effectiveness.

Energy education include those Measures that would help customers understand how to benefit from Measures installed in their home and to further reduce energy consumption

through behavior modification.

Target Market

Low-income customers including owners and tenants of single family, multi-family, manufactured or mobile homes that meet federal poverty guidelines issued by The Washington State Department of Commerce and natural gas and/or electricity from PSE. Low Income agencies are contracted with PSE to perform customer income eligibility, manage the installation and track and report projects to PSE.

Customer Incentives Overview

All Structures

Funding for Measures and customer eligibility are outlined in PSE's conservation Tariffs. Funding is disbursed to local agencies. Payments are based on incentives for Measures installed. Local agencies are permitted fixed percentages for administrative costs under the existing tariff.

Under the Matchmaker Agreement with Department of Commerce, PSE's low-income Tariff-based funding may be combined to support a "whole house" approach for structures.

Applicable Low Income Measure category headings include, but are not limited to:

- Building envelope Improvements
- Heating system upgrades
- Water heating upgrades
- Lighting upgrades
- Appliance replacement
- Common area upgrades

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and its location within the PSE service territory, fuel type (gas or electric), product type and product quantity. A detailed list of Energy Efficiency Services' Measures, Incentives and Eligibility are included in this Biennial Conservation Plan as Exhibit 4.

Retrofit-- Multi-Family

Prescriptive incentives will be applied to Measures installed within units of multi-family residences. In addition to this, calculated commercial Measures are made available for common area Measures. All calculated incentives will be evaluated using currently accepted PSE commercial engineering calculations. Agencies will determine the multi-family common area project and send a proposal to PSE for review. Incentives will be approved by PSE and funding provided directly to agencies.

Marketing Plan

The Low Income Weatherization program is a highly prescribed program that relies on its partner housing agencies to deliver its offering to eligible low-income homeowner participants.

The primary marketing objective is to elevate program awareness and end-user opportunity among key housing agencies' administrators. With many eligible participants already on agencies' waiting lists, necessity to market directly to the low-income homeowner is limited to opportunistic collateral distribution primarily at agency sites.

PSE provides a weatherization program brochure, which explains the program and basic eligibility requirements, and lists the agency contact phone numbers. This brochure is normally available to Customers during public events in which PSE participates. The brochure is distributed to local agencies serving the low-income population. Any additional promotions will be done in close coordination with local agencies.

Partner Marketing with Housing Agencies

The key strategy will be to continue to encourage Housing Agency Administrators to move applications swiftly and smoothly through the approval process, and to identify LIW opportunities to eligible candidates. This will require a communications program that delivers the current information to them about LIW features and benefits as well as technical program provisions. There will also be effort to passively deliver collateral through this channel on other single family residential offerings and energy efficiency tips that could be helpful to candidates on the waiting list.

This effort must also allow for peer recognition and results accomplishment to motivate administrators to push program opportunity whenever suitable.

- Quarterly Newsletter
- Annual Forum
- Recognition Program
- Updated LIW brochure (multiple languages)

Single Family Existing

Schedules E214, G214

Purpose

The Single Family Existing program acquires cost-effective energy savings from existing single-family (less than or equal to four units on a parcel) retrofit Measures and services.

Description

Single Family Existing programs implement cost effective, targeted, residential energy savings using a menu of prescriptive and calculated efficiency Measure incentives, including rebates for single family existing structures. Existing single family structures are defined as residential dwellings which include; structures with four or less units that are attached by a contiguous roofline, manufactured or factory built homes permanently affixed to a concrete foundation, and manufactured or factory built homes that are transportable. Single family existing residences exclude structures that are currently under construction. Prescriptive rebates are intended to facilitate participation by customers, contractors, developers and trade allies, and provide administrative efficiencies for PSE in meeting energy efficiency goals. **Note:** Multifamily campuses which have a mixture of existing residential building types, including buildings with four attached residential units or less, are served under the Multi-Family Retrofit Program; schedules E217 & G217.

Rebates and incentives offered to eligible natural gas and electric PSE Single Family Existing customers include a variety of end-use classifications, not limited to:

- Compact Fluorescent Lighting including CFL lamps and CFL fixtures.
- Light-Emitting Diode (LED) lighting including A-line and downlights.
- Lighting Controls, including but not limited to occupancy sensors.
- Appliance—including refrigerators, freezers and clothes washers—rebates.
- Refrigerator and Freezer Decommissioning – both secondary and primary units.
- Refrigerator and Clothes Washer Replacement – focus on older inefficient models to encourage early retirement.
- Weatherization, including windows, insulation air and duct sealing.
- Space heating including hydronic systems, high efficiency furnaces, high efficiency fireplaces, heat pumps, and system controls, such as web-enabled thermostats.
- Water heating, including tank water heaters, heat pump water heaters, and efficient showerheads.

Incentive amounts and savings values are regularly reviewed and are based on regionally accepted energy savings estimates and incremental efficiency Measure cost. Incentives may be subject to change in response to revisions in savings estimates, average incremental cost or changes in Federal appliance efficiency standards or State codes.

Retail Channel

The Retail channel focuses on services targeted to a wide variety of retail entities, including “big box” chains, hardware chains, regional concerns and local resellers. The channel manages several programs—most of which are consumer-oriented—including refrigerator decommissioning, appliances and of course, energy efficient lighting. The Retail Channel operates primarily within the structure of Schedule 214; Single Family Existing.

Residential Retail Program

This program collaborates with retailers and manufacturers of energy efficient products – such as lamps, light fixtures, lighting controls, showerheads, electronics, and appliances such as water heaters, primary heating equipment, clothes washers, refrigerators and freezers – to ensure that customers have access to a wide variety of efficient product options. The Retail Program provides incentives and promotions for efficient products to PSE’s residential customers through agreements with retailers and manufacturers; PSE also provides field services to educate retail employees on our products, detail qualifying product, and ensure compliance with PSE agreements.

Refrigerator & Freezer Decommissioning

This program provides customers with a means to safely dispose of their unwanted refrigerators and freezers while receiving an incentive for removing a potentially high-energy usage appliance from service. Decommissioning prevents the product from continued circulation in the secondhand marketplace and is applicable to primary and secondary units.

Refrigerator Replacement – older inefficient models

This program encourages customers to replace their old, inefficient primary refrigerator with a basic, efficient model while allowing PSE to remove, decommission and recycle their former unit. This program will be open to all customers as market research has shown that less than 10 percent of customers still use an older refrigerator as their primary unit. These customers tend to be limited to rural, low-income and ethnic populations due to these segments’ likelihood to a) not replace their refrigerator until it breaks, and b) replace their unit with a least-cost option (oftentimes a used, older unit). PSE will pay for the cost of the new unit, as well as delivery and installation, and for the decommissioning and recycling of the old unit.

Clothes Washer Replacement – older inefficient models

Similar to the refrigerator replacement, this program encourages customers to replace their old, inefficient clothes washer with a basic, efficient model while allowing PSE to remove, decommission and recycle their former unit. PSE will pay

for the cost of the new unit, as well as delivery and installation, and for the decommissioning and recycling of the old unit.

Home Energy Reports

Home Energy Reports are customized reports mailed directly to PSE customers that help each residential customer better understand their home electric and gas consumption, motivate them to conserve and provide targeted calls to action tailored to help each customer save money and improve energy efficiency. The reports achieve this through these core features:

- Comparison to neighbors: Homeowners will be able to see how their energy use compares to similar-sized homes in their neighborhood. Only the homeowner will see personal information. Comparisons are drawn from geographic and structural characteristics, including square-footage, heat-type, and proximity to compared homes.
- Progress tracker: Homeowners will also see how their energy use changes over time, so they can see trends in energy use and impacts from changed behavior or structural improvements.
- Personalized energy-efficiency tips: On each report, Homeowners receive tips chosen specifically for them based on energy use and the characteristics of the home. The tips are characterized as no cost, low cost and investment level changes in home habits and upgrades.

The initial pilot included 40,000 combined gas and electric single family households. The Home Energy Reports pilot, launched in the third quarter of 2008, will operate as an energy savings program in 2012-2013.

NEW Web-Enabled Thermostat

A web-enabled thermostat management solution to optimize customers' space heating system by combining 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.

Dealer Channel

The Dealer Channel's target market constituency consists primarily of resellers and contractors that sell, install and service HVAC systems, water heating systems, windows and insulation. The Dealer Channel operates primarily within the structure of Schedule 214; Single Family Existing. Programs within this channel are delivered to customers mostly through contractors.

HomePrint

HomePrint Assessments provide customers with a FREE in-home service performed by a PSE qualified independent HomePrint Specialist. The program is intended to increase the awareness of customers regarding their home's energy consumption and identify cost-effective ways to use less energy. Additionally, customers benefit from instant energy savings from the direct installation of compact fluorescent light bulbs and leave-behind showerheads.

Weatherization

The weatherization program oversees the "shell" of residential structures; installation of windows, insulation, air and duct sealing. There are a wide variety of duct sealing offerings, some directed specifically to mobile homes, while other focus on site-built residences.

Space and Water Heating

The program manages incentives and installations of heating and water heating systems, including but not limited to gas furnaces, heat pumps, hydronic systems, and domestic water heaters.

Target Market

The target market for this program includes, but is not limited to single family property owners or tenants, service contractors, retail partners, efficiency equipment suppliers, distributors and manufacturers.

Customer Incentives

Eligibility criteria are based on established cost effective tests. The incentives are effective January 1, 2013. A list of all requirements for incentive eligibility and participation can be found on individual incentive or program application forms. PSE's Energy Efficiency Services maintains a comprehensive list of approved conservation Measures in its List of Measures, Incentives, and Eligibility. The Company reserves the right to adjust incentives based on market variables.

Applicable Energy Efficiency Incentive Measure category headings include, but are not limited to:

- Weatherization
- Space Heating
- Showerheads
- Water Heating
- Appliances
- Refrigerator decommissioning
- Lighting
- HomePrint Assessment
- Home Energy Reports

Marketing Plan

Retail Channel

The objectives for the Retail Channel's 2012-13 marketing strategy are to help achieve respective program targets, educate customers about energy efficient products and offers, and find new ways to reach customers who may not have participated in PSE's programs before.

With legislative activity around the lighting industry, it will be more important than ever to have clear messaging about which products we recommend (and rebate) for customers and how they differentiate. One of the primary objectives in the lighting arena will be to align our messaging with other regional utilities to reduce customer confusion and improve clarity in geographic areas where we share customers. As CFL bulb use continues towards a saturation point, we will also need to get creative about our lighting promotions, such as targeting low income and hard to reach populations and including LED messaging for the more technophile consumer.

Customer clarity and convenience will be a major theme for this channel in 2012-13 as we look to remove barriers to participation. We are looking into delivery mechanisms that improve customer satisfaction, such as instant rebates through retailers for products other than lighting and online ordering – utilizing our new web capabilities. Marketing specific to these opportunities will need to also carefully track activity to see if these new mechanisms are getting the desired results. Clear, compelling program value propositions and messaging as well as more targeted outreach will be key to addressing customer needs and concerns across the many demographics in our customer base. By

fully utilizing our market research capabilities, we will analyze research data and gather customer opinions on buying habits that will help us refine our outreach methods.

Another integral tactic will be multi-channel or cross marketing with the dealer channel as well as corporate initiatives and Green Power/Carbon Balance initiatives that target a similar audience. Our retail network also provides supplemental avenues for messaging customers with the product directly in front of them. By collaborating closely with retail partners, we can reach customers when they are in the most likely position to make a purchasing decision and influence them to choose energy efficient products. Several new media tactics will be entertained as they are applicable to program objectives.

2012-2013 Strategies:

Lighting

- Collaborate with peer Puget Sound utility roundtable group to develop consistent messaging region-wide.
- Address legislative and technological changes for customers in clear, simple terms.
- Simplify the in-store buying process with informative point-of-sale materials.
- Increase awareness of the variety of products on the market.
- Engage our customers with CFL and LED bulbs as an education entry into the most energy-efficient lighting on the market.
- Continue to educate customers on safe handling of CFL bulbs to reduce barriers to adoption.

Appliances

- Increase awareness of rebate offerings, so that when it comes time to make the critical purchase, customers know all the options available.
- Continue to encourage customers to recycle old, inefficient appliances.
- Make the connection for customers that their electric utility provides appliance recycling, which is not a logical conclusion for most people.

Showerheads

- Communicate variety of purchasing options to customers and streamline the process with clear point-of-sale materials and improved online functionality.
- Engagement of our customers with a low-flow showerhead. This outreach occurs at engagement events throughout our electric and electric-natural gas combined service territory. Unlike the direct-mail delivery, this delivery gives PSE a personal touch where we are able to answer customer questions and engage in other energy-efficiency messages.

Incremental marketing strategies:

- Get customers to the retail stores and once there engage them to buy energy-efficiency products that meet PSE's programs.
- Promote comfort and convenience across all offerings.
- Integrate low income program components wherever possible.

Dealer Channel

The Dealer Channel's marketing tactics will be comprised of several key initiatives which will be instrumental in achieving respective program targets for 2012-13. One of the primary objectives in our go-to-market tactic will be to enhance our messaging. We realize the significant white noise our customers are exposed to on a daily basis. Consequently, the mental filtering has increased which creates a bigger challenge for penetrating share-of-mind with customers. We will strive to strengthen our program value propositions and create messaging which highlights energy-efficiency benefits, not just attributes. We need to focus on what ultimately will help our customers in saving money, helping the environment and making their home more comfortable.

With refined messaging comes a more targeted delivery. We intend to better identify prospective customers by program through data knowledge management in conjunction with capabilities delivered by our market research team. By combining housing stock specifications with customer demographics, we can build propensity models and integrate that into our geographic metrics to create a more targeted approach to our marketing.

Another integral tactic will be multi-channel or cross marketing. We've made great inroads in collaborating with the retailer/direct-to-consumer channel and developing strategic, integrated customer merchandising plans. Our contractor network is a crucial conduit to our customer and we intend to further enhance that interface component. Along with developing a new Contractor Alliance Network business model which will add new contractor participation and broaden our network, we will increase market penetration by supplementing certain residential retrofit segments with complementary program offerings. An example of this might be a plumbing contractor who could also deliver other demand management measures.

We will continue to gauge tactical effectiveness through measureable analytics and modify accordingly – always moving forward with the future in mind. Simply put, our go-to-market mantra will be; wash, rinse, repeat.

Here are some of the top marketing strategies, by program, we've identified for 2013:

HomePrint Assessment

- Create supplemental sales-oriented training for participants to help convey the program to customers from more of a value proposition perspective.

- Drive cross-channel opportunities within our contractor network to supplement the program delivery.

Space Heating

- Implement more targeted marketing space heating campaigns, based on right application for fuel type, utilizing propensity modeling.
- Enhance customer awareness of program modifications; new 10.0 HSPF heat pump tier, 95% AFUE on gas furnaces and addition of boilers to fuel conversion.
- Create deliverables on promoting integrated space and water heating systems.

Water Heating

- Implement more targeted marketing water heating campaigns, based on right application for fuel type, utilizing propensity modeling.
- Create deliverables on promoting integrated space and water heating systems.
- Implement awareness campaign about heat pump water heater technology.

Weatherization

- Create marketing initiatives for addition of whole-home air sealing and PTCS duct sealing measures.
- Create enhanced marketing initiatives for windows.

Incremental marketing strategies:

- Facilitate the design and production of new program collateral.
- Promote our “instant rebate” initiative.
- Create/execute “Limited-Time-Offer” and “Matching Rebate” campaigns on various program measures.
- Continue to develop co-branded campaigns with respective trade allies.
- Integrate financing messaging whenever appropriate.
- Integrate low income program components wherever possible.
- Enhance online customer experience.

Single Family, New Construction

Schedule E215, G215

Purpose

The Single Family New Construction program acquires cost-effective energy savings from single-family new construction (less than or equal to four units on a parcel).

Description

Similar to PSE's Single Family Existing program, rebates and incentives are offered to eligible natural gas and electric PSE Single Family New Construction developers, contractors, trade allies and customers (cumulatively, the Program refers to these as "partners") who are constructing new single family residential structures (consisting of four or less attached units). Customer Solutions/Energy Efficiency (CS/EE) works with these partners to market energy efficient equipment to their customers. CS/EE encourages the purchase and installation of energy efficient products for their construction projects.

Incentives include a variety of end-use classifications, not limited to:

- Lighting: Compact Fluorescent Lighting including ENERGY STAR® CFL fixtures
- Appliances: Clothes washers, refrigerators,
- Whole House Ventilation,
- HVAC equipment upgrades
- Northwest ENERGY STAR Homes incentive bonus
- Manufactured homes: And ENERGY STAR or EcoRated Manufactured homes, which is unique to this program.

For all of the conservation Measures installed, CS/EE receives Measure installation data directly from builders, developers, showrooms and distributors. It is therefore possible to precisely track Measure details.

Target Market

The target market for this program may include but is not limited to single family new construction developers, property owners, contractors, retail partners, efficiency equipment suppliers, distributors and manufacturers.

Customer Incentives

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and location within the PSE service territory, fuel type (gas or electric), product type and product quantity. The incentives are effective January 1, 2012. Energy Efficiency Services' List of Measures, Incentives and Eligibility are included in the Annual Conservation Plan as Exhibit 4. PSE may, at its sole discretion, adjust rebates based on market variables.

Incentive amounts and savings values are regularly reviewed by PSE and are based on regionally accepted energy savings estimates and incremental efficiency Measure cost. Rebates may be subject to change in response to revisions in savings estimates, average incremental cost or changes in Federal appliance efficiency standards or State codes.

Type of rebate/incentive

Qualifying customers receive incentives by submitting a processing form and invoices/receipts, third party verification and certification of an ENERGY STAR® home, or receive an instant discount through participating trade allies. Incentive requests are screened for completeness of customer entries, and where required for submittal of additional documentation. Incentive processing complies with PSE internal audit standards.

Marketing Plan

The single-family new construction program uses a diverse mix of integrated marketing, promotion communication strategies and tactics to ensure customer awareness and participation. The primary objective is to elevate program awareness to building partners and help educate their customers (homebuyers) about the benefits of building and living in an energy efficient home.

The primary high-level strategies used to help penetrate the market include the following:

Green Building Cooperatives

SFNC program's partnership goal with various green building associations is to increase the number of homes certified through Northwest ENERGY STAR Homes and Built Green programs, plus promote the benefits of purchasing a green certified homes. Green building cooperatives help PSE to extend visibility using less money – has a broader reach than what could be obtained independently. Partners promote PSE's energy efficiency programs, green building, ENERGY STAR Homes, and building practices that result in energy efficient homes. Key partners include but are not limited to: Northwest ENERGY STAR HOMES; Master Builder Associations (King, Snohomish, Pierce, Central, Skagit, Island Counties); and Sustainable Connections.

Partners will give prominent recognition and promote PSE's programs in conjunction with NWESH and Built Green programs with all their outreach materials including but not limited to:

- All collateral materials
- Website
- Newsletters
- Radio and print advertising
- Industry events and educational classes
- Provide certification numbers and results on promotional activities when and where applicable.

Advertising and Collateral Development

The program uses a bundled approach to release reoccurring messaging and updates to its primary and secondary target audiences.

- Direct-to-builder brochures
- Direct mail and advertisements
- Newsletters
- Online /website development
- Consumer education: bill inserts, model home signage, builder cooperatives
- Cross program positioning: Community Outreach and Education, Gas Growth, REM
- Other PSE division collaborations: Customer Construction Services and CRM's

Industry Events and Builder Relations

As a lead generating tool and to increase program awareness with large volumes of industry partners, builders, contractors, suppliers and associated design professionals, the program exhibits at various green building conferences and exhibitions as well as presenting to smaller organizations and workshops. Primary promotional tactics include:

- Development of displays and signage.
- Design and production of collateral materials.
- Pre-event advertising (publications, e-news, e-vites, web).
- Post event surveys/debriefs.
- Tracking leads generated for ROI.

Single Family Fuel Conversion

Schedule E216

Purpose

Residential Energy Management's Fuel Conversion program acquires cost-effective electric energy savings from existing single-family (less than or equal to four units on a parcel) retrofit Measures and services by converting to natural gas customers who use electricity as the primary source for their space heat and/or water heat uses.

Description

The Company provides incentives for replacing existing electric forced-air or baseboard space heating equipment and/or tank style water heating equipment with high efficiency natural gas space heating equipment³ and/or high efficiency natural gas domestic water heating equipment.

Based on the Measure/product type and market factors, PSE may provide incentives to its customers at different points along the value chain. Market barriers vary dramatically from Measure to Measure; consequently PSE incentives may occur at the manufacturer, distributor, contractor, retailer or consumer level. Incentive amounts are based on regionally accepted energy-saving estimates and incremental efficiency Measure costs. These incentives may be subject to change in response to revisions in savings estimates, average incremental cost or changes in Federal appliance efficiency standards or State codes. Training, education and support by PSE for independent contractors, distributors, retailers, showrooms, sales associates, consumers and partnering organizations are foundational to the success of this program.

Target Market

The target market for the Fuel Conversion program is existing Single Family Electric Service customers on or near gas mains with specific ranges of annual electricity usage.

PSE estimates that approximately 10 percent of the customer base qualifies for the incentive, creating a finite and specialized niche for conversion opportunities. To date, the majority of conversions are water heater installations. Dealers indicate that 50-70 percent of the water heater conversions require relocation of the equipment to meet the efficiency code requirements. PSE incentives assist customers offset these relocation costs. Another opportunity requiring PSE focus is that of construction costs, such as meter installation and street restoration where natural gas lines aren't yet installed or require overhaul.

³ As outlined in the Company's Schedule 216, **Section 1, Availability/Eligibility**, the equipment to which the Customer is converting must be "highly efficient natural gas space and/or domestic water heating..."

Customer Incentives

Fuel conversion incentives are prescriptive and based upon the Measure type installed and the kWh usage the Measure offsets. Eligibility criteria are based on established cost effective tests and prior electrical usage as primary heating source for space and/or water heating. The incentives are effective January 1, 2010. A list of all requirements for rebate eligibility and participation can be found on individual rebate or program application forms.

Applicable Existing Single Family Premises Measure category headings include, but are not limited to:

- Space Heating
- Water Heating

Marketing Plan

PSE promotes this program through an integrated campaign. This includes, but is not limited to, qualitative and quantitative target market research, educational materials, product/service brochures, bill inserts, paid advertising (includes co-op initiatives) such as print, broadcast and radio, direct mail, electronic media, public relations, community event presence, PSE's Energy Advisors, PSE's Contractor Referral Service, incentives, rebates and coupons. Primary marketing tactics include:

- Focus on the "low hanging fruit" of water heat conversion by pinpointing specific criteria and target market to those high potential customers (utilizing our market research capabilities).
- Enhance both contractor and community (where applicable) support by further educating them about the significant conversion incentives along with the direct benefits of natural gas.
- Integrate measure with PSE's residential water heater leasing program, if reactivated.

Multifamily Existing

Schedule E217, G217

Purpose

The objective of the Multifamily Existing program is to increase the installation of cost effective energy efficient Measures into existing electric & natural gas heated multifamily (MF) buildings in PSE's service area.

Description

The Multi-Family Retrofit Program is designed to increase the installation of selected energy efficient Measures in existing, multifamily buildings with five or more attached residential dwelling units located in PSE's electric and natural gas service areas. The team works with property owners, managers, contractor's trade allies and tenants to encourage these installations. The program also serves multifamily Campuses which have a mixture of building types including buildings with less than five units. Multifamily structures and campuses typically have opportunities for upgrades in common areas, building envelope and in the units. Measures include window and insulation upgrades, appliance, lighting, HVAC and water heating upgrades and calculated commercial upgrades including boilers and solar pool heaters. This program targets installation of energy efficient measures occurring during planned retrofit and replace upon failure. PSE will update current measures list and incentives as needed.

Target Market

The target market for this program includes multifamily property owners, managers, maintenance staff and equipment suppliers and contractors.

Customer Incentives Overview

Measure incentive eligibility criteria are based on, but not limited to established, industry standard cost effectiveness tests, structure type and its location within the PSE service territory, fuel type (gas or electric), product type and product quantity. A detailed list of Energy Efficiency Services' Measures, Incentives and Eligibility are included in Exhibit 4.

Marketing Plan

Key marketing strategies for the multifamily retrofit program work in tandem with the program's business development team to expand and build prospect network in a changing market. Outreach efforts increase program participation with multifamily and condominium complex property owners and property managers; help to leverage relationships with trade-alley contractors; and bring tenant awareness on the value of in-unit energy efficiency upgrades and how tenants play apart. The primary promotional strategies include but not limited to:

Industry Events and Membership Collaborations

Industry events are a strong lead generating tool for the program – it's one of the best ways to quickly get face-time with contractors and property owners. The program partners with several multifamily associations who manage these types of events. The program leverages outreach through various association memberships such as the Washington Multifamily Housing Association and the Rental Housing Association. These partnerships broaden the program reach to provide venues where members can collectively engage. The program targets several large-scaled exhibitions that are comprised of MF property owners, on-site leasing managers, maintenance personnel, contractors, suppliers and associated professionals. In addition to attending conferences, there are several workshops and presentations held throughout the year that provide additional networking opportunities, learning, recognition and motivation with smaller organizations. The promotional tactics used to support this strategy include:

- Booth & tabletop displays.
- Booth materials: brochures, drawings, signage.
- Program handbooks: company and program profiles, logo usage and applicable advertisements.
- Pre-event advertising (publications, e-news, e-vites, web).
- Presentation leave behinds.
- Post event surveys/debriefs.
- Tracking leads generated for ROI.

Collateral Development

To complement the program's business development outreach efforts, promotional materials are designed and produced to effectively communicate key messages and highlight the benefits of the efficiency measures to target audiences. Persuasive collateral is used during direct customer engagement, site visits and event outreach as well as a cross-selling tool for program contractors. Educational leave behinds are also designed to help tenants understand the immediate and long-term benefits of installations. The collateral development strategy may include but not limited to following materials:

- Executive summaries
- Direct installation notices
- Case studies
- Cross utility interaction
- Service area maps
- Recycling educational brochures
- Third party business cards
- Customer participation surveys

Advertising Campaigns and Media Relations

To generate program awareness amongst multifamily customers, various advertising campaigns are launched through multiple means or channels to make customers aware about its presence in the market. The program typically uses a bundled approach to highlight measures and program benefits.

The advertising and media relations tactics used may include:

- Print advertisements in trade publications.
- Contractor advertising co-operatives.
- Direct Mail and/or Eblasts.
- Online/Website Development.
- Newsletters.
- Internet advertisements.
- Social media.
- Television
- Radio.
- PR / Editorial coverage

Multifamily New Construction

Schedule E218, G218

Purpose

PSE's multifamily New Construction program increases the installation of energy efficient Measures into new electric & gas heated multifamily (MF) buildings constructed in the PSE service territory. High efficiency Measures need to be specified and installed during design and construction. Otherwise, it may be up to 30 years before energy efficient changes to the buildings will take place. For Measures and incentives that apply to existing structures, please refer to the Multifamily, Existing Program Measures.

This program will target structures with three or more residential units per building, per Washington State Energy Code 2009 Edition (effective January 1, 2011). These structures typically have both in-unit and common area energy-savings opportunities. These include, but are not limited to, energy efficient upgrades to building shell, appliances, lighting, HVAC and water heating systems.

Eligible customers include an owner, developer, or agent acting on behalf of responsible party of service receiving electricity or natural gas through PSE. This program provides financial incentives to the above audience for both natural gas and electric residential and commercial meters. The incentives offered are both prescriptive and calculated.

Description

Under this comprehensive program, financial incentives for multifamily new construction projects are packaged under one grant and are structured to work in accord with current commercial programs. PSE provides a single "point of contact" to development teams for all energy efficient Measures/upgrades. This allows PSE to maximize the energy savings opportunity in each development and reduce multi-program confusion for the customer.

The program includes prescriptive rebates/incentives and calculated grants. Eligible customers include builders, developers, owner or agent receiving electricity through PSE's residential schedules 7 (including 17, 27, 37 and 47) and 7A; and commercial schedules 8, 11, 12 and 24; and / or natural gas service through PSE's residential schedule 23 and commercial schedule 31.

Structures include but are not limited to apartments, town homes, condominiums, dormitories, affordable housing, and assisted living residences. There are two distinct construction types in this market that typically offer in-unit and common area energy saving opportunities:

1. Low/mid rise wood framed construction, 5 stories or less.
2. High rise construction above 5 stories.

There may be any combination of residential and commercial meter mixes in each type of construction. Once the meter type mix is confirmed with the development team, the appropriate PSE programs are identified to serve that development.

Target Market

The target market for this program includes new construction multifamily property developers, architects, mechanical and electrical engineers, lighting designers, Housing Authorities, general contractors and equipment suppliers.

Customer Incentives

Incentive schedules may be based on the building types described below:

Low/midrise construction: where residential meters serve space/water heating and plug load, residential incentives shall apply. For common areas in these buildings, commercial incentives may apply. Program Staff may work closely with the CS/EE Business Energy Management team to collaborate on potential custom calculated incentives identified during project evaluation.

Hi-rise construction: where commercial meters serve the unit space/water heat, commercial and/or residential incentives may apply. Where residential meters serve the in unit load, residential incentives shall apply. For common area meters located in these buildings, commercial incentives may apply. Program Staff may work closely with the CS/EE Business Energy Management team to collaborate on potential custom calculated incentives identified during project evaluation.

Incentive schedules are identified by heat source. Calculated incentives will be offered based on standard energy efficient calculation practices. Incentives may be paid upon completion of work and submittal of required program documentation. Field inspections and audits will be conducted at random to ensure quality installations and verify completion of work.

PSE's Energy Efficiency Services maintains a comprehensive list of approved conservation Measures in its List of Measures, Funding and Incentives, which is included in this Biennial Conservation Plan as Exhibit 4.

Marketing Plan

PSE's Multifamily New Construction (MFNC) Program utilizes a mix of marketing activities to reach the designers, owners and developers of new multi-unit residential structures including market-rate condominiums, apartments, senior and assisted living housing, student housing, townhomes, mixed-use (with commercial uses) and others. The 2009 state energy code (effective 1/1/2011) redefined multifamily construction, expanding to include properties with three or more units.

With the market pressures of home foreclosures, unemployment and reduced single family new construction, several sources indicate that we can expect an increase in activity in multifamily new construction, especially in rental apartments. Many Puget Sound region residents are seeking this type of housing due to lower income, the inability to secure bank loans for home ownership, the need for smaller and more affordable living space, and need to stay close to more urban centers and workplaces.

Communications

We will renew our efforts to communicate key messages about the MFNC program. These will include updates in program measures and incentive levels, changes in eligibility to include developments with three or more units, and how PSE can be an extension of the project development team, available to participate in early design charrettes.

- Update printed materials to incorporate RE-ENERGIZE brand plus any new measures and incentive levels.
- Update pse.com to incorporate any new measures and incentive levels.
- Develop case studies to demonstrate the wide array of projects that are eligible.

New Business Development

New program management brings new contacts and knowledge of the marketplace that will enhance the MFNC efforts at this time. There is a current opportunity to take advantage of the in-house knowledge of architects and developers who are currently or recently working in the multifamily arena.

- Review of publications and lead-finding information.
- Mail to MFNC designers – letters and summaries from program manager.
- Mail to MFNC developers – letters and summaries from program manager.
- Meetings with designers and developers.

Coordination with Other CS/EE and PSE Programs

- Cross promote MFNC program with BEM New construction program.
- Cross promote MFNC program with gas development program.
- Work with Energy Efficient Communities Staff to promote program.
- Utilize existing PSE media including Builder Newsletter and email blasts when appropriate.
- Work with PSE's Corporate Communications to publicize significant projects.

Advertising

Develop strategy based on the developing market conditions and affordable opportunities in appropriate publications.

Industry & Customer Events

- Continue to participate in conferences and tradeshow.
- Host or co-host events for customers and contractors with other programs.
- Continue to co-sponsor the MBA at a modest level.

Pilots

Schedule E249/G249

Pilot programs and demonstration projects may be undertaken to determine whether certain strategies and Measures are cost-effective in the long run. Pilots are employed to test cost-effective ways to demonstrate market opportunities for energy efficiency.

Pilots may include tests of Measure cost and performance, customer acceptance and delivery methods. In compliance with Settlement Agreement condition K(7)(d), pilots will only claim energy savings that achieve energy savings sufficient to demonstrate cost-effectiveness by passing the TRC test.

PSE has no pilots planned for 2012-2013. PSE plans to achieve its savings targets using programs and measures that have been proven through either RTF or engineering calculations and evaluated to meet or exceed cost effectiveness thresholds.

BUSINESS ENERGY MANAGEMENT

Commercial/Industrial Retrofit

Schedules E250, G250

Purpose

The purpose of the Commercial and Industrial Retrofit program is to encourage Puget Sound Energy's existing Commercial and Industrial (C/I) customers to use electricity and natural gas efficiently by installing cost-effective energy-efficient equipment, adopting energy-efficient designs, and using energy-efficient operations at their facilities. In addition, incentives will be available for fuel switch Measures that convert from electric to high-efficiency natural gas while serving the same end use.

Description

PSE works with Commercial and Industrial customers to provide incentives for cost-effective energy efficiency upgrades to equipment, building shell, industrial process, and select O&M improvements. These services are provided on the customer's behalf and, where specified by the customer, will be developed in conjunction with design engineers, contractors, and/or vendors.

PSE conducts site assessments to identify savings opportunities, verify existing equipment and system operations, and makes recommendations to customers. PSE also reviews third-party savings estimates and analyses, and when required performs in-house analyses to validate energy savings. PSE works with financial decision makers at the customer's facility to ensure the customer is aware of cost-savings opportunities, including review of energy saving projections that can help obtain favorable financing rates.

Commercial/industrial retrofit projects commonly include: lighting system upgrades, HVAC equipment upgrades, HVAC controls improvements, commercial refrigeration Measures, and industrial process modifications. Additionally, incentives for existing building commissioning (O&M) improvements are provided through the Comprehensive Building Tune-Up (CBTU) Program offered under C/I retrofit.

Upon the customer's decision to proceed with a project, PSE issues a standardized Conservation Grant Agreement and Grant Attachment that establishes terms and conditions for participation in PSE's Custom Grant Program and also explains how the measure will be verified. After the agreement is signed by both parties, customer is given notice to proceed with the energy efficiency project. Following completion of the project, PSE verifies the installation and energy savings via an on-site inspection, review of equipment operation and trend log data where necessary, and collection of project invoicing and specifications of installed equipment.

In addition to Commercial/Industrial Retrofit Custom Grant offerings, PSE contracts with industry experts to develop and implement cost effective programs tailored to the unique needs of target markets. Measure-specific incentives are provided through these contracted programs.

Industrial System Optimization

The program focuses on operational and maintenance (O&M) Measures to be verified through custom analysis on an individual project or site basis. Incentives are based on actual savings achieved. Customers agree to continue monitoring and verification following implementation to assure persistence of the savings.

Data Centers

The program focuses on various types of efficiency improvements in customer data centers; e.g. server virtualization, hot/cold aisle isolation, airflow upgrades, and cooling system upgrades. The program provides site assessments to identify cost effective energy savings opportunities and offers measure-specific incentives.

Energy Smart Grocer

The program provides audits, technical assistance and Measure-specific financial incentives to grocers who wish to purchase and install energy efficient lighting, refrigeration and HVAC systems. The program is eligible for both retrofit and New Construction incentives.

Building Tune-Up and Tracking

The program focuses on low-cost operational and maintenance (O&M) improvements. Commercial customers are provided with an energy use analysis and expert advice on cost-effective improvements that can be determined through a building survey and analysis of energy use. Customers who implement improvements receive incentives during the post implementation year based on actual energy savings.

Target Market

Medium to large Commercial and Industrial customers present the greatest opportunity for cost effective projects under this program.

Customer Incentives Overview

Incentives are effective January 1, 2012.

Site-Specific Basis incentives, or “custom” incentives, rely on generally accepted engineering calculations and Measure costs provided by the customer or the customer’s contractor. Electric and gas Measures may receive maximum incentive grants up to 70 percent of the Measure cost when the grant incentive does not exceed the cost-effectiveness standard, less program administration costs. Measures whose cost exceeds the cost-effectiveness standard will receive grants that are on a declining scale and will be less than 70 percent of the Measure cost. Generally, electric and gas Measures that have a Simple Payback of less than one year are not eligible for a Site-Specific Basis incentive. *Prescriptive Basis incentives* are provided for Commissioning and Optimization of Existing Buildings and for Measures that are eligible for rebates under Schedule 262E/262G, Commercial and Industrial Incentive Program. The incentive amount for a Measure is the same as that which is available under Schedule 262E/262G, but energy savings may be calculated based on actual Site-Specific conditions.

Performance Basis incentives may be provided where energy savings are determined through direct measurement of energy usage and/or the use of efficiency indicators.

Energy-use monitoring: PSE may provide secure web site access to facility energy-use data for building occupants, free of charge for up to two years. More typically, access will be free of charge for one year to allow the occupant to verify building and/or Measure performance according to energy-use projections. To be eligible, customers must be on a rate schedule with demand (kW) as well as energy (kWh) charges. Compatible metering and remote data retrieval capability must be in place at the customer's facility. PSE is not obligated to replace or upgrade nonconforming meters. Customers are expected to use the monitored information to improve energy efficiency at the facility. Customers will demonstrate annual energy savings potential through energy management operations and maintenance as well as identification of further efficiency Measures and equipment upgrades.

Incentives for short and long payback projects will be adjusted as needed, according to market conditions.

Processing Incentives: Customers provide PSE with project costs and estimated savings. Customers assume full responsibility for selecting and contracting with third-party service providers. Projects must be approved for funding prior to installation/implementation. A grant agreement will be required.

All Commercial and Industrial Retrofit incentives will be processed using a standard Grant Agreement, listing the Measure description, Measure Life, Measure cost, and Grant Amount. An attachment to the Grant Agreement will list specific Measure details, and will describe the process PSE will use to verify that the Measure is installed and performing efficiently.

The PSE Energy Management Engineer (EME) and the manager of C/I Conservation oversee all incentives and program operations. EMEs update project changes in the tracking system and review monthly results. The manager of C/I Conservation reviews the cost-effectiveness of all efforts. A review of results and refinement of program strategies are conducted annually.

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and its location within the PSE service territory, fuel type (gas or electric), product type and product quantity. A detailed list of Energy Efficiency Services' Measures, Incentives and Eligibility are included as Exhibit 4 of the 2012-2013 Biennial Conservation Plan.

Marketing Plan

PSE's Custom Retrofit Grant Program has traditionally relied on the following channels to maintain an abundant quantity of custom retrofit project leads: repeat program participants, internal PSE channels such as Major Accounts Representatives and Community Relations Managers, and trade ally relations with contractors, engineering design firms and energy services companies.

These channels traditionally have brought projects to PSE's Custom Retrofit Grant Program. However, our customers and trade allies are experiencing continued economic challenges that affect the size and types of projects they are able and willing to undertake. Customers are making fewer capital project investments and are focused on getting value from O&M budgets. We expect this to continue during the 12-13 cycle.

The Custom Retrofit Grant Program has experienced an increase in the number of smaller projects, which is likely due to the current economic conditions faced by building owners and managers. Because the number of projects has been increasing, while the amount of savings achieved through custom retrofit grants has been decreasing, the Staff time required to manage custom grants could exceed capacity and cost-effectiveness if this trend continues. PSE monitors this and adjusts programs as necessary to respond to market conditions.

Business Energy Management (BEM) will respond to this trend with an increased focus on programs that reward operational efficiency upgrades such as the existing Comprehensive Building Tune-up Program and new contracted programs aimed at greater energy efficiency in data centers and industrial operations. In addition to helping BEM manage the custom retrofit grants in a way that remains cost effective, the new contracted programs that are being added will have key advantages for PSE customers. The contracted programs for data centers and industrial operations will connect PSE customers with industry experts who have nationwide success in energy-efficiency efforts for similar customers who typically have valued reliability and productivity above energy efficiency. Moreover, the new programs will make up for savings being lost to increasing stringency in codes and standards, such as the lighting efficiency standards taking effect in 2012.

Finally, during 2011 BEM underwent a market assessment and process evaluation of the Custom Retrofit Grant Program which has provided information about four markets and about the energy-efficiency Measures that have the most opportunity in each. We will work to communicate with decision-makers within the markets of commercial real estate, healthcare, public sector and food processing about the set of energy-efficiency incentives that will appeal to them.

Communications

We will continue our efforts to communicate about the Custom Retrofit Grant Program with the following tasks:

- Update printed materials to incorporate RE-ENERGIZE brand
- Develop new brochures for target markets
- Update pse.com with new programs and/or program changes
- Develop case studies to demonstrate an array of projects – and use on pse.com, and in public presentations on PSE's energy-efficiency programs
- Leverage other PSE customer-facing departments to communicate PSE Efficiency Program information

Coordination with Other CS/EE and PSE Staff

We will continue routine communications with internal PSE channels that are responsible for direct communication with customers and others who influence decisions about energy efficiency such as public officials.

- Presentations to Energy Efficient Communities Meeting
- Presentations to Major Accounts Representatives
- Presentations to Energy Advisors about new programs
- Work with Corporate Communications to publicize significant projects.

Coordination with Program Providers

Marketing will provide messaging and marketing coordination with contracted programs such as:

- Energy Smart Grocer
- Industrial Systems Optimization
- Data Centers
- Building Tune-Up and Tracking

Coordination with Trade Allies

We will continue to work with contractors, engineers and energy service companies who deliver custom retrofit projects to BEM and who communicate with building owners and managers about PSE's programs.

- Regular meetings to update trade allies on developments in the Custom Retrofit Grant Program.
- Provide review and information about PSE's role in custom retrofit projects.
- Coordinate with trade allies on PSE energy efficiency program messaging.

Industry & Customer Events

- Continue to participate in conferences and tradeshows.
- Host or co-host events for customers and contractors with other programs.

Commercial/Industrial New Construction

Schedules E251, G251

Purpose

The purpose of the Commercial and Industrial New Construction Program is to encourage efficient design, building components and equipment in new buildings by working with customers, tenants, owners, designers and builders of new Commercial and Industrial (C/I) facilities. Provide incentives for installation of cost-effective energy efficient Measures to achieve savings beyond the applicable Energy Code.

Description

PSE works with designers and developers of any large or small new Commercial / Industrial facilities, or major remodels, to propose cost-effective energy efficient upgrades that exceed energy codes or standard practice where minimum efficiency requirements are not prescribed by code. Three paths may be followed to qualify for assistance and/or funding for New Construction energy efficiency Measures. New Construction Commissioning is also offered in addition to the building paths.

The first path is similar to the retrofit program where Measures are evaluated individually and funding is based upon cost-effectiveness. Under this approach, customers may receive up to 100 percent of the incremental cost over a code-compliant baseline option.

The second path utilizes building energy simulation to demonstrate improvement over energy code requirements. PSE will work with designers to incorporate Measures that produce at least 10 percent overall savings beyond applicable energy code, including local jurisdiction amendments. Given the time required for planning and construction, these projects typically take several years to complete.

The third path includes Prescriptive Basis incentives for Measures that are eligible for rebates under Schedule 262E/262G, Commercial and Industrial Incentive Program. The incentive amount for a Measure is the same as that which is available under Schedule 262E/262G, but energy savings may be calculated based on actual Site-Specific conditions.

New Construction Commissioning includes three phases: Design, Construction, and Post-Occupancy. The total incentive available for all three phases combined is up to \$0.50/square foot. A complete listing of available incentives is provided in Exhibit 4 of this 2012-2013 Biennial Conservation Plan.

Customers assume full responsibility for utilizing their design teams and contractors to provide information to PSE for evaluation for grant funding. Projects must be approved for funding prior to installation/implementation to be eligible.

Target Market

Owners and developers of commercial or industrial facilities to be served by PSE with electricity or natural gas are eligible for new construction incentives.

Customer Incentives Overview

Customers provide PSE with project scope, costs and estimated savings. Customers assume full responsibility for selecting and contracting with third-party service providers. A grant agreement or signed prescriptive Measure rebate application will be required.

Whole Building Approach incentives: PSE provides incentive for projects designed and built to be at least 10 percent more energy efficient than a Code baseline building built under the applicable Energy Code. Under the *energy model whole building approach*, PSE will offer an increasing incentive amount for efficient designs that exceed the Energy Code baseline by 10 percent, prorated to a maximum incentive for buildings that exceed the Code baseline by 30 percent or more. The *energy model whole building approach* incentive, based on percent savings, may be reduced if it does not meet the Cost Effectiveness Standard.

Eligibility for Whole Building incentives: Whole Building Incentives are designed for buildings which will receive electric service from PSE and natural gas service from either PSE or another provider in the future. Projects to be served only with natural gas from PSE do not qualify for whole building incentives.

Projects using multiple energy sources, but to be served with electricity from PSE must demonstrate that the electricity-efficiency as well as the whole-building efficiency is improved by a minimum of 10 percent to qualify for an incentive. Low energy-intensity facilities using less than 30,000 BTU/sqft.-yr for HVAC, lighting and water heating as a Code baseline (e.g. warehouses, religious facilities) do not qualify for the *energy model whole building* incentives, but may use the *component* or *prescriptive rebate approach*. In instances where project first-costs, site conditions, or operational parameters lead to a customer fuel choice that would offset gains from implemented efficiency Measures, incentives for fuel switching may be provided; however, choices that totally eliminate the need to provide an energy source to the site are not eligible.

Component Measure incentives: For energy-efficient Measures with a simple customer payback greater than one year, PSE provides grants toward the incremental installed cost of the Measure. Maximum grants will be based on the Company's cost-effectiveness criteria. Electric and gas Measures may receive incentive grants up to 100 percent of the incremental Measure cost where the grant incentive does not exceed the cost-effectiveness standard less program administration costs. Measures that exceed the cost-effectiveness standard will receive grants that are on a declining scale and will be less than 100 percent of the Measure Cost. In instances where project first-costs, site conditions, or operational parameters lead to a customer fuel choice that would offset gains from implemented efficiency Measures, incentives for fuel switching may be provided; however, choices that totally eliminate the need to provide an energy source to the site are not eligible.

*New Construction Prescriptive Rebates: Rebates for equipment listed under the electric/gas Commercial and Industrial Incentive Program are available for new construction except when required by the applicable Energy Code. Rebates are not available, however, when there is an energy interaction with Measures proposed under the *energy model whole building approach* or the *component approach*.*

Building Commissioning: If the customer engages the services of a commissioning agent who is independent of the design and construction team, then the customer may be eligible for an incentive. To qualify for this incentive, commissioning shall focus on energy efficiency and all significant energy-using systems. As a minimum, lighting, HVAC, envelope and domestic hot water systems must all be commissioned.

The commissioning agent must be involved at least by the Design Development phase of the project to receive an incentive for design phase commissioning. If the commissioning agent conducts design reviews, focusing on energy efficiency and integrated design that lead to reduced building energy loads, an additional incentive may be provided. PSE will consider the Measure cost as that portion of the commissioning agent services that will impact energy efficiency on the project. The savings shall be assumed to be a percentage of the building's estimated annual energy use. This percentage will be based on studies of the energy savings impact of commissioning.

During the first year of occupancy, the commissioning agent, using site meter billing data from PSE as well as any customer energy DDC monitoring, shall analyze the building's energy use and assist in final energy optimization of the energy consuming systems.

The commissioning agent shall prepare (or update if one already exists) a systems manual describing the major energy using building systems (HVAC, lighting, DHW, etc.), including control sequences, operating setpoints, schedules, and procedures for testing and verifying proper operation of the equipment and controls. As part of this post occupancy service, the owner's operation staff shall be trained in how to continue to monitor their energy use and run the building efficiently, using the systems manual as a reference.

Energy-use monitoring: Upon occupancy, the Company may provide secure web site access to facility energy-use data for building occupant, free of charge for up to two years. More typically, access will be free of charge for two years to allow the occupant to verify building and/or Measure performance according to energy-use projections. To be eligible, customers must be on a rate schedule with demand (kW) as well as energy (kWh) charges. Compatible metering and remote data retrieval capability must be in place at the customer's facility. PSE is not obligated to replace or upgrade nonconforming meters. Customers should use the monitored information to improve energy efficiency at the facility. Customers will demonstrate annual energy savings potential through energy management operations and maintenance as well as identification of further efficiency Measures and equipment upgrades.

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and its location within the PSE service territory, fuel type (gas or electric), product type and product quantity. A detailed list of Energy Efficiency Services' Measures, Incentives and Eligibility are included as an Attachment to the 2012-2013 Biennial Conservation Plan as Exhibit 4.

Energy Smart Grocer. The program provides audits, technical assistance and Measure-specific financial incentives to grocers who wish to purchase and install energy efficient lighting, refrigeration and HVAC systems. The program is eligible for New Construction incentives.

Marketing Plan

PSE's program for commercial new construction will remain an incentive for building designers and developers to include energy-efficiency Measures that are above and beyond that which is required by the building code.

We expect that market activity for new construction will remain modest during the 12-13 cycles and that PSE's offering will consist of the new construction commissioning program, the commercial rebates, the component approach custom grants, and Whole Building Approach. Overall, we expect new leads for BEM new construction to remain low during the 2012-2013 program cycle.

Communications

- Develop new construction brochure to include the revised program and new construction commissioning.
- Update PSE.com
- Update standardized content for public presentations.
- Develop case studies that include new construction commissioning and likely rebates or components.

Relations with Trade Allies

Redirect our efforts from a focus on architects to a focus more on local commissioning agents.

Coordination with Other CS/EE and PSE Programs

- Utilize BEM internal newsletter to notify internal audiences about program changes.
- Presentation to Energy Advisors explaining code changes and commissioning.
- Article for Builder Newsletter.

Resource Conservation Manager

Schedules E253, G253

Purpose

The purpose of the Resource Conservation Manager program is to achieve customer cost reductions for major resource utility bills through behavioral changes, operational improvements, facility maintenance, and attention to utility accounting. Savings result from changes in practices and do not require major investments in equipment.

Description

PSE offers Resource Conservation Manager Services (RCM) to any school district, public-sector government agency, and Commercial or Industrial (C/I) customer with a minimum portfolio baseload to meet cost-effective thresholds. The RCM program targets larger customers with multiple facilities such that the cost of implementation can be recovered through savings achieved. Schedule 448, 449, 458, and 459 customers may utilize their Schedule 258 funding allocation for Resource Conservation Manager Services (RCM).

Customers qualify for the RCM program based on their annual PSE energy purchases. A typical customer baseline for a fulltime equivalent (1 FTE) program is 20,000,000 kWh for electric only or 2,700,000 therms for gas-only service from PSE. Funding levels are prorated based on the amount of staff a customer would need to allocate in order to achieve cost-effective savings from RCM efforts.

An RCM customer employs, contracts, or designates existing staff to implement RCM responsibilities, including accounting for resource consumption, assessing facilities, recommending actions, monitoring progress, calculating savings and communicating program information to organization stakeholders.

Monetary grants include a "start-up" grant for completion of deliverables associated with building the program foundation: hiring an RCM, setting up an energy-accounting database, writing a company resource management plan, and completing facility action plans. Once start-up deliverables are complete, the customer may qualify for "performance grants" based on achieving pre-established energy-reduction targets. Salary guarantees are available for customers with a full-time program on an as-needed basis.

The RCM agreement is valid for three years. Over this time, PSE anticipates a 10-12 percent reduction in overall energy use. Savings are calculated using industry standard practices and energy accounting methodologies. Reported annual savings are a variance from the previous year. PSE may elect to renew a customer's RCM agreement in three-year increments to provide continued support and additional performance incentives.

Puget Sound Energy's RCM support program is comprised of a "menu" of services, which can be tailored to meet the specific needs of the customer. Typical RCM services

include, but are not limited to, the following assistance and support:

Program Start Up

- Designing and implementing an RCM program;
- Hiring or contracting a Resource Conservation Manager;
- Developing baselines, policies and guidelines, and facility action plans;

Resource Accounting Software

- Purchase and implementation of resource accounting software;
- Audits of existing databases to review for inclusion of all facilities, accounts, meters, etc., sufficient facility details, missing data, and overall data integrity.

Technical Assistance

- On-site walk-through audits to train customer staff to identify waste and opportunities for improved efficiency;
- Analysis and reporting of savings relative to established baseline;

Education & Training

- Training in fundamental concepts for designated RCM and support personnel such as custodial, maintenance, and facilities staff
- Educational materials for classroom or building occupant use including checklists, fact-sheets, and calculators;
- Training stipend to support professional development in Building Operation or Energy Management. (Training stipend is based on achieving the Building Operator Certification Levels I & II.)

Energy Data Services

- Historical and on-going monthly PSE billing data in electronic format for import into resource accounting software;
- Energy Interval Services for internet viewing of facility gas and electric interval meter data;

Cash Incentives

- "Start-up" intended to share the cost of program start up provided there is a mutual agreement that the customer will match the "start-up" funding support. Grant is paid upon satisfactory completion of "start-up" deliverables.
- Performance grants for customers who achieve a pre-established targeted amount of energy savings after completing their first year and "start-up" deliverables.
- Salary guarantee for customers implementing a program with one or more full-time RCM employees
- Site-based incentives for specific actions by occupants and staff which reduce energy consumption in individual facilities

PSE is exploring ways to make RCM cost-effective for smaller customers. Shared RCM services among a group of smaller organizations have generated interest from local governments and other organizations with smaller facility portfolios. PSE efforts will continue to work with RCM consultants, customers, and other support agencies to

develop this market.

The RCM program has also assisted customers in establishing Energy Star Benchmarks for their facilities using EPA's Portfolio Manager. PSE will continue to help customers to identify potential targets, improve energy efficiency to meet award qualifications, coordinate the application and inspection process, and submit material to EPA for Energy Star awards.

Additionally, access to energy accounting software has allowed PSE RCM customers to facilitate greenhouse gas accounting and other climate change and sustainability initiatives. The value of this service routinely exceeds those stated in the RCM program scope of work.

Customer Incentives

PSE continues to develop creative incentive options to increase RCM support for a variety of customer segments.

- *Resource Accounting Software* – PSE will assist in selection, purchase, and set-up of resource accounting software and will support annual maintenance fees if the customer agrees to maintain the system and provide annual consumption, savings, and activity reports.
- *Initial Cash Incentive* – For qualifying organizations, PSE will pay a cash incentive determined as a percentage of the typical RCM salary to help get the program started with initial set-up of utility database and program organization. PSE will fund 35 percent of the time spent on establishing the RCM program during the first year provided the customer completes the database set-up, develops a resource management plan and outlines facility action plans for their buildings. Customers receive support tailored to their needs, including staff training, technical assistance, interval metering, salary guarantees, site-based incentives, and other services.
- *Performance-Based Incentives* – PSE may provide cash incentives to customers who achieve a pre-established targeted amount of energy savings relating to occupant behavioral practices and improvements in operational and maintenance (O&M) efforts. Energy-savings targets will be based on a typical 5 percent reduction from a 12-month baseline and actual savings will be calculated and verified by PSE. Incentive amounts will meet the current commercial and industrial program cost-effective criteria.
- *Site-Based Incentives* – PSE may award cash incentives directly to a customer for implementation of verifiable behavioral changes by building occupants, maintenance and custodial staff members.
- *Salary Guarantee* – For customers with a full-time equivalent energy baseline, PSE will provide a salary guarantee that the customers' total resource bill savings achieved by RCM activities relating to occupant and behavioral practices and improvements in operational and maintenance (O&M) practices exceed the salary of the RCM. If not, the difference will be paid to the customer up to the value of the natural gas and electrical savings achieved, as determined by weather corrected reduction of the customer's utility bills or by single Measure calculations agreed to by PSE.

Marketing Plan

PSE's Resource Conservation Manager (RCM) Program utilizes a broad array of marketing materials and training activities to reach its customer base. The nature of the RCM program and its need for ongoing communications efforts with customers blurs the distinction between promotional marketing and customer communications. An integrated approach is required to support this program.

To reach the cost-effectiveness threshold required, PSE's RCM program targets large portfolio-based customers or groups of customers who will be able to recover the cost of implementing their RCM program through resource savings achieved. PSE's RCM program has an impressive performance record evidenced by a variety of factors including the fact that it has never paid a salary guarantee to compensate for lack of savings achieved.

As the RCM concept has developed, PSE's program is beginning to experience challenges in the marketplace. Private companies are marketing similar packages of services, creating some confusion and even some departure from PSE's program. Ongoing communications, public relations and RCM training are critical to convey the value and integrity of PSE's program to new and existing customers.

Program Communications to Existing Customers

We will support the RCM program with development of information and training materials for customers.

- Revise and update 2 existing information pieces.
- Create 2 specific tools for behavior-based programs.
- Support for the RCM annual meeting with displays and handouts as needed.
- Develop and implement a strategy to utilize a Facebook® page or other social media tools to facilitate sharing of communications and resources.
- Establish resources and protocol for webinar trainings.

Marketing Communications to Existing and Potential Customers

We will provide marketing materials including brochures, web updates and standard presentation materials to communicate about the RCM program.

- Update marketing materials to incorporate RE-ENERGIZE brand plus any program changes required.
- Create two new presentation pieces to graphically explain program to existing customers.
- Create four new case studies to demonstrate an array of RCM success stories.

Internal PSE Communications

We will renew our efforts to communicate key messages about the RCM program to audiences inside of PSE that serve as channels to customers and other stakeholders.

- Provide a conduit for communicating critical updates or program information to the CRM/EE Communities group and the new geographic organization of major accounts.
- Review communications developed by EE Communities.

Coordination with Corporate Communications

Media relations for PSE is managed by Corporate Communications; a joint effort will be pursued to convey the scope of the program and its value to customers.

- Work with PSE Corporate Communications to publicize successful projects.
- Work with PSE Corporate Communications to develop articles about RCMs and their accomplishments.

Small Business Lighting Rebates

Schedule E255

Purpose

The purpose of the Small Business Lighting program is to provide a menu of lighting retrofit rebate options that meet the needs of most small business customers and to maintain a network of lighting contractors and vendors that effectively serve small businesses.

Description

The Small Business Lighting program provides a menu of lighting retrofit rebate options that meet the needs of most small business customers and maintains a network of lighting contractors and vendors that effectively serve small businesses. Rebates cover a wide variety of efficient conversions for incandescent, fluorescent, high intensity discharge (HID), exit lights, and lighting controls.

Target Market

Schedule 24 and Schedule 8 electric customers (electrical demand less than 50 kW per month). Multi-family housing customers, or those with dwelling units on rate schedules 24 and 8 are served by the Multi-family Existing Program.

Customer Incentives Overview

Rebates cover many efficient incandescent and fluorescent lighting conversions to high-efficiency fluorescent HID and LED technologies. Incentives are set at levels slightly above the custom grant under the electric/gas Commercial and Industrial Retrofit Program in order to:

- Capture the small business manager's attention in an environment where many different business needs compete for limited budgets.
- Enable contractors to achieve a sufficiently high sales closure rate to sustain interest in the program.

A list of all requirements for eligibility and participation can be found on individual program application forms. Applicable Small Business Lighting Measure category headings include, but are not limited to retrofit and replacement of:

- Incandescent lamps & Fixtures and Exit Sign Replacements
- Higher Wattage Incandescent & HID, Retrofits & Fixtures
- 4' & 8' Fluorescents – Retrofits and Fixtures

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and its location within PSE service territory, product type and product quantity. A detailed list of Energy Efficiency Service Measures, Incentives and Eligibility is available in Exhibit 4 of the 2012-2013 Biennial Conservation Plan.

Marketing Plan

We expect that PSE's Small Business Lighting program, the prescriptive menu of lighting incentives for Schedule 24 and Schedule 8 customers, will remain in strong demand during 2012 and 2013. It offers most small business owners an opportunity to easily take advantage of energy-efficiency incentives and it offers many trade allies and vendors an effective means of serving small businesses.

The Small Business Lighting program will require a mix of communications and marketing efforts to continue a high level of communication with customers and contractors.

Communications

- Update Small Business Lighting brochure to incorporate current messaging and RE-Energize branding
- Update PSE.com as needed
- Update standardized content for public presentations
- Develop case studies that include successful Small Business Lighting projects for a variety of business types.
- Use bill inserts to reach small business customers with message about energy-efficient lighting

Relations with Trade Allies

- Host contractor information and training sessions
- Support contractors with program information

Coordination with Other CS/EE and PSE Programs

- Utilize BEM internal newsletter to notify internal audiences about program changes
- Presentations to EE Communities, Energy Advisors and others about Small Business Lighting

Large Power User/Self Directed

Schedule E258

Purpose

The purpose of this program is to acquire cost-effective energy savings from large Commercial and Industrial (C/I) customers by providing incentives that support self-directed energy efficiency projects that the customers themselves propose.

Description

This program solicits electric energy efficiency upgrades through a Request for Proposal (RFP) process. C/I customers receiving electric service under Schedule 40, 46, 49, 448, 449, 458, or 459 receive a funding allocation based on their electric usage and are responsible for proposing cost-effective project(s) to utilize their allocation. This is classified as the non-competitive phase.

Proposals are evaluated by PSE Engineering Staff for technical soundness, cost-effectiveness and compliance with energy code and tariff requirements. Customers sign a standard PSE Conservation Grant Agreement, defining project cost, PSE incentive amount, and verification requirements prior to installation of project Measures.

The Large Power User Self-Directed program is implemented in cycles, with the current program cycle spanning January 1, 2010 to December 31, 2014. Customers have until March 29, 2013 to propose projects that utilize their incentive allocations under the non-competitive phase. Customers not designating projects that fully utilize their allocation forfeit their remaining balance to a competitive phase, in which remaining funds are available to all program participants via competitive bid.

In the Competitive Phase, Eligible customers respond to an RFP in order to obtain remaining incentive funding that was not claimed during the non-competitive phase. In this phase, eligible customers may have access to funds beyond their original allocation. All projects submitted by the required deadline will be ranked based on cost effectiveness. Competitive funding will be awarded, in order of project ranking, until all funds are allocated to projects.

Target Market

C/I customers receiving electric service under Schedule 40, 46, 49, 448, 449, 458 or 459 are eligible to participate in this program.

Customer Incentives Overview

The incentive budget for eligible customers will be the Electric Conservation Rider revenues less deductions made for the Company's administrative program costs (7½ percent) and for the Northwest Energy Efficiency Alliance (NEEA) budget line item (10 percent).

During the current program cycle, incentive allocations for customers receiving service under Schedules 40, 46 and 49 will be reduced for collection of administrative program costs and Northwest Energy Efficiency Alliance (NEEA) budget line item costs that were not collected in the previous program cycle. The total Electric Conservation Rider revenue amount and customer allocation will be determined by the Company's State Regulatory and Cost of Service Department.

Energy efficiency Measures are subject to the Company's Total Resource Cost Test to determine the grant amount to be paid. The incentive amount is the lesser of the Total Measure Cost, \$0.50 per annual kWh savings, or the customer's remaining incentive allocation, subject to PSE Cost Effectiveness Standards.

Customers receiving service under Schedules 40, 46 or 49 shall be required to first utilize their designated Schedule 258 allocation for these incentives prior to receiving funding from other programs, with the exception of programs requiring multi-year contracts. Customers receiving service under Schedules 448, 449, 458 or 459 must use their Schedule 258 allocation for these incentives and cannot receive funding from other programs.

When the incentive is limited by the remaining allocation balance, Schedule 40, 46 and 49 customers may apply for incentives from another conservation program to supplement the Schedule 258 incentive, up to the maximum allowed by the other conservation program.

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and its location within PSE service territory, product type and product quantity. A detailed list of Energy Efficiency Service Measures, Incentives and Eligibility are available as Exhibit 4 of this 2012-2013 Biennial Conservation Plan.

Marketing Plan

Effort will be made to ensure that eligible customers have every opportunity to take advantage of the incentive allocation available to them. If it becomes evident early in the program duration that some customers are having difficulty initiating the program process, the Company will offer to provide extra assistance to identify projects and perform any required follow-through.

Energy Efficient Technology Evaluation

Schedules E261, G261

Technology Evaluation Overview

The purpose of Energy Efficiency Technology Evaluation is to identify new, energy efficient technologies and products for our program offerings. Ideally, we would identify cost effective technologies and Measures with significant savings potential, which are commercially available. However, there are many emerging technologies that range from “commercially available, but not used in the Northwest,” to “conceptual” or “prototypical” technologies still in the development phase.

It is relatively simple to determine whether new, commercially available technologies are suitable, as long as generally accepted engineering calculations can be used, and manufacturers can provide reliable data. For example, vendors frequently approach us with new, improved products, claimed to save more energy than their older models, or their competition. Usually these proposals are evaluated by the Energy Management Engineer who is managing the project, who then shares his/her experience with others in the group.

Some technologies are not so simple to evaluate. Those that are truly new typically have little experiential history, or there is no generally accepted method to calculate the performance. Clearly, it would be risky to broadly offer incentives through our programs - risky with regard to uncertain savings and risky for our customers due to unforeseen product issues. If the potential savings look significant, we may try the technology on one or two projects, especially if we are working with a customer who understands the risks and would like to be an “early adopter.” Sometimes the most prudent approach is to monitor the progress of the technology, especially if the savings potential appears limited. Our effort is not intended for basic research, or product development, but to identify technologies that are available and suitable for our programs.

The most challenging situations arise when vendors propose products that are “too good to be true.” Often their savings claims are supported by testimonials from satisfied customers, with little or no reliable test data. Many technologies, such as transient voltage suppressors, power factor correction devices and paint with high R-Value, have been known for years to save little or no energy, but the vendor may insist that his product is different, even though it may only have a different name on the box. Fortunately we have experience with many of these products, or can readily find others who have had experience. It is important, however, to distinguish between the bogus claims and those that might truly be the new emerging technology that deserves attention.

Commercial Rebates

Schedules E262, G262

Purpose

The purpose of the Commercial and Industrial Incentive program is to expedite the installation of specific electric and gas efficiency Measures in commercial buildings and to streamline commercial and industrial retrofit program administrative costs by offering Prescriptive based incentives with standard savings values to our commercial and industrial customers.

Description

PSE offers fixed rebates for select, commonly applied Measures to commercial customers. Rebate Measures are those with energy savings that can reasonably be standardized over a wide variety of applications, and that have competitive market pricing to ensure cost-effectiveness. The following Measure categories are managed in-house by PSE Staff:

- High Efficiency HVAC (new and retrofit)
- Variable Speed Drives
- Electronically Commutated Motors (ECMs)
- Commercial Washers, gas and electric
- Commercial Laundry Water Heating
- Commercial Kitchens, gas and electric
- Commercial Lighting Rebates (lamps and controls)
- Hospitality Rebates
- Portable Classroom Controls
- PC Power Management
- LED Traffic Signals

PSE contracts with industry experts to develop and implement cost effective Measures tailored to the unique needs of target markets. The following Measure categories are offered through contracted programs:

- Premium HVAC Service Program, gas and electric
- Pre-rinse Spray Valves and Aerator Direct Install
- Green Motor Rewind
- Small Business Direct Install Measures

The Program Staff collect tracking data, monitor program performance, and report results and trends. The Program Staff work with equipment suppliers/vendors and this program is coordinated closely with the electric and gas Commercial and Industrial Retrofit Program.

Program refinements and cost-effectiveness are reviewed with Engineering Staff, the Evaluation Team, and the C/I manager as necessary on an ongoing basis. Incentive Measures, marketing and the fulfillment process may be modified, as needed, to respond to developments in technology, customer acceptance and/or changes in supplier/contractor delivery and pricing.

Target Market

Rebate Measures are targeted to appropriate commercial markets, including but not limited to: Large Office, Small Office, Large Retail, Small and Specialty Retail, Restaurants, Commercial Laundries, Hotels/Lodging, Groceries, Convenience Stores, Hospitals, HealthCare/ Assisted Living, Schools and Property Management.

Schedule 40, 46 and 49 customers who are eligible to participate in the Schedule 258 Program must first utilize their Schedule 258 allocation before they receive incentives under this program.

Schedule 448, 449, 458, and 459 customers may utilize their Schedule 258 funding allocation for Measures and incentive amounts offered under this program.

Multifamily related businesses or those with dwelling units will be referred to the Multifamily program.

Customer Incentives Overview

In most cases, incentives are a flat dollar amount, usually for a “Measure” or “device” that is a “stand alone” unit. Customers can generally select from among qualifying models (e.g. washing machines). In other cases, rebates are a flat amount per “unit size” of the Measure, where unit size may be “per ton” or “per horsepower.” In several cases, PSE has worked with consultants on studies to develop incentives tied to square feet of conditioned space, because energy savings depend on the size of the building more heavily than the size of the equipment. For example, ECM Motors are rebated per square foot of conditioned space.

A list of all requirements for eligibility and participation can be found on individual program application forms.

Most rebates are paid directly to the customer, but may be assigned by the customer to the contractor. For some measures, the rebate can be deducted from the sales price at the point of sale, in which case the participating vendor may be eligible for an additional sales incentive.

Measure incentive eligibility criteria are based on, but not limited to, established, industry-standard cost effectiveness tests, structure type and its location within PSE service territory, fuel type (gas or electric), product type and product quantity. A detailed list of Energy Efficiency Service Measures, Incentives and Eligibility are included as an Attachment to this 2012-2013 Biennial Conservation Plan as Exhibit 4.

Marketing Plan

PSE's Commercial Rebates Program will be proactive in using a mix of marketing and communications activities to reach the decision makers and influencers in four main areas:

- Hospitality Rebates
- Commercial Kitchen Rebates
- Commercial Lighting Rebates
- Small Business Outreach - Direct Installations

The Commercial Rebates Program includes dozens of additional rebates that may not easily fit into one of the categories listed above. These rebates will need maintenance of communications including brochure and web updates throughout the year. All materials will incorporate the RE-ENERGIZE brand.

Hospitality Rebates

To promote the group of rebates that is likely to be of most benefit to the hospitality (hotel/motel) market, marketing activities will include:

- Print and Web materials targeted to this market that include rebates for packaged terminal heat pumps, lighting controls, commercial kitchen equipment, laundry equipment and others;
- Targeted promotions - Direct mail or bill inserts to hotel/motel owners and managers in PSE service territory;
- Participation in the Washington Lodging Association; and
- Development of case studies to demonstrate value of energy efficiency particular to this market.

Commercial Kitchen Rebates

To promote the commercial kitchen rebates to restaurants and other owners and managers of commercial kitchens (school cafeterias, corporate cafeterias, church kitchens, etc.), marketing activities will include:

- Update of marketing materials to incorporate RE-ENERGIZE brand plus any program changes required;
- Participation in various restaurant and food service organizations; and
- Develop case studies to demonstrate value of energy efficiency in restaurants and other food service facilities.

Commercial Lighting Rebates

Marketing will continue to promote the small business lighting program, new commercial lighting rebates and T12 phase out during 2012, along with managing the promotional efforts around instant rebates available through vendors.

- Development and continued disbursement of Point of Sale display materials for participating instant rebate vendors;
- Development of bill inserts for promotion of lighting rebates including new rebates approved in 2012.

Small Business Outreach – Direct Installations

This program is provided by an outside contractor serving small business customers throughout the PSE service territory. This contractor, while providing much of its own marketing, is cooperating with internal PSE channels such as community relations and energy-efficient communities. PSE marketing is coordinating with the contractor on the appropriate use of the PSE logo and review materials for program accuracy.

REGIONAL PROGRAMS

Northwest Energy Efficiency Alliance

Schedule E254

Description

NEEA is a non-profit organization working to accelerate the innovation and adoption of energy-efficient products, services and practices in the Northwest. As a partner with NEEA, Puget Sound Energy contributes funding for regional energy efficiency initiatives, actively participates on NEEA's Board of Directors and advisory committees, and supports various related initiatives in the Puget Sound Energy service area.

The NEEA 2010-2014 Business Plan, adopted in 2009, focuses on creating lasting change in energy efficiency in the Northwest through strong partnerships with the region's utilities and market actors. The business plan was informed by the NEEA 2010 – 2014 Strategic Plan, developed through a participatory year-long strategic planning process with the NEEA Board and region as a whole. The Business Plan has a five-year total regional savings goal of 200 aMW. Further information about NEEA's history, structure, initiatives and press is available on [NEEA's website](#).

NEEA received \$192 million in funding for 2010 – 2014 market transformation initiatives from Northwest utilities including the Bonneville Power Administration (BPA) (on behalf of more than 130 utilities), Puget Sound Energy, Energy Trust of Oregon, Idaho Power, Avista Corporation, PacifiCorp, Seattle City Light, Tacoma Power, Snohomish County PUD and others.

Generation, Transmission and Distribution Efficiency

Purpose

The purpose of the Generation, Transmission and Distribution Efficiency program is to evaluate and implement energy conservation Measures within PSE's own generation and distribution facilities.

Description

The Generation, Transmission and Distribution Efficiency program involves implementing energy conservation Measures within PSE's own generation and distribution facilities that prove cost-effective, reliable and feasible.

Within generation facilities, conservation Measures reduce ancillary loads at the site and exclude efficiency improvements made to the generating equipment itself. These Measures may include, but are not limited to, lighting upgrades, variable speed drives and compressor upgrades.

For transmission and distribution (T&D) efficiency, improvements are implemented at PSE's electric substations. These improvements can involve reducing the energy use within the substation itself and the distribution of energy from it. They can range from on-site Measures like lighting and heat pumps to system Measures like phase balancing and conservation voltage reduction (CVR) (a.k.a. voltage optimization (VO)).

This program requires coordination between the Energy Efficiency Program Manager and Staff in other PSE departments to collect project specific details for program tracking and reporting.

PORTFOLIO SUPPORT

Customer Engagement and Education

Purpose

This activity grouping is made up of activities designed to drive PSE customer to take action, engage in energy efficiency initiatives, and provide them with tools and resources that enable to easily enroll in a number of PSE efficiency offerings.

Element Descriptions

The following are existing activities and functions that have been described in detail in previous version of CS/EE Program Details. The elements E-news and Online Tools, formerly classified under Information Services, are now represented in the group that follows, Web Experience.

Energy Advisors

The Energy Advisor Department is a unique, customer solution operation within Energy Efficiency. The scope of this expert group brings efficiency into our customer homes by guiding them in changing behaviors. Energy Advisors promote and explain PSE's renewable programs as well as provide energy advice covering Electric Vehicles, tax incentives, community challenges and building science.

Unlike transaction based customer care departments, the Energy Advisors provide expertise and deliver solutions tailor-made for customers' homes. They work with unique business requirements to meet program goals and targets, and are positioned to support programs and services at the next level. The Energy Advisors research, analyze, resolve and respond to customer inquiries, issues and requests related to energy efficiency and conservation. They represent PSE in an effort to promote and cross market products and services by presenting and providing educational materials to employees, organizations and community groups. Energy advisors receive training and instruction in departmental procedures and are expected to use good judgment in independently responding to recurring customer issues and/or complaints. Unique, difficult or unusual customer service issues are referred to the senior energy advisor. They consult with customers to help lower bills and educate them regarding energy efficiency and conservation as well as promote PSE energy efficiency and conservation programs and services at community and corporate outreach events such as trade and home shows, fairs, educational workshops and trainings.

Customers have access to speak directly to an Energy Advisor through a toll-free number, **1-800-562-1482**, Monday through Friday, 8am to 5pm.

Events

Energy Efficiency Services participates in community, local, and regional events annually. These events include home shows, trade shows, seminars, corporate events and community outreach. The event audience consists of general public, businesses, builder/contractors, multifamily property owners, city leaders, students/teachers. PSE business objectives include; program leads, customer awareness of PSE's programs/services, education, partnership with other utility/s and communities. This provides unique opportunities for CS/EE Staff to interact directly with customers and discuss a variety of products, programs and services that PSE offers. CS/EE Staff can also match customer interests and needs with Energy Efficiency programs.

The event strategy team provides specific criteria for event participation that matches overall business and strategy of the programs supporting CS/EE programs with emphasis on presence, affiliation and relevance. Each event holds a particular value to stakeholders and relates to objectives of PSE CS/EE programs. The Events team organizes events using an event management data system to improve communication and customer experience. The Events strategy team—including representatives from marketing, outreach and programs—assesses event requests, and reviews event opportunities in advance, with a focus on tactical planning for and vetting events.

Brochures

PSE provides brochures and how-to guides on numerous energy efficiency opportunities, including low-cost equipment, weatherization measures, major weatherization improvements, and equipment upgrades. This information includes investment and savings estimates where appropriate. These brochures are available to customers in paper form and online at the PSE [website](#). Where required by tariff, brochures are included as bill inserts.

Education

The CS/EE Energy Education program provides opportunities to broaden knowledge of conservation and renewable energy, and increase participation in efficiency programs. PSE's energy education provides a forum for positive customer and community interaction and involvement that will inform, inspire, and empower with the understanding that individual choices do make a difference.

Description

Education is a key component in furthering consumer energy efficiency and renewable energy awareness so that customers are adequately informed to make wise energy decisions.

Energy Education creates a forum to provide information to leaders and educators who can leverage the knowledge to a greater audience and will also tie directly to the company's existing EE opportunities, active resource conservation efforts, and commitment to the community channel. The programs will focus on strengthening community actions by developing and preserving local relationships with customers and other education and community-based organizations.

Target Market

Markets include local schools, low-income populations, seniors, Native American groups, English-as-a-second-language customers and the general public through community outreach.

The program fosters community involvement that will create mutual gains by leveraging with existing education learning resources through Hopelink, Low Income Weatherization agencies and Independent Colleges of Washington (ICW).

Marketing Plan

Puget Sound Energy's Energy Education will use a variety of traditional and online outreach tactics to market its energy-efficiency oriented programming to various audiences in PSE's service area interested in: (a) community education for adults; (b) K-12 in-school offerings; (c) higher education programs; and (d) underserved populations. The program will also utilize existing CS/EE programs, PSE-hosted events and external partnerships as vehicles for outreach, under CS/EE's Re-Energize brand.

Education Outreach Tactics

- The energy education program will continue its long standing relationship with Hopelink, to deliver Save Energy Save Money energy conservation education among English as a Second Language (ESL) adults beyond King County to include Russian & Spanish languages.
- Using a similar model reach out to Low Income Agencies to adopt the education model to include education on thermostat and no cost low cost training for their clients waiting on the weatherization "waiting lists".
- The program will streamline the CS/EE Speakers Bureau, providing a library of consistent energy-efficiency materials and messaging for PSE Staff to use as advocates for the company, in the community.
- Continue long standing relationship with Independent Colleges of Washington where students engage in energy efficiency research projects related to improvement in power and energy use. Outreach tactics to be used include:
 - Collateral and educational materials design; co-branded and otherwise.
 - Newsletters.
 - Branded advertising to support event or workshop promotion.
 - Website and content support.

Web Experience

Purpose

The Web Experience group is designed to represent functions and activities that focus on PSE customer access to CS/EE programs, either via the internet or other forms of electronic media.

Description

This CS/EE group is made up of Customer Online Experience (formerly referred to as Mainstreaming Green) and Market Integration, which are detailed in the following discussions. Customer Online Experience includes E-news and Online Tools, two elements formerly included in Information Services.

Customer Online Experience

No Associated Conservation Schedule

Purpose

Meeting PSE's aggressive 2012-2013 Energy Efficiency targets will require convincing broad consumer audiences of why they need to actively participate in Energy Efficiency programs and then how they can get involved. We will continue to market to our traditional audience of "early adopters," but this segment is not large enough by itself to provide the energy savings needed to meet our new targets.

Description

The Mainstreaming Green and Market Integration initiatives are designed to significantly improve the ability of the Energy Efficiency effort to communicate the why and how of energy efficiency. This is being accomplished in two ways:

1. Mainstreaming Green consists of unified graphic standards and the initiative to make the PSE Energy Efficiency web tools effective in delivering electricity and gas savings, especially as we progress toward anticipated higher targets in the future. Research has shown that PSE Customers are more web-savvy than average and have high expectations of doing business on the web.

The second phase of the web enhancement plan under Mainstreaming Green is designed to provide significant new tools for PSE's residential and business Customer base, community partners and trade allies to be able to do this, providing personalized energy management tools, targeted merchandising, self-service rebate and application transactions. The updated features within the energy efficiency section of the website will also help CS/EE to capitalize on advanced online marketing opportunities.

New capabilities will include:

- Personalized energy usage dashboards to help Customers manage home and business usage and demand
- Personalized promotions, rebates, coupons and offers and targeted content based on Customer's profile
- Fillable rebate application forms; trackable online rebate processing
- Sophisticated web use tracking and analytics analysis
- Additional multimedia content; improved content voice and tone

This complements a first phase of web tools and improved website organization and navigation which was released in 2011.

2. The second component of Mainstreaming Green involves Re-Energize umbrella graphic standards and outreach. The Re-Energize graphic standards are designed to make all PSE Energy Efficiency promotions consistent so all programs can better leverage the attention other programs generate with Customers. This results in doors being opened more easily when new program promotions are put before Customers. The Re-Energize graphic standards are now being utilized on program promotions. Since the standards have been developed and implemented, no significant investment will be required in the immediate future.

Research was utilized in the development of the web and the Re-Energize components of Mainstreaming Green and was utilized to test the Re-Energize final product before it was implemented.

Online Tools and E-news

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

Marketing Integration

No Associated Conservation Schedule

Purpose

The Market Integration initiative consists of salary costs of employees working on Mainstreaming Green-related items. This is being done to increase the transparency

of the work being done on marketing-related items. These include the enhancement of the energy efficiency web capability and the Re-Energize effort.

Energy Efficient Communities

No Associated Conservation Schedule

Purpose

A program support channel to generate participation in PSE's Energy Efficiency programs through direct contact with governments and community stakeholders. The program works with PSE's communities to identify and engage with underserved populations and leverage community resources to increase Energy Efficiency Services (CS/EE) program participation.

Description

Puget Sound Energy's Energy Efficient Communities (EEC) program works to generate participation in PSE's Energy Efficiency programs by linking up local governments with CS/EE programs to increase efficiency in their facilities, their residents' homes and their businesses. The program partners with cities, counties and other community entities to discover locally-appropriate ways of engaging the communities by leveraging PSE's resources, community knowledge and partner support.

With communities taking responsibility for their energy usage and carbon emissions, they are looking to partner with PSE expertise. There has been great emphasis on energy efficiency in the American Recovery and Reinvestment Act of 2009 with local governments receiving funds for said purpose. Since then, is the EE Communities team has worked with these communities to help them utilize their Federal stimulus dollars to work in tandem with PSE's programs. The Recovery Act has increased interest in and awareness of the Energy Efficiency Services programs as well as increased communication with the EE Communities team. Many communities are looking to build on the successful partnerships through the Recovery Act to continue to work on CS/EE Programs.

Target Markets

PSE's Energy Efficient Communities Program has Staff located in regional offices to provide an improved connection to the multiple community stakeholders that Energy Efficiency serves throughout the service area.

Energy Efficient Communities also works closely with the Business Energy Management team to reach out to the underserved small business population to deliver consistent programs throughout the service area. The team works to provide leads for the small business programs through partnerships with cities and community groups as well as through direct outreach and presentations to the small business community.

Trade Ally Support

Purpose

Formerly named Local Infrastructure and Market Transformation, PSE re-named this function Trade Ally Support in order to more accurately represent the tasks and activities of this function. PSE retired its associated Schedules, E & G 270. In addition to revising its name, PSE also relocated the function from the (now eliminated) Support Activities to Portfolio Support, as this function applies to a broad spectrum of CS/EE functions and programs.

Trade Ally Support provides education and related services for:

- The adoption or expansion of energy-efficiency products and practices in local markets; and
- Conducting research toward the development of new conservation measures, programs or services.

Description

PSE participates with or utilizes the services of many organizations to support the local delivery, management, and promotion of a broad range of energy efficiency services. Customer and service provider benefits primarily include education and information. These can include end-use training workshops, conferences and energy efficiency trade shows aimed at reaching a broad array of customers and trade allies. Similar to but narrower than Program Support, the Trade Ally Support budget line item gives visibility to the annual membership dues PSE pays to trade associations and research organizations who support ongoing development and implementation of the wide variety of both Residential and Business energy management programs.

Target Market

The company may provide financial support for energy efficiency activities available to, or projects designed to benefit Puget Sound Energy's customers, undertaken by local energy efficiency organizations, including activities designed to leverage NEEA-funded projects in the Company's local service territory.

Marketing Research

No Associated Conservation Schedule

Objectives

Marketing Research conducts a variety of research studies and analyses to support program design, marketing strategies, and development of effective program promotion and customer communications for energy efficiency.

Description

The focus of the Marketing Research function is on acquiring information about customers that is relevant for the development of programs, educational materials, and promotional campaigns that will be effective in encouraging program participation.

Through various techniques such as surveys, focus groups, and analysis of existing databases, Marketing Research provides understanding of customer perceptions, motivations and barriers to adoption of energy-efficient applications and behavior, as well as tracking customer awareness of program offerings and satisfaction with non-program specific education and information services. Marketing Research is also called upon for analysis of localized characteristics, attitudes, behavior, and energy usage trends, necessitating more geographically targeted research. Marketing Research expenses are driven by the customized nature of the work and the large sample sizes required in quantitative studies for results to be valid for multiple market segments and geographic areas.

The Marketing Research Staff works closely with program evaluation, marketing communications, and program implementation Staff to identify research needs that support the effective development, delivery, and evaluation of energy efficiency programs. These research needs are then coordinated and leveraged to result in a slate of research projects that are responsive to internal client needs, eliminate duplication of effort, and are cost-efficient.

PSE's conservation market research activities are divided into two basic components:

Baseline Research with Broad Applications: This type of research provides foundational information about PSE customers that will be a common source of knowledge for the general planning and design of all energy efficiency programs and promotional campaigns.

Application-Specific Research: This research is focused on specific programs or promotional initiatives. It includes research that supports specific energy efficiency program promotion and communications campaigns, such as message testing, target markets, and campaign effectiveness studies. Other research efforts will be focused on tracking customer satisfaction with information services, such as the Energy Advisors. Finally, research may be conducted to provide customer input on the design and implementation of specific programs, primarily using qualitative methods such as focus groups.

RESEARCH & COMPLIANCE

Conservation Supply Curves

The Conservation Supply Curve function, focusing on identifying the amount of energy savings potential that is technically and economically achievable over the 20-year planning horizon of PSE's Integrated Resource Plan (IRP), is now included in the following Strategic Planning details.

Strategic Planning

Objectives

The Strategic Planning function conducts a variety of research studies and analyses to support the energy efficiency portions of the Company's Integrated Resource Plan, regulatory compliance proceedings and other strategic initiatives.

Description

One of the primary responsibilities of the Strategic Planning function is to complete a Conservation Potential Assessment for the company's Integrated Resource Plan (IRP). The Conservation Potential Assessment identifies the amount of energy savings potential that is technically and economically achievable over the 20-year planning horizon of PSE's IRP. The IRP, which is filed every two years, is the basis for PSE's electric and gas energy resource acquisition strategy, as well as the targets for our energy efficiency programs. The IRP analysis may also be used to derive the ten-year conservation potential and two year electric conservation target required to comply with the Washington Energy Independence Act (often referred to as I-937).

PSE's next IRP and Conservation Potential Assessment are due in 2013. The Company will conduct an assessment of the long-term market potential for energy savings from energy efficiency and other demand-side resources, covering the twenty year period 2014-2033. PSE anticipates continued use of a consultant to perform the analysis. The budget includes costs to collect customer, building and end use equipment characteristics data for this analysis, as well as calculation of the conservation potential itself. This analysis will be a key component for establishing program savings targets for 2014-2015.

The Strategic Planning function is also responsible for providing support and guidance to a variety of regulatory and other strategic initiatives. Responsibilities include regulatory compliance filings, federal and state legislative review, policy analysis, or other strategic efforts related to energy efficiency.

Program Evaluation

Description

PSE Evaluation Staff is committed to the evaluation of energy savings and the continual improvement of energy efficiency service delivery to customers. PSE program implementation teams work together with the Evaluation team to inform the development of evaluation scopes of work. The Evaluation Team then develops and maintains a strategic evaluation plan, in accordance with the guiding Evaluation Framework, ensuring that all programs receive review on a four year cyclic basis.

Adjustments have been made to the four year evaluation Cycle shown in the 2012-2013 Evaluation Plan, moving the Resource Conservation Manager evaluation from 2014 to 2013 and Single Family Existing evaluation moving from 2012 to 2013. Additional programs to be evaluated in 2013 will include Single Family and Multifamily New Construction, Commercial & Industrial Rebates, and new Pilot programs or measures. In addition, significant work will be done in 2013 on the independent third party review of PSE's 2012-13 electric portfolio, which must be completed by mid-2014 in compliance with condition (6)(g).

The Evaluation Team investigates the cost effectiveness of all CS/EE programs. Avoided costs are developed consistent with PSE's most recent Integrated Resource Plan. Utility Cost and Total Resource Cost benefit-to-cost ratios are the two primary cost-effectiveness tests calculated and are performed at the program level and measure level as appropriate. Starting with the 2012-2013 period, the Participant Cost Test and Ratepayer Impact Measure Test were calculated and documented at the portfolio level, and will be included in each Biennial Conservation Plan.

The Evaluation Staff is also closely engaged in the Measure Metrics process. Using the Evaluation Report Response (ERR), the Implementation and Evaluation Teams ensure that study results are implemented in the program. When an evaluation study is completed, findings are reviewed along with key recommendations. The Implementation Team then completes their input to the ERR, indicating what actions will be taken as a result of the evaluation findings. This ensures a closed-loop system with Evaluation findings and Implementation reactions and adjustments being documented in the Measure Metrics database.

In addition, the Evaluation Team is monitoring the Regional Technical Forum (RTF) and the Northwest Research Group (NWRG) for opportunities for collaboration with RTF interests, and among regional utilities with common evaluation needs. A budget reserve is also maintained for prioritized Other Projects that come up over the course of the year.

Verification Team

Description

As the “V” in EM&V, PSE’s Verification team performs on-site inspections and confirmations of randomly-selected participating homes and businesses to assure energy efficiency measures are properly installed. Combined with other Evaluation and Measurement functions, Verification seeks to secure both confidence in claimed energy savings and improvements in program quality.

The “Measurement & Verification: Policies, Guidelines, Protocols & Processes” document introduces M&V protocols to be used across the Customer Solutions/Energy Efficiency (CS/EE) functions.

Measurement & Verification (M&V)

M&V is the process of determining and validating savings, where equipment energy usage may be measured and equipment installations verified. CS/EE M&V policies include:

- Every EE measure and/or program has objective and documented analysis describing kWh and/or therm savings (ref. PSE Measure Metrics database). The Verification Team provides on-site independent checks of measure installations for measures and/or programs.
- CS/EE program planning, implementation, verification and evaluation teams are engaged in on-going quality assurance, quality control, analysis and reporting of measure/program activities.
- All methods are documented and subject to review to increase quality and reliability.

Verification Team Guidelines

PSE created the “Measurement & Verification: Policies, Guidelines, Protocols & Processes” document in response to Condition K(6)(f)(ii):

Measurement & Verification – PSE shall provide detailed descriptions of its measurement & verification (M&V) policies, protocols, guidelines, and processes to the CRAG [Conservation Resources Advisory Group] for review and advice. Additionally, PSE shall provide to the CRAG an estimate of the costs associated with the detailed M&V plan and PSE will maintain activities at levels that are at least commensurate with regional peers.⁴

⁴ Agreed Conditions for Approval of Puget Sound Energy, Inc.’s 2010-2011 Biennial Electric Conservation Targets under RCW 19.285, Docket No. UE-100177.

The document provides detailed descriptions of PSE M&V policies, protocols, guidelines and processes.⁵

Verification of energy efficiency installations: This is conducted in multiple venues through review of documentation, surveys and on-site inspections. To ensure the accuracy of program and measure savings claims, verification activities encompass many different steps, including invoice and calculation reviews, on-site inspections and phone verifications among others.

Verification of energy savings: Energy efficiency programs have documented procedures in place to fully verify measure savings. Verification procedures described in the Verification Manual vary depending on measure, participant, or program type. Practices documented in the Verification Manual detail expectations for all stakeholders including Program Implementation Staff, program participants and installation contractors. The processes most reflective of day to day functions of the Verification Team are the pre and post-installation inspections described in the Manual.

Program Support

Description

This function includes management and support activities necessary for the strategic and tactical execution of the wide variety of both Residential and Business programs.

The Program Support budget includes labor costs by New Program Development Staff responsible for supporting, developing and improving program delivery processes in customer Energy Management.

Typical functions include internal and external review, adoption/rejection, development and integration of: new EE industry research, end-use technologies and applications; pre-pilot program proposals; construction codes; equipment standards; software and similar tools applications. Other examples include: support for biennial and strategic program planning; participation in regional initiatives and organizations including RTF, NWRG and NEEA; assessment, documentation, development and implementation of Measurement & verification and quality assurance/quality control protocols and methodologies; coordinating IRP DSM RFP and related development and bidding activity; and managing program benchmarking studies, best practices, continuous improvement and related support activities.

⁵ Consistent with condition (3)(a)(i)(1) and (3)(a)(i)(2), PSE provided the Conservation Resource Advisory Group (CRAG) with a review copy of the document on June 29, 2012.

OTHER ELECTRIC PROGRAMS

Net Metering

Schedule E150

Purpose

PSE's Net Metering program provides interconnection services for qualifying customer-generators in accordance with State legislation enacted into law in February 11, 1999 and amended June 8, 2000 (see RCW 80.60).

Description

PSE provides interconnection services to qualifying Customer-generators who operate fuel cells, hydroelectric, solar or wind generators of no more than 100 kW. Service under this schedule is limited to a total of 11.2 MW of cumulative nameplate generating capacity, of which no less than 5.6 MW of cumulative nameplate generating capacity shall be attributable to net metering systems. Customer generation can be used to offset part or all of the Customer-generator's electricity use under Schedules 7, 8, 11, 12, 24, 25, 26 or 29 of Electric Tariff G.

At the time a customer enrolls in the Net Metering program, they are also provided the necessary information to receive annual benefits from the Production Metering, or REAP, which is described in Schedule 151.

Target Market

All customers who are within the Company's service territory and receive electric service under terms of the Company's electric Tariff G.

Customer Incentives

No direct customer incentives are provided under this tariff. Energy produced by Customer-generator systems directly reduces energy used in the home or business from the grid. When energy generated exceeds home or business electrical loads, the excess energy flowing to PSE is separately metered and credited to the customer at the retail rate for future use. The program's year runs May 1 to April 30 of the following year through 2020. Any excess credit each month is rolled forward to the following month; however, when the new program year begins April 30, the credit is reset to zero.

Production Metering

Schedule 151

Purpose

PSE's Renewable Energy Advantage Program provides qualifying Customer-generators with production payments in accordance with State legislation SB 6658 as PSE receives tax credits for renewable production payments, as outlined in RCW 82.16.

Description

Production Metering is operated in conjunction with, and in addition to, the Net Metering program. At the time a customer enrolls in the Net Metering program, they are also provided the necessary information to receive annual benefits from Production Metering.

Target Market

All qualified net metered customers, under terms of Schedule 150 and all qualifying Schedule 91 customers.

Customer Incentives

Once a year customers are paid for all power generated up to the \$5,000.00 cap per the State's Renewable Energy Cost Recovery Program. This payment ranges from \$0.12 to \$1.08 per kWh generated per state law. PSE is responsible for identifying the annual production and writing the annual payment to the customer.

Marketing Plan

When customers interconnect for net metering they are also encouraged to participate in the production metering program. PSE notifies the customer and assists them with the annual paperwork process that is required by the state to receive a payment. PSE has a brochure for customer Renewables used at various events.

The Energy Advisors provide basic information to customers calling to inquire about renewable energy generation. Information on net metering is also accessible from the Home and Business Solutions global navigation header at PSE.com. Renewable energy businesses and organizations such as Solar Washington and Washington State University Energy Programs normally make customers aware of the new metering program when they inquire about renewable energy generators.

Renewable Energy Education

Schedule E248

Purpose

Renewable Energy Education provides grants for small scale renewable energy demonstration and education projects and to promote the acceptance of local energy development through brochures and displays. The program also provide unbiased subject matter expertise that customers may call on.

Description

Small Scale Renewables, Schedule 248 was added to Schedule 120 funding when the Residential Exchange Credit was cancelled by the Ninth Circuit Court in May, 2007. The Schedule was re-named in 2011 to Renewable Energy Education.

The program provides grants for small scale renewable energy education demonstration projects which are tied in with both a curriculum and energy efficiency services at the location. The grants can pay for a turn-key system or focus on leveraging local participation by supporting additional Measures that will improve the educational benefit of the project. The direct grants will be phased out over the 2012-2013 period.

The program can fund brochures, informational displays, seminars, and community activities to encourage customer understanding of renewable energy and its potential.

Target Market

Communities, primarily schools, and other educational opportunities where the public will congregate.

Customer Incentives

The grants go directly to organizations such as school districts.

Marketing Plan

PSE will develop marketing materials which explain the alternatives available to customers and promote the benefits of small scale renewables. Contractors and consultants will also be targeted with information including best practices and current regulations.

Commercial/Industrial Load Control

Schedule E271

Background

The Company developed, conducted and evaluated demand response pilot programs for both commercial/industrial and residential customers from 2007 through 2011. The pilots demonstrated that demand response programs, during peak market periods, could acquire demand-side capacity resources cost-effectively in the commercial-industrial sector. Subsequently, the 2012-13 IRP identifies 50 MW of cost-effective capacity resource potential which can be acquired from a commercial-industrial demand response program over the period 2012 through 2015. The Company is currently conducting a thorough analysis and considering options for a commercial-industrial demand response program. A preliminary design for a commercial-industrial demand response program has been developed for an RFP and is summarized below.

Purpose

The purpose of this voluntary program is to acquire short-term, dispatchable kW demand reduction from targeted large Commercial and Industrial (C/I) electric service customers. Program demand reductions can be a cost effective, emission-free resource during periods of peak electrical system demand or a reduction in available generation. Secondly, the program may test the value-added and effectiveness of dispatchable customer demand reductions during temporary periods of localized transmission and distribution capacity constraint.

Description

When determined to be cost effective compared to supply-side peaking resources, this program will be offered to qualifying customers to meet demand response targets identified in the Company's current Integrated Resource Plan. Customers will be targeted for enrollment based on kW load reduction value, time of day and seasonal availability, duration potential, and, in some cases, geographic location. Customer participation will be voluntary. Demand reduction performance will be incentivized.

Customer-owned generation will not be eligible for enrollment as a direct resource, or distributed generation, asset. Interested customers with existing emergency backup or otherwise unrelated generation equipment will not be prohibited from utilizing such equipment to participate in curtailment events. PSE will advise that such customers must meet permitting requirements of the Puget Sound Clean Air Agency. PSE will have no role in assisting customers with clean air agency regulations or permitting requirements.

Program implementation will utilize an experienced, competitively-selected, third-party demand response services provider (Aggregator). The service provider will execute

capacity contracts with qualifying customers, provide detailed site assessments and enablement, interval meter data management and analysis, as well as performance reporting. Program design will seek to integrate customer information and initial site assessments with existing energy efficiency measures and services offered by PSE.

Capacity acquisition targets are proposed to ramp-up to 50 MW over four years:

First year: 10 MW
Second year: 25 MW
Third year: 40 MW
Fourth: 50 MW

Target Market

C/I customer facilities with average November through March and/or May through September monthly demands greater than 350 kW, and receive electric service under Schedules 26, 31, 40, 46 and 49 are predominant target participants. Customers on rate schedules 448 and 449 may also participate pending review and adoption of pertinent adjustments in service agreements and incentives.

Geographic targeting in some limited areas may be undertaken to assess the value of short-term load reductions on selected transmission and distribution facilities subject to intermittent capacity constraints, such as those occurring during seasonal temperature extremes.

Cost-Effectiveness and Customer Incentives

Cost-effectiveness criteria and customer performance incentives for capacity delivery will be developed under applicable IRP, I-937 and Electric Schedule 83 guidelines. Customer performance, baseline definition and incentives will be set and published following selection and contract negotiations with the service provider.

Marketing Plan

PSE Account Executives, Energy Management Engineers (EME's), and Business Development Specialists (employed by the service provider) will provide a coordinated approach to the process of recruiting, site assessment and enrollment of qualifying, targeted customers. PSE's previous demand response recruiting experience in the C/I sector favors a personalized, direct contact approach with the anticipated limited number of prospective participants. Account Executives and EME's using their existing contacts, can readily "open the door" to presentation of the program offer to senior management of targeted facilities.

Evaluation Plan

The Demand Response Program Development Team includes a member of the CS/EE Evaluation group to assure the development of an appropriate Evaluation Plan. The Evaluation Plan will include Impact, Process and Market Assessment components. It is proposed to be completed following 24 months of operation. The Evaluation scope of work will include testing of lessons learned from the C-I Load Control Pilot Evaluation, completed in late 2010, and include a re-visitation of optimal baseline considerations.

Glossary of Commonly Used Acronyms and Terms

Unless otherwise noted in a specific Conservation Schedule, the following commonly-used terms, used throughout this document have the below noted meanings:

AIA	American Institute of Architect
ASHRAE	American Society of Heating, Refrigerating, and Air-Conditioning Engineers
BOMA	Building Owners and Managers Association
BPA	Bonneville Power Administration
CHP	Combined Heat & Power
CMS	Customer Management System
Cost Element	Also referred to as account numbers. Cost element groups typically include; labor, overhead, employee expenses, miscellaneous expenses, materials, etc.
CRAG	Conservation Resource Advisory Group
CS/EE	Customer Solutions/Energy Efficiency. This was the new name assigned to EES (Energy Efficiency Services) at the beginning of 2012.
DDC	Design Development and Construction
DHW	Domestic Hot Water
Direct Install Measure	A conservation Measure that is installed by a PSE representative—rather than a PSE customer—into a qualifying structure.
ECM	Electronically Commutated Motor
EES	Energy Efficiency Services, a division of Puget Sound Energy. Effective at the start of 2012, EES became Customer Solutions/Energ Efficiency (CS/EE).
HID	High Intensity Discharge (related to lighting)
HVAC	Heating, Ventilation and Air Conditioning
IRP	Integrated Resource Plan. PSE’s two-year view of 20-year resource needs and how the Company will meet those needs.
kWh	Kilowatt Hour

Definitions and Acronyms, continued

MBA	Master Builders' Association
NEMA	National Electrical Manufacturers Association
O&M	Operations and Maintenance
Order Number	An eight-digit accounting number, used to track expenditures. FERC rules require that expenditures associated with energy conservation begin with a 1823nnnn (where "n" is another number). This is the most detailed view of accounting for a program's expenditures. Within an order number, cost elements account for the specifics of those expenditures, as explained above.
TRC	Total Resource Cost
UC	Utility Cost
ULI	Urban Land Institute
USGBC	U.S. Green Building Council
WAMOA	Washington Association of Maintenance and Operations Administrators