

EXHIBIT NO. ___(EMM-11)
DOCKET NO. _____
2005 POWER COST ONLY RATE CASE
WITNESS: ERIC M. MARKELL

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-_____

**TENTH EXHIBIT TO THE PREFILED DIRECT TESTIMONY OF
ERIC M. MARKELL (NONCONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JUNE 7, 2005

REQUEST FOR PROPOSALS
For
Electric Energy Efficiency Resources
and Pilot Projects

FINAL RFP

February 3, 2004

Puget Sound Energy, Inc.
10885 N.E. Fourth Street
Bellevue, WA 98004-5731

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1 INTRODUCTION AND BACKGROUND

Puget Sound Energy (PSE) currently provides a variety of energy efficiency services to the Company's retail electric and natural gas customers in all market segments. These programs provide energy efficiency resources as part of the Company's resource portfolio, and are consistent with PSE's Least Cost Plan (LCP). Furthermore, PSE is committed to ensuring that all customers have access to programs by offering a mix of programs that make energy efficiency services available to all customer classes and that address all major end uses.

Accordingly, with these proposals PSE seeks to:

- encourage supplier participation in the energy efficiency marketplace, and
- create broader customer adoption of energy efficiency measures.

This Request for Proposals (RFP) is intended to supplement and enhance PSE's ongoing energy efficiency efforts. Through this RFP, PSE is requesting the following:

1.1 Electric Energy Efficiency Resources

- PSE is seeking bids for programs to acquire energy efficiency resources from retail electric customer sites throughout its electric service territory.

1.2 Energy Efficiency Pilot Projects

A smaller, second portion of this bid solicitation seeks proposals for energy efficiency pilot projects. These projects will be limited in scope and duration such that evaluated energy savings results are available by the end of 2007. Pilots are designed to:

- introduce viable energy efficiency measures which are not yet widely available or adopted in PSE's service territory, and/or
- demonstrate effective, sustainable program delivery to market segments in which, historically, customers have infrequently undertaken energy efficiency investments.

Finally, fuel conversion or fuel-switching (electricity to natural gas) programs are excluded at this time.

1.3 Timing

Delivery of program services is to be between 1/1/2006 and 12/31/2007.

Proposed measures must have a minimum five-year measure life.

PSE, may, at its option, select projects for early implementation. Implementation of these projects will begin no later than January 2005. The contract period for these projects will be negotiated, and based on the proposal, but cannot go beyond 12/31/2007.

1.4 Funding

Funding for proposals under this RFP shall be provided by the Company's electric ratepayers, through an Electric Tariff Rider (Schedule 120) approved by the Washington Utilities and Transportation Commission (WUTC). Criteria for application of these funds

towards energy efficiency programs are included in PSE's Electric Rate Schedule 83. Limited additional funding for residential programs is provided as part of the Conservation and Renewable Discount pursuant to power purchase arrangements with the Bonneville Power Administration. PSE Electric Tariff Schedules 83 and 120 may be viewed at <http://www.pse.com/account/rates/rateselec.html>.

1.5 Advisory Group Process

Key to the development of PSE's overall energy efficiency targets is participation of PSE's Conservation Resource Advisory Group ("CRAG"). PSE's CRAG was formally established as part of the settlement of PSE's 2001 general rate case that the WUTC approved in Docket Nos. UE-11570 and UG-011571 ("Conservation Agreement"). The Group's specific purpose is to work with PSE in the development of conservation plans, targets and budgets. The CRAG includes ratepayer representatives as well as representatives of select energy efficiency policy organizations. (See list of organizations represented in Exhibit I.) Members of the CRAG participated in the development of the Company's 2003 Least Cost Plan, including the conservation potential assessment, and PSE's 2004-2005 Energy Efficiency Targets and Budgets. PSE also intends to consult with the CRAG as part of its process for analyzing proposals submitted in response to this RFP, although the Company retains the full responsibility for decision-making and selection of any successful proposals. Based on feedback from the CRAG, PSE will make recommendations regarding overall value of individual bids for use in integrated modeling of least cost resources, and for the portfolio of energy efficiency programs to be delivered in the 2006-2007 time period.

1.6 Regulatory Stipulation regarding Energy Efficiency

As part of the Conservation Agreement in PSE's 2001 General Rate Case (Docket Nos. UE-11570 and UG-11571), the WUTC has stipulated that "[Energy Efficiency] Programs ... will be designed to achieve all savings that are not independently captured by consumer acquisition, that are cost-effective to the Company, and economically feasible for consumers, taking into account incentives provided by PSE." The Conservation Agreement establishes the process for planning and review of PSE conservation programs through 2007.

The Conservation Agreement further stipulates that PSE's achievement of its annual targets shall be subject to a penalty mechanism. In 2004-2005, the financial penalties for failure of PSE to achieve the annual energy efficiency savings targets are as follows.

- Achieve savings that are 90 to 99% of the goal: \$200,000 penalty applies
- Achieve savings that are 75% to 89% of the goal: \$500,000 penalty applies
- Achieve savings that are less than 75% of the goal: \$750,000 penalty applies"

2 PSE'S LEAST COST PLAN (LCP)

This RFP is intended to be consistent with the guidance provided by PSE's most recent LCP. PSE filed its LCP with the Washington Utilities and Transportation Commission (WUTC) on April 30, 2003. PSE filed an update to the April LCP on August 31, 2003 to incorporate, among other things, a comprehensive assessment of available conservation resources. Complete versions of the April 2003 LCP and the August 2003 update may be found on the PSE web site at <http://www.pse.com/about/supply/resourceplanning.html>.

The LCP examines PSE's electric and gas resource needs over the next 20 years, and through technical analysis considers factors such as price, supply, demand and risk. This analysis generally describes the mix of conservation programs and supply resources that might best meet electric or gas resource needs.

The overall LCP strategy is to develop a diversified, balanced electric resource portfolio that meets customer needs, results in reasonable energy supply costs and mitigates market risks, such as those recently experienced in the region. PSE's planning standards call for adequate energy resources to serve its electric load under average hydro conditions, and having sufficient capacity resources to meet customer peak loads at 16 degrees Fahrenheit. Both energy and capacity resources will be managed through various means to fill winter deficiencies, while minimizing summer surpluses.

PSE's resource needs (prior to recent acquisition activities) were for an estimated 400+ aMW of new electric resources in 2004 growing to over 1,700 aMW in 2013 due to growing load in its service territory, the loss of existing resources, and the expiration of power purchase and non-utility generation contracts. A portion of these needs will be met through conservation. Consistent with PSE's LCP, it is anticipated that programmatic conservation will constitute approximately 8.6% (203 aMW) of its portfolio by 2013. The results of the August 2003 LCP Update provide strategic direction for PSE's conservation program planning, but does not commit the Company to acquiring specific conservation measures or specific amounts of energy savings from such measures. Similar to supply-side resource acquisitions, specific determinations about actual conservation acquisitions will be based on specific opportunities and near-term implementation considerations.

3 PRODUCTS REQUESTED

Based on PSE's conservation potential assessment completed in 2003, this RFP seeks proposals to result in contracts for electric energy efficiency resources consistent with PSE's Least Cost Plan and the evaluation criteria discussed in Section 8. Proposals are to involve installation of equipment and technologies for any of a wide variety of electricity end-uses. Projects are to be installed at PSE electric retail customer sites, and from among all the customer classes, excluding customer sites where service is taken under Schedules 448 or 449. PSE intends to choose a variety of proposals such that all customer classes are included. Projects are to be installed between 1/1/2006 and 12/31/2007. A prototype Energy Efficiency Agreement is included as Exhibit II.

3.1 Energy Efficiency Resources

Energy efficiency savings from all selected energy efficiency resource bids combined are expected to be consistent with the current LCP. After allowance for PSE's energy efficiency programs that are not included for bid in this RFP (see sec. 5.6 Limitations), this amount is projected to be:

- 256,000 annual MWh (This is equivalent to approximately 30aMW on line at the end of 2007.)
- Cost \$ 34,000,000.

3.2 Pilot Projects

In addition, pilot energy efficiency projects may be proposed for the same period. Pilot projects must use proven technology; specifically excluded are new and/or unproven efficiency technologies or equipment. Energy efficiency savings from selected pilot projects are anticipated in a range similar to amounts to be piloted for 2004-2005:

- **6,000 annual MWh**
- **Costs \$ 2,500,000.**

4 ELIGIBLE RESPONDENTS

Eligible respondents must demonstrate experience pursuant to Section 5.9.10 in operating a utility-sponsored energy efficiency program, or significant experience participating as a contractor on utility program(s). PSE-affiliated subsidiaries are excluded from bidding on this RFP. Bids from other utilities and/or their subsidiaries will be considered, since this may increase the number of qualified respondents and thus increase the overall creativity and competitiveness of responses to this RFP. Bids from PSE retail customers will also be considered.

5 PROPOSAL REQUIREMENTS

All Proposals must satisfy the following requirements:

5.1 Size

Minimum energy efficiency resource proposal shall be an average of 2,500 MWh of annual savings for each of two years (or .57 aMW). This requirement does not apply to pilot project proposals.

5.2 Statutory

Projects must satisfy all requirements of WAC 480-107-030:

- Conservation supplier shall provide evidence that the proposed conservation measure can be installed and will produce anticipated savings over the life of the measure as indicated in the contract.
- Conservation savings included in a project must produce savings over more than 5 years.
- Conservation savings must be consistent with PSE's Least Cost Plan filed August 31, 2003.
- Projects must produce savings that can be reliably measured or estimated with accepted engineering methods.

5.3 Savings

The Regional Technical Forum (RTF) has determined that certain efficiency measures should be deemed to produce specific annual savings over a specific life. PSE will use the RTF deemed annual savings and measure lives for applicable measures. Should deemed savings and measure lives be adjusted after contract award but prior to implementation, PSE will use RTF savings and measure lives current as of the beginning of the implementation period to determine achieved savings from the program. All other measures

will require project-specific calculations of savings using commonly accepted engineering methodologies and tools. The RTF's deemed measure savings can be found at <http://www.rtf.nwppc.org/> (by setting up a guest account). Accepted measure lives are listed in Exhibit III.

5.4 Cost-effectiveness

Proposals will be evaluated using the Utility Cost test and the Total Resource Cost test described in Exhibit IV. Cost categories to be included with proposals are also shown in Exhibit IV. Cost effectiveness of projects will allow for PSE administrative costs. Utility costs are expected to vary, depending upon the proposal content. At a minimum, PSE costs include some project management activities, coordination with customer data, and conducting customer satisfaction surveys for the respondents program activity.

5.5 Quality

Projects must not result in significant reduction to the quality of the customers' end-use processes or products, or customer satisfaction with equipment operation, comfort, or other amenities that result from using energy.

5.6 Limitations

PSE will not accept bids for fuel switching, education, information, or operations and maintenance programs, or for projects to evaluate the feasibility of new and emerging technologies or delivery methods. PSE will also not accept bids for the following programs that PSE plans to continue to operate:

- Low Income Retrofit: PSE currently has contracts with the State of Washington, Department of Community, Trade and Economic Development for delivery of these services.
- NW Energy Efficiency Alliance (NEEA, the "Alliance") - PSE contributions for regionally operated energy efficiency market transformation efforts. All proposals are not to compete with efforts underway in the region by the Alliance.
- Large Power User - Self-Directed Program - Savings acquired from customers only using PSE distribution services, not purchasing retail power from PSE.
- Energy Education Program - Powerful Choices for the Environment curriculum offered to middle school students.
- Resource Conservation Manager - Savings from this behavioral, operations and maintenance efforts targeted at School Districts, cannot be relied on for persistence beyond 5 years.

5.7 Reduction in Compensation ("Penalties")

Under the Conservation Settlement approved by the WUTC, the Company is responsible for meeting annual energy savings targets, and is liable for financial penalties should targets not be met (see discussion under Regulatory Stipulation, Section 1). PSE therefore intends to assign to each accepted proposal an energy savings target for the 2006-2007 period with reduction in compensation proportionate to the penalties for which PSE is at risk if the respondent fails to perform as agreed. Furthermore, if the respondent meets its specific energy savings target, but the Company is unable to meet its overall regulatory target because the respondent's process involving working with PSE customers impedes or undermines PSE's ability to achieve energy efficiency with the same set of customers, the Company intends to assess a lesser reduction in compensation to share financial

responsibility of regulatory penalties between the Company and the respondent. The purpose is to insure that respondents cooperate with PSE to achieve PSE's overall targeted amount of savings set with the Commission. The specific structure for calculating the amount of compensation reductions will be included as part of the final project contract for each program, and will solely be determined by PSE. The reductions will be based on the mechanism ultimately developed by the CRAG and adopted by the WUTC for 2006 – 2007.

5.8 Pilot project proposals

Pilots are designed to introduce viable energy efficiency measures which are not yet widely available or adopted in PSE's service territory, and/or demonstrate effective, sustainable program delivery to market segments in which, historically, customers have infrequently undertaken energy efficiency investments. Pilots may be proposed to address overall efficiencies on the utility system. Pilot projects may include dispatchable, peak load control provided the cost of installing measures is projected to be cost-effective based on the annual energy (kWh) savings for the end-use load shape involved (for example, an energy management control system with load-shedding features.) Dispatchable load management projects must be able to be verified and monitored in real time. Proposals involving demand-side pricing mechanisms will not be accepted as part of this RFP. PSE may elect to pass through any potential financial penalties that may be adopted in the future, as described in Section 5.7.

5.9 Resource Proposal Submittal

PSE is requesting that respondents provide 10 copies of their proposal and that the proposals conform to the following format for presenting their bid information:

5.9.1 Summary Project Data

Respondents must complete the summary material provided as per Exhibit VII of this RFP.

5.9.2 Proposal Summary

Provide a narrative summary of the resource proposal in no more than 3 pages.

5.9.3 Description of Proposal

1. Describe the product(s) being offered in response to the RFP, including the energy efficiency measure(s), the specific customer(s) or customer type(s), and the facility type(s) where the measure(s) will be located, the implementation strategy, project quality assurance and verification. Indicate if measures are currently available through PSE's energy efficiency programs for 2004-2005.
2. Provide an estimate of the projected annual electric energy savings and system capacity savings of the project when completed. Provide details of unit savings used to derive total savings estimates, and the basis for those estimates. Provide a monthly distribution of those savings. If system capacity savings are proposed, provide a description of what hour those savings are available or alternatively and hourly shape of savings. Provide an estimate of the monthly and annual load factors of savings for all measures.
3. Provide an estimate of the useful life for each measure. Describe any maintenance and replacement requirements to achieve projected savings of the measure(s) over the measure life.

4. Provide a timeline for project completion. If savings begin to accrue prior to project completion, estimate savings achieved for each month until project completion.
5. Provide details of any and all customer obligations necessary for the installation of measures, including any share of the cost of the installed measure, and other fees or costs for participation, estimates of customer's time involvement, use of customer premises, etc.
6. Describe who is to own and operate the energy efficiency measure(s) after they are installed.
7. List and describe who is to install the measure(s), including any installation subcontractors and, where applicable, party responsible for commissioning and verification of installation.
8. If the proposal is partially or entirely mutually exclusive with an existing PSE program, describe and support any reasons that the bid proposal may better benefit PSE and its customers than the Company's existing energy efficiency programs.

5.9.4 Price & Payment Proposal

1. Provide a detailed breakout of the measures to be installed under this proposal, with measures sorted by end-use and customer sector "Type of Savings", as described in Exhibit IV, and using Table IV-B.
2. Provide proposal price data by category, as requested in Exhibit IV, Table IV-C. PSE will use this data to estimate Utility Cost (UC) and the Total Resource Cost (TRC) of the proposal, as well as to evaluate proposal and its total cost.
3. Describe the proposed payment plan, including the schedule and amount of payments, the conditions that must be met before payment is made, and how payments may be adjusted following any verification of savings procedures.
4. Provide an estimate and description of fees, shared savings arrangements, or any other payments or contributions the customer or third-party will be obligated to pay for the installation of any portion of the proposed measure(s). If applicable, describe available customer payment plans.

5.9.5 Schedule for Implementation

The proposal should provide schedule estimates on the proposed project from the point a contract is awarded through project completion. Include a schedule item for each significant project development and implementation activity. Indicate actions to be taken to ensure the schedule will be met. Periodic progress reports will be required.

5.9.6 Savings Verification Plan

1. Describe the procedures that will be used to estimate and measure savings from the installed measures. For estimates that are to be made, describe how they are derived and the assumptions and sources used to develop the estimates. For savings that are to be measured, describe the proposed measurement procedures. Note where interaction with other end-uses, if any, are involved, and provide estimates of the interactive effects on measured savings. Provide sufficient detail on the measurement procedures, including the type of measurement (e.g., billing analysis or end-use metering) and the participants included in the measurement. The savings verification plan should address both first year annual savings and savings persistent over the proposed life of the measure.
2. Describe any plans to verify estimated savings. Describe any procedures that will be in place to measure the persistence of the energy savings.

3. Describe PSE's role in the proposed verification plans. Describe any information, data, or support that PSE will need to provide to the verification plan.
4. Describe the timeline for savings verification. Specifically describe the links between measure installation, verification of savings and payment.

5.9.7 Marketing Plans

1. Provide, if applicable, a description of the marketing plan that will be used to recruit participants. Describe how customers will be contacted, eligibility for participation, and how customers will be selected/rejected for participation. PSE reserves the right to coordinate and/or implement all marketing activities. Marketing will be reviewed during contract negotiations.
2. Describe any general marketing assistance the bidder expects PSE to provide. This may include customer lists, customer billing records, letters of introduction, or support by the Company's customer service representatives.
3. Describe the expected simple payback for participants with and without any financial incentives. (Simple payback is to be calculated as the participant's cost divided by the annual energy bill savings.)
4. Include clear description of any financial incentives the customer will receive.

5.9.8 Customer Service Plan

1. Describe how participant complaints will be addressed
2. Describe any and all written or implied warranties that will be provided to customers regarding quality of materials and installation.
3. Describe the intention to track and provide customer information to PSE. Any bidders currently operating programs should provide PSE with sample reports or other documentation to show program data tracked and reporting capability.
4. List any complaints received from participants regarding the conduct of past energy efficiency programs by the respondent and the disposition of each complaint.
5. If bidder is currently operating a similar program, please provide two end-use customer references. Provide name, address, telephone and e-mail.

5.9.9 Financial Capability

1. Provide a description of plans for financing the energy efficiency project(s).
2. Describe the proposed security arrangements (i.e., bank letter of credit, payment bond, corporate guarantee, or other security).
3. Be prepared to provide, if the proposal is selected for negotiation, a demonstration of the ability to obtain a level of insurance, such as general business and liability insurance, sufficient to cover major project contingencies.

5.9.10 Experience and Qualifications of the Team

1. Provide a general description of the your organization, it's background and experience in projects similar to your proposal. List all affiliated companies, including holding companies, subsidiaries, and predecessor companies presently or in the past engaged in delivering the types of services included in the proposal. Specifically include any such services presently or in the past delivered to PSE or its predecessors Puget Sound Power and Light and Washington Natural Gas.
2. Provide form of business classification (i.e., sole proprietorship, partnership, or corporation).

3. Please provide names and resumes of all individuals who will be assigned to this project. Include project roles for each individual, i.e. management, field implementation, etc. Include any professional relationship with PSE customers.
4. Provide a list of prior organizations for which key management team members have worked if such organizations have provided services similar to those in the proposal, and specifically note any services provided to PSE or its predecessors.
5. Provide three or more references from the last five jobs where the bidder has performed similar services to those proposed to PSE if the proposal is selected for negotiation. These references will be at least one contact person at another utility to whom the bidder has provided services. References may also include electric customers for whom the bidder has provided energy efficiency services similar to those included in the bidder's proposal. Provide name, title, address, telephone number and e-mail for these references.
6. List and describe any licenses that you or your subcontractors have or will be required to obtain to perform the type of work described in your proposal.
7. Describe how your proposal complies with all applicable codes, permits and licenses legally required for the measure installations proposed. A list of the necessary permits will also be required during negotiation.
8. List all lawsuits, regulatory proceedings, or arbitration in which the bidder or its affiliates or predecessors have been engaged related to the types of services proposed if the proposal is selected for negotiation. Identify the parties involved in such lawsuits, proceedings, or arbitration, and the final resolution or present status of such matters.

5.10 Pilot Project Proposal Submittal

PSE is requesting that respondents conform to the same format as above for presenting their bid information for pilot projects and also provide 10 copies. In addition to the write-up outlined above, pilot projects should contain the following additional details:

5.10.1 Proposal Summary

As part of the summary, clearly describe the objectives of the pilot. Include an estimate of the potential energy savings.

5.11 Description of Proposal

In addition to the requirements listed for resource proposals, pilots which propose load management will need to include a description of dispatchability (or similar utility control), if any, of the project savings.

Respondents may submit both a resource bid and a pilot project bid; if so, each submittal is to be written up separately.

6 OTHER REQUIREMENTS

6.1 Signatures and Certifications

The proposal must contain the signature of a duly authorized officer or agent of the respondent submitting the proposal.

The respondent's duly authorized officer or agent shall certify in writing that:

The respondent's proposal is genuine; not made in the interest of, or on behalf of, any undisclosed person, firm, or corporation; and is not submitted in conformity with any anti-competitive agreement or rules.

- The respondent has not directly or indirectly induced or solicited any other respondent to submit a false or sham proposal.
- The respondent has not solicited or induced any other person, firm, or corporation to refrain from proposing.
- The respondent has not sought by collusion to obtain for himself/herself any advantage over any other respondent.

6.2 No Reassignment

All proposals shall state that there will be no reassignment of proposals during the evaluation or negotiation stage and that in the event respondent and PSE negotiate and execute Definitive Agreements based on respondent's proposal, the Definitive Agreements and obligations thereunder shall not be sold, transferred or assigned or pledged as security or collateral for any obligation without the prior written permission of PSE which permission shall not be unreasonably withheld. Any project lender who takes an assignment of the Definitive Agreements for security and exercises any rights under such agreements will be bound to perform such agreements to the same extent.

6.3 Conflict of Interest Disclosure

All respondents shall disclose in their proposal any and all relationships between themselves, the project and/or members of their project team and PSE, its employees, its customers, or members of PSE's CRAG.

6.4 Validity, Deadlines and Regulatory Consent

All proposals shall specify the date through which the proposal is valid. Respondents should note that Definitive Agreements might not be executed or obtained until near the end of 2005. PSE will seek regulatory consent of its energy efficiency tariffs, such consent to be in form and substance satisfactory to PSE in its sole discretion. It is preferred that the respondent provides proposals that remain valid for a period that allows for negotiation of Definitive Agreements.

6.5 Environmental Attributes

1. All proposals must state that all Environmental Attributes associated with the project will accrue to the ownership and beneficial use of PSE.
2. Detail the disposal of waste to be removed from customer facilities as part of energy efficiency projects, including the disposal of toxic and contaminated waste. Describe any recycling strategies to be incorporated into disposing of removed materials from the project.
3. Detail specific environmental aspects of the project, including any planned utilization of recycled materials in equipment supplied to the project.

7 CREDIT REQUIREMENTS

PSE reserves the right to require adequate credit assurances which may include, but not be limited to, a corporate parental guaranty and/or a letter of credit in a form and amount, for a

term and from a corporate parent or a financial institution acceptable to PSE. In the event PSE anticipates that additional credit assurances may be required from a respondent, PSE reserves the right to request that the respondent reply in writing regarding its intent to provide such credit assurances prior to the beginning of negotiations on any Definitive Agreement. "Adequate credit assurances" shall include, but not be limited to, security for the value associated with market-based damages for failure to perform, delays in implementation, failure to meet energy savings targets, failure to meet minimum customer service quality levels and/or other forms of default or non-performance.

The respondent should be aware that PSE may require negative control provisions (covenants restricting respondent business practices that could jeopardize respondent's ability to perform its obligations) in the Definitive Agreements that respondent and PSE might execute in connection with respondent's proposal, in addition to any that may be included in the prototype Energy Efficiency Agreement (Exhibit III).

PSE prefers acquisitions that do not impose credit support requirements on PSE. If any respondent intends to propose that PSE provide credit support (e.g., in the form of a letter of credit or otherwise), the respondent must describe in its proposal all desired terms and conditions regarding such credit support.

8 EVALUATION AND RANKING OF ENERGY EFFICIENCY PROPOSALS

Consistent with the requirements of WAC 480-107-070 and 480-107-030, as well as the Conservation Settlement, PSE will evaluate and rank energy efficiency proposals based on a structured evaluation process. The merits of proposals will be assessed with regard to meeting PSE's LCP requirements, and the submittal requirements and considerations of this RFP as previously stated. This evaluation will also be used to inform the next iteration of PSE's conservation supply curves, LCP analysis, and feedback from the CRAG as established in the Conservation Settlement.

Proposal evaluation will be accomplished through a two-stage process. Stage I of the evaluation process is intended to screen and rank proposals which will then be further evaluated in Stage II, where a short list of individual proposals will be examined in more detail and in the context of PSE's overall energy efficiency offerings. Pilot project proposals are exempt from this process and will be subject to a separate evaluation process, described in section 8.3.

8.1 Stage I Evaluation – Initial screening and ranking

Stage I of the evaluation process consists of initial screening and ranking of all proposals in order to select a short list of proposals for further in-depth evaluation. In this stage, PSE will evaluate based on compliance of the Proposal Requirements for this RFP and according to the following set of primary criteria:

- Cost and Cost-effectiveness (UC and TRC). Resource projects must have benefit-cost ratios greater than 1.0 for the UC and TRC tests. This is a minimum threshold only. PSE is not obligated to award contracts to all proposals that pass this criterion. PSE will apply standard measure lives (Exhibit II) unless other documentation is provided. PSE reserves the right to modify dollar values assigned to non-energy savings benefits. Pilot proposals will also be evaluated using UC and TRC. If applicable, respondents should provide justification why

pilot programs may expect to see improved cost-effectiveness in the future, and estimate the anticipated timeframe for these improvements.

- Amount of energy savings and method used to calculate savings, including documentation of data sources
- Life of savings and degradation of savings over time – preference given to long-term, stable savings
- Demonstrated ability to deliver proposed savings at proposed cost and within proposed time frame
- Quality and comprehensiveness of Savings Verification Plan and Marketing Plan and Customer Service Plan
- Creating lost opportunities for further electric and gas conservation by a proposed project is discouraged
- Mix of customer segments and end-uses within customer segments are encouraged
- Use of proven technologies and/or delivery methods not included in PSE program offerings
- Costs, time, complexity, or other resource commitments imposed upon PSE by implementation of a proposal
- Public benefits including environmental, economic, and community impacts

Proposals will be ranked and nominated to a “short list” for Stage II evaluation, based on balancing of all the criteria considered in Stage I Evaluation. If any proposal is deemed unacceptable in any category during the Stage I process, PSE may, at its sole discretion, eliminate that proposal from further review. Conversely, PSE may, at its sole discretion, ask a respondent to correct minor deficiencies to their proposal.

8.2 Stage II Evaluation – Compatibility with PSE Energy Efficiency Portfolio

In Stage II, PSE will further evaluate the short list of most attractive proposals, as identified in Stage I. Stage II will examine how proposals fit within the 2003 LCP guidance on conservation, future updates to LCP guidance or other planning assumptions prior to completion of any Definitive Agreements, and the context of implementation considerations that extend beyond the LCP modeling process. The primary criteria for Stage II are:

- Comparison of customer segments, end uses, and efficiency measures addressed in the proposals to the mix of segments, end uses, and measures in the August 2003 LCP Update, focusing on identifying gaps and overlaps
- Comparison of proposals with existing PSE energy efficiency programs in terms of the measures and markets addressed, program delivery mechanisms, and cost effectiveness
- Updated cost effectiveness analyses that reflect more current avoided costs or other planning assumptions due to future LCP updates, regulatory proceedings, or CRAG guidance.
- PSE will consider the information received in response to Section 5.9.9 and Section 7 to this RFP in determining risk associated with the financial condition of and performance by a respondent and any third parties depended upon by respondent. Lower-risk respondents are preferred.
- PSE intends to seek the advice and assistance of the CRAG in conducting the Stage II evaluation, with the goal of reaching consensus as to the proposals to be selected for further pursuit.

At the completion of the Stage II evaluation, PSE will select proposals for further discussion with the respondent(s) and move forward with negotiations of the terms and conditions of Definitive Agreements.

PSE may periodically update the Stage II analysis throughout the negotiation period to reflect more current avoided costs and other planning assumptions consistent with future direction received from LCP updates, regulatory proceedings, or other guidance. Definitive Agreements are subject to regulatory consent.

8.3 Evaluation of Pilot Proposals

Pilot proposals will undergo an initial high-level review for adherence with the RFP requirements and guidelines for pilots. Proposals will then be evaluated by PSE to determine how well the pilot proposal compliments PSE's existing program mix, as well as providing additional value:

- introduce viable energy efficiency measures which are not yet widely available or adopted in PSE's service territory
- demonstrate effective, sustainable program delivery to market segments in which, historically, PSE customers do not readily undertake energy efficiency investments.

Furthermore, pilot proposals may be used to help PSE to:

- Understand customer motivation, acceptance, adoption, satisfaction, likely saturation of measures
- Assess contractor training, knowledge and experience with specific efficiency products and practices
- Support suppliers product access and availability
- Explore financial viability of vendors, esp. with sole-source products or contractors
- Learn about potential competitive forces or players in the market
- Determine overall market awareness, readiness, perceived value, sustainability
- Test delivery options and efficiency of implementation on customer participation (e.g. different incentive levels, marketing messages);
- Develop cooperative efforts with other entities participating in program delivery.

Based on its assessment, PSE will recommend the most attractive proposals to the Conservation Resource Advisory Group (CRAG). Upon consensus agreement of the CRAG, any projects adopted will be implemented during the 2006-2007 program cycle, or, in the case of early implementation, beginning January 2005 for a term to be negotiated.

9 POST-PROPOSAL NEGOTIATIONS AND AWARDING OF CONTRACTS

It is PSE's intent to negotiate both price and non-price factors during any post-proposal negotiations with a respondent whose proposal is selected for further discussions at the completion of the Stage II evaluation. It is also PSE's intent to include any additional factors that may impact the total cost of a project and to provide regarding the Least Cost Plan until such time as PSE and respondent might execute Definitive Agreements.

Definitive Agreements, if any, would be based on the outcome of these continuing negotiations. PSE has no obligation to enter into a Definitive Agreement with any

respondent to this RFP and may terminate or modify this RFP at any time without liability or obligation to any respondent. This RFP shall not be construed as preventing PSE from entering into any agreement that it deems appropriate at any time before, during, or after this RFP process is complete. PSE reserves the right to negotiate only with those respondents and other parties who propose transactions that PSE believes, in its sole opinion, to have a reasonable likelihood of being executed substantially as proposed. PSE, with the mutual consent of the respondent, may elect to implement a proposal earlier than 2006. In the case of early implementation, selected proposals will begin implementation no later than January 2005.

PSE reserves the right to issue subsequent RFPs for energy efficiency resources, including RFPs for specific, targeted energy efficiency programs.

10 CONFIDENTIALITY/DISCLOSURE

A Mutual Confidentiality Agreement is included as Exhibit V to this RFP. Respondents must sign the Confidentiality Agreement and provide two signed originals to PSE at least one week prior to the submittal due date. PSE will countersign the Confidentiality Agreement and return one fully executed agreement to the respondent.

To the extent required by law or regulatory order, PSE will make available to the public a summary of all proposals received and the final ranking of all such proposals. PSE also intends to make summary information regarding proposals available to the CRAG, as necessary to enable this group to carry out its planning and review responsibilities. CRAG members will be required to sign the Mutual Confidentiality Agreement to have access to proposal information. If an organization represented on the CRAG elects to bid on this RFP, that organization will resign from the CRAG through 12/31/2007.

PSE may retain all information pertinent to this RFP process for a period of 7 years or until PSE concludes its next general electric rate case, whichever is later.

11 CONTACT INFORMATION AND SUBMISSION OF PROPOSALS

A sealed set of eight (8) copies of the proposal shall be submitted via U.S. mail, courier service, or hand delivery to PSE at the address shown below.

All proposals must be received by no later than 5:00 PM Pacific Time on April 28, 2004. In addition, respondents are to provide two signed originals of the Mutual Confidentiality Agreement (Exhibit V) at least one week prior to the submittal due date, or April 21, 2004.

All costs to participate in this RFP process are the responsibility of the respondent.

Questions and requests regarding this RFP should be sent to energyefficiency@pse.com.

Contact for proposal submittals:

Claire Johannes, Energy Efficiency Services
425-424-6602
425-424-6408 fax

Address for U.S. Mail:
Puget Sound Energy
P.O. Box 97034, BOT-01H
Bellevue, WA 98009-9734

Address for courier or hand delivery:
Puget Sound Energy
10608 NE 4th Street, Mail Room
Bellevue, WA 98004

12 RFP SCHEDULE

December 12, 2003	Issue Draft RFP
January 5, 2004	PSE Public Meeting on Draft RFP
January 14, 2004	End of public comment period
January 28, 2004	WUTC Approval of RFP
February 4, 2004	Issue Final RFP
February 25, 2004	Hold pre-proposal conference for Energy Efficiency
April 28, 2004	Responses due for Energy Efficiency Resources
June 30, 2004	Select Short-List proposals, notify respondents
Summer 2004	Meetings with CRAG to review Short List
August 31, 2004	Target date for executing Letter(s) of Intent
Fall 2004	Initiate contract negotiations with Short List respondents; at PSE's sole discretion, develop contract(s) for any project(s) to be implemented beginning Jan '05
January 2005	Implement projects selected for early implementation (if any)
Winter 2005	Develop Conservation Supply Curves for next LCP
May 2005	PSE submits Integrated LCP to WUTC
Summer 2005	Review and develop consensus with CRAG
September 2005	Select finalists
Fall 2005	Finalize contract negotiations
November 2005	Submit tariff filing for 2006-2007 programs for approval
December 2005	Contracts awarded, definitive agreements
January 2006	Initiate implementation of projects selected

The above schedule is subject to adjustment based on CRAG and WUTC review.

13 EXHIBITS

- Exhibit I. Organizations participating in the CRAG**
- Exhibit II. Prototype Energy Efficiency Agreement**
- Exhibit III. Measure Lives**
- Exhibit IV. Proposal Cost Detail and Calculation of Conservation Cost Effectiveness**
- Exhibit V. Mutual Confidentiality Agreement**
- Exhibit VI. Glossary and Acronyms**
- Exhibit VII. Summary Data**

Exhibit I. Organizations Participating in the CRAG

**Request for Proposals for Electric Energy Efficiency Resources
and Pilot Projects**

February 3, 2004

Exhibit I. Organizations Participating in the CRAG

- In addition to PSE representatives, the Conservation Resource Advisory Group consists of representatives for the following organizations Washington Utilities and Transportation Commission staff*
- Public Counsel, Attorney General's Office*
- Industrial Customers of Northwest Utilities (ICNU)*
- Northwest Industrial Gas Users (NWIGU)*
- NW Energy Coalition and Natural Resources Defense Council*
- Energy Project* (representing Low Income Agencies)
- Washington State Department of Community, Trade and Economic Development
- Northwest Power Planning Council
- DOE Weatherization Assistance Program
- Customer representatives from commercial, industrial and institutional sectors (Microsoft, Kemper Development, King County)

* indicates representative of an organization that was signatory to Conservation Agreement of the PSE 2001 General Rate Case (Docket Nos. UE 11570 and UG 11571).

Exhibit II. Prototype Energy Efficiency Agreement
Request for Proposals for Electric Energy Efficiency Resources
and Pilot Projects
February 3, 2004

AGREEMENT FOR PROFESSIONAL SERVICES

NO. [_____]

This Agreement, dated as of [_____], 200[___], is entered into by and between Puget Sound Energy, Inc. ("PSE") and [_____] ("Consultant").

Section 1. The Services

- 1.1 Consultant shall perform the services described in the attached Schedule A, which is incorporated herein by this reference.
- 1.2 Except as otherwise specifically provided in this Agreement, Consultant shall furnish the following, all as the same may be required to perform the services described in paragraph 1.1 in accordance with this Agreement: personnel, labor and supervision; technical, professional and other services; equipment, materials, goods and other property; and data, information, computer programs and other items. All such services, property and other items furnished or required to be furnished, together with all other obligations performed or required to be performed, by Consultant under this Agreement are sometimes collectively referred to in this Agreement as the "Services."
- 1.3 All provisions of this Agreement are intended to be correlative and complementary, and any Services required by one provision and not mentioned in another shall be performed to the same extent as though required by all. Details of the Services that are necessary to carry out the intent of this Agreement, but that are not expressly required, shall be performed or furnished by Consultant as part of the Services, without any increase in the compensation otherwise payable under this Agreement.

Section 2. Schedule

- 2.1 If a schedule for performance of any Services is specified in or pursuant to this Agreement, Consultant shall commence, prosecute and complete such Services in accordance with such schedule.
- 2.2 If a schedule for performance of any Services is not specified in or pursuant to this Agreement, Consultant shall commence such Services upon notice to proceed from PSE and shall thereafter diligently prosecute such Services to completion.

Section 3. Compensation

- 3.1 As full compensation for satisfactory performance of the Services, PSE shall pay Consultant the compensation described in Schedule A.
- 3.2 Unless otherwise provided for in Schedule A, Consultant shall submit to PSE, within twenty (20) days after the end of each calendar month, Consultant's invoice for the compensation payable pursuant to this Agreement for the Services performed during such month. Each of Consultant's invoices shall set forth a detailed description of the Services performed during the applicable month, the number of hours spent performing such Services, the dates on which such Services were performed and a detailed itemization of any reimbursable costs and expenses incurred in connection with such Services. Further, Consultant shall provide with respect to each such invoice such receipts, documents, compensation segregations, information and other items as PSE may reasonably request to verify the invoice.
- 3.3 Consultant shall place the number of this Agreement on all of its invoices. Consultant shall submit such invoices by mailing to PSE at its address for notices specified in this Agreement or such other address as PSE may provide in writing to Consultant. PSE may change such address for invoices by giving Consultant written notice of the change.

PSE shall pay amounts due and owing stated in each of Consultant's invoices within thirty (30) days after PSE's receipt and verification thereof.

Section 4. Performance by Consultant

- 4.1 Consultant shall not (by contract, operation of law or otherwise) delegate or subcontract performance of any Services to any other person or entity without the prior written consent of PSE. Any such delegation or subcontracting without PSE's prior written consent shall be voidable at PSE's option. No delegation or subcontracting of performance of any of the Services, with or without PSE's prior written consent, shall relieve Consultant of its responsibility to perform the services in accordance with this Agreement. Consultant shall be fully responsible for the performance, acts and omissions of Consultant's employees, Consultant's subcontractors and any other person or entity that performs or furnishes any Services (collectively, the "Support").
- 4.2 Consultant shall at all times be an independent contractor and not an agent or representative of PSE with regard to performance of the Services. Consultant shall not represent that it is, or hold itself out as, an agent or representative of PSE. In no event shall Consultant be authorized to enter into any agreement or undertaking for or on behalf of PSE.
- 4.3 Consultant shall perform the Services in a timely manner and in accordance with the standards of the profession. At the time of performance, Consultant shall ensure that it is properly licensed, equipped, organized and financed to perform the Services in accordance with this Agreement. Subject to compliance with the requirements of this Agreement, Consultant shall perform the Services in accordance with its own methods.
- 4.4 Consultant shall fully cooperate with PSE and coordinate the Services with related work performed by PSE and others. If any Services depend upon the results of work performed by PSE or others, Consultant shall, prior to commencing such Services, notify PSE of any actual or apparent deficiencies or defects in such other work that render such other work unsuitable for performance of the Services in accordance with this Agreement.
- 4.5 Consultant shall not hire any employee of PSE to perform any of the Services. Consultant shall employ persons to perform the Services who are fully experienced and properly qualified to perform the same. Consultant shall, if so requested by PSE, remove from performance of the Services any person PSE determines to be incompetent, careless or otherwise objectionable. Without limitation of the foregoing, Consultant shall assign to performance of the Services any personnel specified in this Agreement and shall not (for so long as they remain in Consultant's employ) reassign or remove any of them without the prior written consent of PSE. If any such personnel leave Consultant's employ or are reassigned or removed by Consultant, Consultant shall replace them with personnel acceptable to PSE.
- 4.6 Consultant shall promptly pay (and secure the discharge of any liens asserted by) all Support. Consultant shall furnish to PSE such releases of claims and other documents as may be requested by PSE to evidence such payment (and discharge).
- 1.7 Consultant shall take all reasonable precautions to protect against any bodily injury (including death) or property damage that may occur in connection with the Services. Without limiting the generality of the foregoing, Consultant shall provide all required safety equipment, safe tools and a safe work place for all Support.

Section 5. Compliance With Laws

- 5.1 Consultant shall comply (and shall use its best efforts to ensure that the Services and Support comply) with all applicable laws, ordinances, rules, regulations, orders, licenses, permits and other requirements, now or hereafter in effect, of any governmental authority (including, but not limited to, such requirements as may be imposed upon PSE and applicable to the Services). Consultant shall furnish such documents as may be required to effect or evidence such compliance. All laws, ordinances, rules, orders required to be incorporated in agreements of this character are incorporated in this Agreement by this reference.
- 5.2 To the extent applicable, Consultant shall comply with Executive Order No. 11246, the Rehabilitation Act of 1973 and the Vietnam Era Veterans' Readjustment Assistance Act of 1972 and all of the orders, rules and regulations promulgated thereunder (including, but not limited to, 41 CFR Part 60-1, 41 CFR Part 60-250 and 41 CFR Part 60-741), all as the same may have

been or may be amended from time to time. The "equal opportunity clause" set forth in 41 CFR Section 60-1.4, the "Affirmative Action Obligations for Disabled Veterans and Veterans of the Vietnam Era" clause of 41 CFR Section 60-250.4 and the "Affirmative Action for Handicapped Workers" clause of 41 CFR Section 60-741.4 are incorporated herein by this reference. Consultant certifies that segregated facilities (within the meaning of 41 CFR Section 60-1.8) are not and will not be maintained or provided for Consultant's employees and that Consultant will not permit its employees to work at any location under Consultant's control where segregated facilities are maintained. Consultant shall obtain a similar certification from other parties as required by 41 CFR Section 60-1.8.

Section 6. Inspection; Examination of Records

- 6.1 The Services shall at all times be subject to inspection by and to the acceptance of PSE, but the making of (or failure or delay in making) any inspection or granting any acceptance shall not relieve Consultant of responsibility for performance of the Services in accordance with this Agreement, notwithstanding PSE's knowledge of defective or noncomplying performance, its substantiality or the ease of its discovery. Consultant shall provide PSE sufficient, safe and proper facilities and equipment for such inspection and free access to such facilities.
- 6.2 Consultant shall promptly furnish PSE with such information related to the Services as may be requested by PSE. Until the expiration of three (3) years after final payment of the compensation payable under this Agreement, Consultant shall provide PSE access to (and PSE shall have the right to examine, audit and copy) all of Consultant's books, documents, papers and records that are related to the Services or this Agreement.

Section 7. Property and Confidential Information

- 7.1 PSE shall own all products, writings, information, and other property, whether tangible or intangible, created, made, developed, first reduced to practice or acquired by Consultant or any Support in connection with the Services or this Agreement (including, but not limited to, inventions, processes, methods, concepts, documents, drawings, specifications, calculations, maps, sketches, notes, reports, data, estimates, models, samples, completed Services and Services in progress) whether or not delivered to PSE. Consultant hereby assigns to PSE, and shall cause all Support to assign to PSE, any and all patent, copyright, trade secret and other intellectual property rights that Consultant or any Support may have in and to such property, subject to the reservation set forth in paragraph 7.3. Consultant shall take such action (including, but not limited to, the execution, acknowledgment and delivery of documents) as may be requested by PSE to effect, perfect or evidence PSE's ownership of such property. Consultant shall deliver such property (together with any property furnished by PSE or the cost of which is included in the compensation payable under this Agreement) to PSE upon request and in any event upon the completion, termination or cancellation of this Agreement.
- 7.2 Consultant hereby grants to PSE a permanent, assignable, non-exclusive, royalty-free license to use any products, writings, information and other property, whether tangible or intangible, that is not described in paragraph 7.1, but that is furnished by Consultant or Support in connection with the Services or otherwise under this Agreement.
- 7.3 Consultant reserves or is hereby granted a perpetual, nonassignable, nonexclusive, royalty-free license to use in its performance of professional services for others any inventions, processes, methods or concepts created, made, developed, first reduced to practice or acquired by Consultant in connection with the Services.
- 7.4 Consultant shall not, and shall cause the Support not to, without the prior written consent of PSE, disclose to any third party any information received in connection with the Services unless:
 - (a) the information is known to Consultant prior to receiving the same directly or indirectly in connection with the Services;
 - (b) the information is generally available to the public at the time of disclosure by Consultant (other than by reason of any breach of this paragraph 7.4);

- (c) the information is received by Consultant from a third party who does not have any obligation to keep the same confidential; or
- (d) the information is legally required to be disclosed, provided that the disclosing party is given reasonable prior notice to enable it to seek a protective order, and Consultant discloses only that information which, in the reasonable judgment of its counsel, is required to be disclosed.

If so requested by PSE, Consultant shall obtain from Support nondisclosure agreements in form and content satisfactory to PSE.

- 7.5 Except as may be required by law, neither party to this Agreement shall, without the prior written consent of the other, make any news release or public announcement or place any advertisement stating that PSE and Consultant have contracted for the Services specified in this Agreement or have entered into any business relationship. Consultant shall not use any PSE name, trademark or service mark in any promotional materials of Consultant without PSE's prior written consent, which is subject to the sole discretion of PSE to grant or withhold. In the event that PSE approves the use of its name, trademark, or service mark in any announcement, news release or promotional materials of Consultant, all of the contents shall be submitted to PSE's Corporate Communications Department for review prior to any publication by Consultant.

Section 8. Release, Indemnity and Hold Harmless

- 8.1 Subject to the limitations set forth in paragraph 8.3, Consultant releases and shall defend, indemnify and hold harmless PSE from and against all claims, costs, liabilities, damages and expenses (including, but not limited to, reasonable attorneys' fees) arising, directly or indirectly, out of or in connection with any of the following:
- (a) any fault, negligence, strict liability or product liability of Consultant or any Support in connection with the Services or this Agreement;
 - (b) any lien asserted by any Support upon any property of PSE in connection with the Services or this Agreement;
 - (c) any failure of Consultant, any Support or the Services to comply with any applicable law, ordinance, rule, regulation, order, license, permit and other requirement, now or hereafter in effect, of any governmental authority; and
 - (d) any breach of or default under this Agreement by Consultant.
- 8.2 To the fullest extent permitted by applicable law, paragraph 8.1 shall apply regardless of any fault, negligence, strict liability or product liability of PSE; provided, however, that paragraph 8.1 shall not require Consultant to indemnify PSE against any liability for damages arising out of bodily injury or property damage caused by or resulting from the sole negligence of PSE. Further, in the case of concurrent negligence of Consultant and/or any Support, on the one hand, and PSE, on the other hand, Consultant shall be required to indemnify PSE only to the extent of the negligence of the Consultant and/or the Support.
- 8.3 In connection with any action to enforce Consultant's obligations under paragraph 8.1 above, Consultant waives any immunity, defense or protection under any workers' compensation, industrial insurance or similar laws (including, but not limited to, the Washington Industrial Insurance Act, Title 51, of the Revised Code of Washington).
- 8.4 Consultant releases and shall defend, indemnify and hold harmless PSE from and against all claims, costs, liabilities, damages, expenses (including, but not limited to, reasonable attorneys' fees), and royalties based upon any actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark or other intellectual property right by any of the Services. Further, if any of the Services infringes or misappropriates any patent, copyright, trade secret, trademark or other intellectual property right, Consultant shall:
- (a) procure for PSE the right to use such Services;
 - (b) replace such Services with equivalent Services that do not infringe or misappropriate any such right; or

- (c) modify such Services so that they no longer infringe or misappropriate any such right.

Section 9. Workers' Compensation and Insurance

- 9.1 With respect to all persons performing the Services, Consultant or its Support shall secure and maintain in effect at all times during performance of the Services insurance coverage in accordance with the applicable laws relating to workers' compensation and employer's liability insurance (including, but not limited to, the Washington Industrial Insurance Act and the laws of the state in which any such person was hired), regardless of whether such insurance coverage is mandatory or merely elective under the law. Consultant shall furnish to PSE such assurance and evidence of such insurance coverage (such as copies of insurance policies and Certificates of Compliance issued by the Washington State Department of Labor and Industries) as PSE may request.
- 9.2 Consultant shall secure and maintain insurance with provisions, coverages and limits substantially as specified in the attached certificate of insurance, endorsement and/or schedule of insurance requirements or, if none is attached, with such provisions, coverages and limits as PSE may from time to time specify to protect PSE, its successors and assigns, and the respective directors, officers, employees, and agents of PSE and its successors and assigns (collectively, the "Additional Insureds") from any claims, losses, harm, costs, liabilities, damages and expenses (including, but not limited to, reasonable attorneys' fees) that may arise out of any property damage, bodily injury (including death) or professional liability related to the Services. Upon PSE's request, Consultant shall furnish PSE with such additional assurance and evidence of such insurance (such as copies of all insurance policies and endorsements) as PSE may request. Within thirty (30) days after any renewal or any notice of termination, cancellation, expiration or alteration in any policy of insurance required under this Agreement, Consultant shall deliver to PSE a certificate of insurance acceptable to PSE with respect to any replacement policy.
- 9.3 All policies of insurance required under this Agreement shall:
 - (a) be placed with such insurers and under such forms of policies as may be acceptable to PSE;
 - (b) with the exception of workers' compensation, employer's liability and professional liability insurance, be endorsed to name the Additional Insureds as additional insureds;
 - (c) be primary insurance with respect to the interests of the Additional Insureds;
 - (d) with respect to any insurance or self-insurance maintained by any of the Additional Insureds, be excess and non-contributory insurance with respect to the insurance required hereunder,
 - (e) with the exception of workers' compensation, employer's liability and professional liability insurance, apply severally and not collectively to each insured against whom any claim is made or suit is brought, except that the inclusion of more than one insured shall not operate to increase the insurance company's limits of liability as set forth in the insurance policy; and
 - (f) provide that the policies shall not be canceled or their limits or coverage reduced or restricted without giving at least 30 days' prior written notice to the Contract Services Department of Puget Sound Energy, Inc., P.O. Box 90868, Bellevue, WA 98009-0868.
- 9.4 Consultant shall ensure that any policy of insurance that Consultant or any Support carries as insurance against property damage or against liability for property damage or bodily injury (including death) shall include a provision providing a waiver of the insurer's right to subrogation against each of the Additional Insureds. To the extent permitted by its policies of insurance, Consultant hereby waives all rights of subrogation against each of the Additional Insureds.

- 9.5 The requirements of this Agreement as to insurance and acceptability to PSE of insurers and insurance to be maintained by Consultant are not intended to and shall not in any way limit or otherwise affect any other obligation of Consultant under this Agreement.

Section 10. Changes

- 10.1 PSE may at any time, by written notice thereof to Consultant, make changes in the Services within the general scope of this Agreement (including, but not limited to, additions to or deletions from any Services, suspension of performance and changes in the schedule and location of performance).
- 10.2 If any change under paragraph 10.1 causes an increase or decrease in the cost of or the time required for, performance of the Services, an equitable adjustment in the compensation and schedule under this Agreement shall be made to reflect such increase or decrease, and this Agreement shall be modified in writing accordingly. Such equitable adjustment shall constitute full compensation to Consultant for such change. If any change under paragraph 10.1 results in a decrease in the Services to be performed, Consultant shall not be entitled to anticipated profit on Services not performed and the loss of anticipated profit shall not reduce the decrease in compensation under this Agreement resulting from such change. Further, Consultant shall not be entitled to any reallocation of cost, profit or overhead.
- 10.3 Notwithstanding any dispute or delay in arriving at a mutually acceptable equitable adjustment under paragraph 10.2, Consultant shall immediately proceed with performance of the Services as changed pursuant to paragraph 10.1. If Consultant intends to assert a claim for equitable adjustment under paragraph 10.2, Consultant must, within fifteen (15) days after Consultant's receipt of any notice under paragraph 10.1 that does not set forth an adjustment acceptable to Consultant, submit to PSE a written statement of the basis and nature of the adjustment claimed. Consultant shall not be entitled to any adjustment unless such written statement is submitted by Consultant to PSE within the applicable fifteen (15) day period.

Section 11. Correction of Noncompliances

- 11.1 Consultant shall, at its expense, promptly correct, to PSE's satisfaction, any Services found to be defective or not in compliance with the requirements of this Agreement.
- 11.2 If PSE directs Consultant to correct defective or noncomplying Services or to otherwise achieve compliance with this Agreement and Consultant thereafter fails to comply or indicates its inability or unwillingness to comply, then PSE may, upon ten (10) days' advance written notice to Consultant of PSE's intention to do so, correct (or cause to be corrected) the defect or noncompliance or otherwise achieve compliance by the most expeditious means available to it (by contract or otherwise) and charge to or otherwise recover from Consultant (e.g., by setoff against compensation payable under this Agreement) the cost thereof.
- 11.3 PSE's right to make corrections and otherwise achieve compliance and recover from Consultant the cost thereof is in addition to all other rights and remedies available to PSE under this Agreement or otherwise by law and shall in no event be construed or interpreted as obligating PSE to make any correction of defective or noncomplying Services or to otherwise achieve compliance with this Agreement. Consultant's obligation to correct defective or noncomplying Services shall not in any way limit or otherwise affect any other obligation of Consultant under this Agreement. Further, Consultant's obligations shall not be limited or affected in any way by any corrections or other obligations performed (or caused to be performed) by PSE or by PSE's right to perform (or cause to be performed) the same.

Section 12. Termination

- 12.1 PSE may at any time, by written notice thereof to Consultant, terminate this Agreement as to all or any portion of the Services not then performed, whether or not Consultant is then in breach

- or default. Upon receipt of any such notice of termination, Consultant shall, except as otherwise directed by PSE, immediately stop performance of the Services to the extent specified in such notice.
- 12.2 In the event of termination pursuant to paragraph 12.1, an equitable adjustment shall be made in the compensation payable to Consultant under this Agreement; provided, that such compensation as so adjusted shall in no event exceed a percentage of the total compensation otherwise payable under this Agreement equal to the percentage of the Services satisfactorily completed at the time of termination. Further, Consultant shall not be entitled to any reallocation of cost, profit or overhead. Consultant shall not in any event be entitled to anticipated profit on Services not performed on account of such termination. Consultant shall use its best efforts to minimize the compensation payable under this Agreement in the event of such termination.
- 12.3 If PSE purports to terminate or cancel all or any part of this Agreement for Consultant's breach or default when Consultant is not in breach or default which would permit such termination or cancellation, such termination or cancellation shall be deemed to have been a termination by PSE pursuant to paragraph 12.1 and the rights of the parties shall be determined accordingly.

Section 13. Performance Reductions

The parties hereto acknowledge that under the settlement of PSE's 2001 general rate case, Docket Nos. UE-11570 and UG-011571, approved by the Washington Utilities and Transportation Commission in its Twelfth Supplemental Order dated June 20, 2002, PSE is responsible for meeting annual energy savings targets and is liable financially should targets not be met. Consultant agrees to participate in such responsibility and liability by accepting an energy savings target equal to [_____] kilowatt-hours per year. If Consultant fails to meet such energy savings target, or if Consultant otherwise impedes or undermines PSE's ability to achieve targeted energy efficiencies with customers of PSE similarly situated to those targeted by Consultant for energy efficiencies, the Services provided by Consultant under this Agreement shall be deemed to be decreased, and PSE shall have the right to reasonably adjust the compensation under this Agreement to reflect Consultant's equitable share of the responsibility and financial liability of PSE under the Conservation Settlement for annual energy savings targets not being met.

Section 14. Miscellaneous

- 14.1 Any notice, request, designation, direction, statement or other communication under this Agreement shall be in writing and shall be delivered in person or mailed, properly addressed and stamped with the required postage, to the intended recipient at the address and to the attention of the person specified in Schedule A. Either party hereto may change its address specified in Schedule A by giving the other party notice of such change in accordance with this paragraph.
- 14.2 Consultant shall not (by contract, operation of law or otherwise) assign this Agreement or any right or interest in this Agreement without the prior written consent of PSE. For the purposes of the foregoing, any transfer of a controlling interest in Consultant by a transfer of Securities or otherwise, and any transfer of all or substantially all of the assets of Consultant, shall be deemed an assignment of this Agreement. Any assignment without PSE's prior written consent shall be voidable at PSE's option. No such assignment, with or without PSE's prior written consent, shall relieve Consultant of its responsibility to perform the Services in accordance with this Agreement. Subject to the foregoing restriction on assignment by Consultant, this Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the respective successors, assigns and legal representatives of the parties to this Agreement.
- 14.3 The failure of PSE to insist upon or enforce strict performance by Consultant of any of the provisions of this Agreement or to exercise any rights under this Agreement shall not be construed as a waiver or relinquishment to any extent of its right to assert or rely upon any such provisions or rights in that or any other instance; rather, the same shall be and remain in full force and effect.

- 14.4 The obligations of Consultant under Sections 6, 7, 8, 11, 12, 13 and 14, and all provisions of this Agreement that may reasonably be interpreted or construed as surviving the completion, termination or cancellation of this Agreement, shall survive the completion, termination or cancellation of this Agreement.
- 14.5 The rights and remedies of PSE set forth in any provision of this Agreement are in addition to and do not in any way limit any other rights or remedies afforded to PSE by any other provision of this Agreement, by any Support or by law.
- 14.6 This Agreement sets forth the entire agreement of the parties hereto, and supersedes any and all prior agreements, with respect to the Services. No amendment or modification of any provision of this Agreement (other than changes pursuant to Section 10) shall be valid unless set forth in a written amendment to this Agreement signed by both parties.
- 14.7 The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. The headings of sections of this Agreement are for convenience of reference only and are not intended to restrict, affect or be of any weight in the interpretation or construction of the provisions of such sections.
- 14.8 Consultant shall not commence or prosecute any suit, proceeding of claim to enforce the provisions of this Agreement, to recover damages for breach of or default under this Agreement, or otherwise arising under or by reason of this Agreement, other than in the courts of the State of Washington or the United States District Court, Western District of Washington. Consultant hereby irrevocably consents to the jurisdiction of the courts of the State of Washington with venue laid in King County and the United States District Court, Western District of Washington, at Seattle.
- 14.9 This Agreement shall be interpreted, construed and enforced in all respects in accordance with the laws of the State of Washington, without regard to such state's conflict of laws principles.

PSE:

Puget Sound Energy, Inc.

Date Signed: _____

By _____

Consultant:

Title: _____
[_____]

Date Signed: _____

By _____

Title: _____

SCHEDULE A
AGREEMENT FOR PROFESSIONAL SERVICES

NO. [_____]

SECTION 1. SCOPE OF SERVICES

[Describe.]

Any additional work required or changes in the work specified will be by written change orders signed by authorized representatives of Consultant and PSE prior to commencement of any additional work or changes in the work specified.

SECTION 2. SCHEDULE FOR PERFORMANCE

Consultant shall commence its Services on [_____], 200[___], and thereafter diligently prosecute the Services to completion on [_____], 200[___] or notification of termination according to Section 12 of the Agreement for Professional Services.

SECTION 3. COMPENSATION

As full compensation for satisfactory performance of the Services, PSE shall pay Consultant [describe]. The total amount of this contract will not exceed \$[_____] for Consultant's Services [and \$[_____] for product rebates] without the prior written consent of an authorized representative of PSE. [The amount for the product rebates will be payable in advance in order to meet Consultant's payment obligations to retailers. The balance will be payable upon receipt of Consultant's invoice detailing the then current charges for work completed by Consultant.]

SECTION 4. ADDRESS FOR NOTICES

To Puget Sound Energy, Inc.:

For All Matters Related to Technical Specifications
and Project Oversight:

Puget Sound Energy, Inc.
Energy Efficiency Services
19900 North Creek Parkway
Bothell, WA 98012
Attn: [_____]
Tel: (425) [_____]

For All Matters Related to the Parties' Contractual
Relationship or Other Legal Notices:

Puget Sound Energy, Inc.
Purchasing Department
10608 NE 4th Street, GEN03E
Bellevue, WA 98004-5028
Attn: [_____]
Tel: (425) [_____] Fax: (425) [_____]

To Consultant:

[Name]
[Address]
Attn: [_____]
Tel: [_____]

Exhibit III. Measure Lives

**Request for Proposals for Electric Energy Efficiency Resources
and Pilot Projects**

February 3, 2004

Exhibit III. Measure Lives

Measure	Years
Commercial and Industrial HVAC and Refrigeration	
• HVAC -unitary systems	15
• HVAC - central systems	15
• Heat Recovery Systems	15
• Chillers	20
Commercial and Industrial Controls	
• HVAC Controls, including Energy Management Systems	15
• Lighting Control Systems	15
• Process and Other Efficiency Control Systems	15
Commercial and Industrial Process Efficiency Improvements	
• Refrigeration Systems	15
• Motor and Drive Systems	15
• Fan, Compressor and Pump Systems	15
• Energy Star Transformers	15
• Other Process Modifications	15
• Food Storage – Free standing Freezers	22
• Food Storage – Free standing Refrigerators	19
• Laundry - Commercial Energy Star Clothes Washer	8
Commercial and Industrial Lighting Improvements	
• Fluorescent, Compact Fluorescent, or HID Luminaires/Fixtures	12
• LED and EL Exit Signs	12
• Low Voltage Halogen	10
Commercial and Industrial Building Thermal Improvements	
• Roof, Ceiling and Wall Insulation	24
• Exterior Roof Insulation	15
• Duct Insulation	15
• Insulated Windows (minimum Class .35 for new construction)	20
Commercial and Industrial Domestic Water Heating Improvements	
• Insulation	10
• Low Flow Devices	5
• Heat Pump Water Heaters	15
• Water Heater Tank, not to exceed warranty period	15
Residential Space Heating and Shell Measures	
• Site Built Homes Heat Pump Heating Systems	18
• Site Built Retrofit & New Construction Shell Measures	30
• Manufactured Housing New Construction Shell Measures	30
• Manufactured/Mobile Homes Retrofit Shell Measures	25
Residential Lighting	
• Energy Star Compact Fluorescent Bulbs	7
• Energy Star Hardwired Compact Fluorescent Fixtures	14

Measure lives are consistent with PSE's filed Electricity Conservation tariffs and/or RTF. This list may not include all possible measures. For Measures not listed, respondent should recommend a measure life, with supporting data, experience, or evaluation findings.

**Exhibit IV: Proposal Cost Detail and Calculation of Conservation
Cost Effectiveness**

**Request for Proposals for Electric Energy Efficiency Resources
and Pilot Projects**

February 3, 2004

Exhibit IV: Proposal Cost Detail and Calculation of Conservation Cost Effectiveness

IV.1. Description of Tests

Puget Sound Energy will evaluate the cost effectiveness of proposals using a standard Utility Cost Test and a Total Resource Cost Test.

Total Resource Cost Test (TRC Test) measures the net value of energy efficiency programs to society as a whole. The TRC Test is a cost-effectiveness calculation which demonstrates if the total benefits, including electricity (defined by the Conservation Cost Effectiveness Standard, see below) and other savings benefits, exceed total costs including those incurred by PSE, the Respondent, the customer, and any other contributing party. The benefits and costs not directly associated with electrical energy efficiency in this calculation may be difficult to quantify.

Utility Cost Test (UC Test) measures the net value of energy efficiency programs to the sponsoring utility. The UC Test is a cost-effectiveness calculation which demonstrates that the utility electricity savings benefits (defined by the Conservation Cost Effectiveness Standard), exceed the costs incurred by the utility.

Conservation Cost Effectiveness Standard (CCES) shows the full "avoided cost" to PSE of the energy saved, for the Type of Savings (defined by end use load shape and customer class) and life of the energy savings, or Measure Life. The CCES is based on the market costs projected by a power costing model, which would otherwise be incurred to provide energy from a generation source either directly or by contract plus credits for transmission and distribution system benefits, environmental externalities, and line losses. This value is expressed as the levelized value per kWh saved of future energy savings over the life of the measure. The CCES is based on Aurora forecast power costs at Mid-Columbia, and adds 10% for environmental credits, 7.4% Residential and 5.6% Commercial/Industrial for avoided transmission and distribution losses, and \$35.32/kW-year distribution benefit. Load factors from a power cost model used by the Regional Technical Forum are used for end-use load shapes that define Type of Savings. Each Type of Savings has a CCES, or a value per kWh per Measure Life, up to 30 years. The values for the CCES used to evaluate PSE's 2004 - 2005 programs are shown in Table IV-A.

Cost effectiveness of projects will allow for PSE administrative costs. PSE's costs are expected to vary, depending upon the proposal content. At a minimum, PSE costs include some project management activities, coordination with customer data, and conducting customer satisfaction surveys for the respondents program activity.

IV.2. Calculation Methodology

Puget Sound Energy's determination that an energy efficiency project is cost-effective is a two-step process.

Step 1: The Total Resource Cost test determines that the value of all benefits of doing the project (energy savings plus other benefits like maintenance savings, improved productivity,

etc.) is greater than the total projects costs. (Note: If the value of the energy benefits alone exceed the total cost, the equation is satisfied without need of quantifying further benefits.)

$$\text{Total benefits (\$)} > \text{Total costs (\$)}$$

Step 2: IF Step 1 is satisfied, OR

IF: Total costs < 150% of value of energy benefits, AND there are documented additional benefits which cannot easily be quantified (e.g. improved indoor air quality), then the utility funding is limited by the Utility Cost Test

$$\text{Utility benefits (\$)} > \text{Utility costs (\$)},$$

also expressed as:

$$\text{Value of kWh Savings (for measure life)} > \text{Utility funding (customer incentives + PSE administrative costs + Respondent costs.)}$$

IV.3. Data Requirements

Puget Sound Energy requires the following data elements from the respondent to effectively consider cost effectiveness of the Proposal. These data elements are listed with short descriptions below..

Tables IV-B, 'Proposal Measure Summary Sheet', is a template for providing the following information. Enter the information in the appropriate Column, based on the Type of Savings.

- Type of Savings. Refer to customer segment and major end-use classification, as shown in column headers in Table IV-A and Table IV-B. Where a proposal may include more than one measure, involving more than one Type of Savings, each of the following items is required for each Type of Savings.
- Number of Units. Show the appropriate basis for reporting participation, expressed as the total number of units of an efficiency measure to be installed. In some cases, units may equal number of customers. In programs targeting a specific measure(s), units should equal number of measures to be installed. Bidders shall provide a unit definition as well as the projected number of units for each type of measure being installed.
- Average Measure Life. Provide the Measure Life, in years, for the measure. Where installations will result in varying measure lives, provide a weighted average life. Where measure lives are not provided in Exhibit III, or the respondent proposes a value that is different from those listed in Exhibit III, rationale and justification of the measure life should be attached.
- Annual kWh Savings per unit. Provide the average, one-full-year of kWh savings from the proposed unit; to be itemized for each proposed measure. (Average) Annual kWh savings per unit, times the Number of Units should result in the anticipated savings from all of the installations of this specific measure.
- Measure Cost per unit. Provide the known and measurable costs borne by all parties of purchasing and installing a unit energy-efficient measure at the customer's facility, not to include incentives, implementation costs, administrative costs, or ongoing operation and maintenance costs. Where the Measure Cost is expected to vary considerably across installations, provide an "average" measure cost such that the unit Measure Cost times the Number of Units represents the total costs of all measures installed.

- Operation & Maintenance (O&M) Costs. Provide the periodic or ongoing costs to ensure proper performance of a measure over its useful life; to be itemized on a unit basis for each proposed measure type.
- Incentive Amount: Provide the unit amount of grant or rebate paid to customers, vendors, or other identified parties, as an incentive to sell, purchase and/or install energy efficient measures.

Using Table IV-C, 'Proposal Cost Summary Sheet', provide the following:

- Installed Measure Costs. Show all costs associated with the purchase and installation of measures at PSE-customer facilities, itemized as shown in Table IV-C.
 - Program Implementation Costs. Detail the respondent's cost to field the proposed program excluding direct measure installation costs and administrative costs, itemized as shown in Table IV-C.
 - Administrative Costs. Itemize, as shown in Table IV-C, the respondent's remaining costs to administer the proposed program, not included elsewhere, such that the total costs included in the proposal have been captured when summing Administrative, Program Implementation and Installed Measure Costs, for inclusion in PSE's cost-effectiveness analysis.
 - Total Respondent Costs. This line shows are the totals of Installed Measure Costs, Program Implementation Costs, and Administrative Costs and is intended to equal the proposal bid amount. If not, explain discrepancies, including those resulting from financing, share-savings or other arrangements.
 - O&M Costs. Include O&M costs that can be expected to maintain the installed measure in efficient operation over its measure life.
 - Customer Costs. Indicate the portion of Measure Cost incurred by the customer, net of any Incentive Amount paid to the customer,
 - Third-Party Contribution. Show funding contributions obtained from a party other than Puget Sound Energy or the participating customer.
 - Quantifiable Non-Energy Savings Cost (Benefit). Provide the dollar value of non-energy costs (benefits) to the customer or society. Like annual energy savings, these costs (benefits) may recur on an annual or other periodic basis over the life of the program. Quantified Non-Energy Cost (Benefit) must be clearly described as well as quantified.
- Non-quantifiable, Non-Energy Savings Cost (Benefit): List and describe all Non-Energy Savings costs (benefits) of undertaking energy efficiency improvements that can be identified but not quantified.

Table IV-A
Electric Conservation Cost Effectiveness Standard, 2004-2005

Measure Life	Residential Space Heat		Residential Water Heat	Residential Lighting	Residential Appliances	Commercial Existing		Commercial New HVAC/Shell	Commercial Lighting	Flat
	Existing	New				HVAC/Shell	HVAC/Shell			
1	\$ 0.074	\$ 0.078	\$ 0.067	\$ 0.063	\$ 0.061	\$ 0.060	\$ 0.059	\$ 0.058	\$ 0.058	\$ 0.055
2	\$ 0.070	\$ 0.074	\$ 0.063	\$ 0.059	\$ 0.057	\$ 0.056	\$ 0.055	\$ 0.054	\$ 0.054	\$ 0.051
3	\$ 0.069	\$ 0.073	\$ 0.062	\$ 0.058	\$ 0.057	\$ 0.055	\$ 0.055	\$ 0.054	\$ 0.054	\$ 0.050
4	\$ 0.069	\$ 0.073	\$ 0.062	\$ 0.058	\$ 0.057	\$ 0.055	\$ 0.055	\$ 0.054	\$ 0.054	\$ 0.050
5	\$ 0.069	\$ 0.073	\$ 0.062	\$ 0.058	\$ 0.057	\$ 0.055	\$ 0.055	\$ 0.054	\$ 0.054	\$ 0.050
6	\$ 0.069	\$ 0.073	\$ 0.063	\$ 0.059	\$ 0.057	\$ 0.056	\$ 0.055	\$ 0.054	\$ 0.054	\$ 0.050
7	\$ 0.069	\$ 0.073	\$ 0.063	\$ 0.059	\$ 0.058	\$ 0.056	\$ 0.055	\$ 0.055	\$ 0.055	\$ 0.051
8	\$ 0.070	\$ 0.074	\$ 0.064	\$ 0.060	\$ 0.058	\$ 0.057	\$ 0.056	\$ 0.055	\$ 0.055	\$ 0.051
9	\$ 0.070	\$ 0.074	\$ 0.064	\$ 0.060	\$ 0.059	\$ 0.057	\$ 0.056	\$ 0.056	\$ 0.056	\$ 0.052
10	\$ 0.071	\$ 0.074	\$ 0.065	\$ 0.061	\$ 0.059	\$ 0.058	\$ 0.057	\$ 0.057	\$ 0.057	\$ 0.052
11	\$ 0.071	\$ 0.075	\$ 0.065	\$ 0.061	\$ 0.060	\$ 0.058	\$ 0.057	\$ 0.057	\$ 0.057	\$ 0.053
12	\$ 0.071	\$ 0.075	\$ 0.065	\$ 0.061	\$ 0.060	\$ 0.058	\$ 0.057	\$ 0.058	\$ 0.057	\$ 0.053
13	\$ 0.072	\$ 0.076	\$ 0.066	\$ 0.061	\$ 0.060	\$ 0.058	\$ 0.057	\$ 0.058	\$ 0.058	\$ 0.053
14	\$ 0.072	\$ 0.076	\$ 0.066	\$ 0.062	\$ 0.060	\$ 0.059	\$ 0.058	\$ 0.058	\$ 0.058	\$ 0.054
15	\$ 0.073	\$ 0.077	\$ 0.067	\$ 0.062	\$ 0.061	\$ 0.059	\$ 0.059	\$ 0.059	\$ 0.059	\$ 0.054
16	\$ 0.073	\$ 0.077	\$ 0.067	\$ 0.063	\$ 0.062	\$ 0.060	\$ 0.060	\$ 0.060	\$ 0.060	\$ 0.055
17	\$ 0.074	\$ 0.078	\$ 0.068	\$ 0.064	\$ 0.063	\$ 0.061	\$ 0.060	\$ 0.060	\$ 0.060	\$ 0.055
18	\$ 0.074	\$ 0.078	\$ 0.069	\$ 0.065	\$ 0.063	\$ 0.061	\$ 0.060	\$ 0.060	\$ 0.060	\$ 0.056
19	\$ 0.075	\$ 0.079	\$ 0.070	\$ 0.065	\$ 0.064	\$ 0.062	\$ 0.061	\$ 0.061	\$ 0.061	\$ 0.056
20	\$ 0.075	\$ 0.080	\$ 0.070	\$ 0.066	\$ 0.064	\$ 0.062	\$ 0.061	\$ 0.061	\$ 0.061	\$ 0.057
21	\$ 0.076	\$ 0.080	\$ 0.071	\$ 0.066	\$ 0.065	\$ 0.063	\$ 0.062	\$ 0.062	\$ 0.062	\$ 0.057
22	\$ 0.076	\$ 0.081	\$ 0.071	\$ 0.066	\$ 0.065	\$ 0.063	\$ 0.062	\$ 0.062	\$ 0.062	\$ 0.058
23	\$ 0.077	\$ 0.081	\$ 0.071	\$ 0.067	\$ 0.066	\$ 0.063	\$ 0.062	\$ 0.062	\$ 0.062	\$ 0.058
24	\$ 0.077	\$ 0.082	\$ 0.072	\$ 0.067	\$ 0.066	\$ 0.064	\$ 0.063	\$ 0.063	\$ 0.063	\$ 0.058
25	\$ 0.078	\$ 0.082	\$ 0.072	\$ 0.067	\$ 0.066	\$ 0.064	\$ 0.063	\$ 0.063	\$ 0.063	\$ 0.059
26	\$ 0.078	\$ 0.083	\$ 0.073	\$ 0.068	\$ 0.066	\$ 0.064	\$ 0.063	\$ 0.064	\$ 0.064	\$ 0.059
27	\$ 0.079	\$ 0.083	\$ 0.073	\$ 0.068	\$ 0.067	\$ 0.065	\$ 0.064	\$ 0.064	\$ 0.064	\$ 0.059
28	\$ 0.079	\$ 0.084	\$ 0.074	\$ 0.069	\$ 0.067	\$ 0.065	\$ 0.064	\$ 0.064	\$ 0.064	\$ 0.060
29	\$ 0.080	\$ 0.084	\$ 0.074	\$ 0.069	\$ 0.068	\$ 0.065	\$ 0.065	\$ 0.065	\$ 0.065	\$ 0.060
30	\$ 0.080	\$ 0.085	\$ 0.074	\$ 0.070	\$ 0.068	\$ 0.066	\$ 0.065	\$ 0.065	\$ 0.065	\$ 0.060

Table IV-B
Proposal Measure Summary Sheet
 Identify each measure, and list quantities under the appropriate 'Type of Savings' column.

Category	Residential Space Heat, Existing Construction	Residential Space Heat, New Construction	Residential Water Heat	Residential Lighting	Residential Appliances	Commercial HVAC, Existing Construction	Commercial HVAC, New Construction	Commercial Lighting	Commercial Other End Uses, 'Flat'
Number of Units									
Measure aaa									
Measure bbb									
Measure ccc									
Measure ddd									
Annual kWh Savings per unit									
Measure aaa									
Measure bbb									
Measure ccc									
Measure ddd									
Average Measure Life									
Measure aaa									
Measure bbb									
Measure ccc									
Measure ddd									
Unit Measure Cost (avg.)									
Measure aaa									
Measure bbb									
Measure ccc									
Measure ddd									
Unit O&M Cost (avg.)									
Measure aaa									
Measure bbb									
Measure ccc									
Measure ddd									
Per Unit Incentive									
Measure aaa									
Measure bbb									
Measure ccc									
Measure ddd									

Exhibit V. Mutual Confidentiality Agreement

**Request for Proposals for
Electric Energy Efficiency Resources and Pilot Projects**

February 3, 2004

Exhibit V.

MUTUAL CONFIDENTIALITY AGREEMENT

This Agreement, dated as of _____, 2004, is entered into between Puget Sound Energy, Inc., ("PSE") and _____ ("_____"). PSE and _____ are sometimes referred to in this Agreement as "Party," and collectively as "Parties."

1. The Parties intend to enter into discussions regarding one or more potential transactions between the Parties involving the acquisition of electric energy efficiency resources or pilot projects or both. In the course of these discussions, each Party may disclose Confidential Information to the other. For the purposes of this Agreement, "Confidential Information" means any information or data disclosed in connection with such discussions in any form or media whatsoever by either Party (the "Disclosing Party") to the other Party (the "Receiving Party") which (a) if in tangible form, or other media that can be converted to readable form, is clearly and conspicuously marked as proprietary, confidential or private on each page thereof when disclosed; or (b) if oral or visual, is identified in writing as proprietary, confidential or private at the same time it is disclosed. "Confidential Information" includes all originals, copies, notes, correspondence, conversations and other manifestations, derivations and analysis of the foregoing.

2. Confidential Information shall not include information that (a) is or becomes generally available to the public other than by reason of the Receiving Party's breach of this Agreement; (b) the Receiving Party can reasonably demonstrate (i) was known by the Receiving Party, prior to its disclosure by the Disclosing Party, without any obligation to hold it in confidence, (ii) is received from a third party free to disclose such information without restriction, (iii) is independently developed by the Receiving Party without the use of Confidential Information of the Disclosing Party; (c) is approved for release by written authorization of the Disclosing Party, but only to the extent of such authorization; or (d) is related to the transmission of power, including but not limited to, any information which must be disclosed to the transmission function of a Party as part of any transmission request or information exchange that is required to be made public pursuant to FERC rules and regulations. Notwithstanding anything to the contrary set forth in this Agreement, the Receiving Party shall not be obligated to keep confidential any Confidential Information that (A) is required by law or regulation to be disclosed (including, without limitation, any summary or ranking of any proposal by the Disclosing Party constituting Confidential Information that PSE is required by law to make available to the public), but only to the extent and for the purposes of such required disclosure or (B) is disclosed in response to a valid order or request of a court or other governmental authority having jurisdiction or in pursuance of any procedures for discovery or information gathering in any proceeding before any such court or governmental authority, but only to the extent of and for the purposes of such order, provided that the Receiving Party, who is subject to such order or discovery, give the Disclosing Party reasonable advance notice (e.g., so as to afford the Disclosing Party an opportunity to appear, object and obtain a protective order or other appropriate relief regarding such disclosure). The Receiving Party, who is subject to such order or discovery, shall, at the Disclosing Party's expense, use reasonable efforts to assist the Disclosing Party's efforts to obtain a protective order or other appropriate relief; provided, that the Disclosing Party acknowledges and agrees that the Receiving Party shall have no obligation or responsibility to appear before, or to make any showing to, any court or any other governmental authority in connection with protecting any Confidential Information from

disclosure by such court or governmental authority, and such responsibility shall be solely that of the Disclosing Party.

3. The Parties acknowledge that PSE is a public utility regulated by the Washington Utilities and Transportation Commission ("Commission") and that its decisions regarding one or more potential transactions between the Parties involving the acquisition of electric energy efficiency resources or pilot projects, together with related Confidential Information, may be subject to review by the Commission. Notwithstanding the provisions of Section 2, in the event that such PSE decisions are at issue in a proceeding before the Commission, PSE will seek, at its own expense, a protective order from the Commission with "highly confidential provisions" to protect against the disclosure of Confidential Information to competitors and the public. Disclosure of Confidential Information by either of the Parties to the Commission, its staff or its advisors in connection with any such proceeding will not violate this Agreement.

4. The Parties further acknowledge that PSE has been assessing and developing conservation resource opportunities in consultation with PSE's Conservation Resource Advisory Group (CRAG), which was formally established as part of the settlement of PSE's 2001 general rate case that the Commission approved in its Twelfth Supplemental Order in Docket Nos. UE-11570 and UG-011571. The Parties acknowledge that PSE intends to share information with the CRAG about PSE's acquisition of electric energy efficiency resources or pilot projects, which information may include details about potential transactions between the Parties involving such acquisitions, together with related Confidential Information. Disclosure of Confidential Information by PSE to members of the CRAG will not violate this Agreement, provided that prior to sharing Confidential Information with any member of the CRAG, PSE first obtains the agreement of such CRAG member to be bound by the provisions of this Agreement.

5. Each party acknowledges and agrees that it has no proprietary or exclusive right to any tax matter, tax idea, tax structure or tax treatment related to any potential transaction or transaction between the Parties and that no such tax matter, tax idea, tax structure or tax treatment shall be deemed to be the Confidential Information of either Party.

6. The Receiving Party shall, subject to the other provisions of this Agreement, (a) use the Confidential Information only for purposes of evaluating one or more potential transactions between the Parties involving electric energy efficiency resources or pilot projects; (b) restrict disclosure of the Confidential Information to employees, advisors and active or potential investors or lenders of the Receiving Party and affiliates with a "need to know" and not disclose it to any other person or entity without prior written consent of the Disclosing Party; (c) advise such employees, advisors, investors and lenders who access the Confidential Information of their obligations with respect thereto; and (d) copy the Confidential Information only as necessary for those employees or advisors who are entitled to receive it, and ensure that all confidential notices are reproduced in full on such copies. A "need to know" means that the employee or advisors require the Confidential Information to perform their responsibilities in evaluating or pursuing one or more potential transactions between the Parties involving electric energy efficiency resources or pilot projects.

7. Confidential Information shall be deemed to be the property of the Disclosing Party. This Agreement shall not be interpreted or construed as granting any license or other right under or with respect to any patent, copyright, trademark, trade secret or other proprietary right. The Receiving Party shall, within 30 days of a written request therefor by the Disclosing Party, either return all of the Disclosing Party's Confidential

Information (or any designated portion thereof) to the Disclosing Party or destroy all such Confidential Information (or any designated portion thereof) and provide an officer's certificate as to the destruction of such Confidential Information; provided, that PSE, as a Receiving Party, shall not be obligated to return to the Disclosing Party any proposal by the Disclosing Party, or any information related thereto, constituting Confidential Information, and PSE may retain all such proposal and information for a period of at least 7 years or until PSE concludes its next general electric rate case, whichever is later.

8. Neither this Agreement nor any discussions or disclosure hereunder shall (a) be deemed a commitment to any business relationship or contract for future dealing with another Party or (b) prevent either Party from conducting similar discussions with any third party, so long as such discussions do not result in the use or disclosure by the Receiving Party of Confidential Information protected by this Agreement. If the Parties elect to proceed with any transaction, then all agreements, representations, warranties, covenants and conditions with respect thereto shall be only as set forth in a separate written agreement to be negotiated and executed by the Parties.

9. Each of the Parties acknowledges that the Confidential Information received from another Party constitutes valuable confidential, commercial, business and proprietary information of the Disclosing Party and serious commercial disadvantage or irreparable harm may result for the Disclosing Party if the Receiving Party breaches its nondisclosure obligations under this Agreement. In such event or the threat of such event, the Disclosing Party shall be entitled to injunctive relief, specific performance and other equitable relief without proof of monetary damages. In any action to enforce this Agreement or on account of any breach of this Agreement, the prevailing Party shall be entitled to recover, in addition to all other relief, its reasonable attorneys' fees and court costs associated with such action.

10. This Agreement may not be assigned by either Party without the prior written consent of the other Party. No permitted assignment shall relieve the Receiving Party of its obligations hereunder with respect to Confidential Information disclosed to it prior to such assignment. Any assignment in violation of this Paragraph 8 shall be void. This Agreement shall be binding upon the Parties' respective successors and assigns.

11. This Agreement shall be deemed to be effective as of the date first above written, and shall continue thereafter for a period of seven (7) years or, if later, upon the conclusion of PSE's next general electric rate case.

12. No Party shall be liable to another Party for any consequential, indirect, incidental, special, exemplary or punitive damages arising out of or related to this Agreement.

13. This Agreement shall be interpreted, construed and enforced in accordance with the laws of the state of Washington, without regard to such state's choice of law principles to the contrary. Each of the Parties irrevocably consents to the exclusive jurisdiction and venue of any state or federal court located in King County, Washington, with regard to any legal or equitable action or proceeding related to this Agreement.

14. This Agreement represents the entire understanding between the Parties with respect to the confidentiality, use, control and proprietary nature of any information disclosed by the Disclosing Party to the Receiving Party and the subject matter hereof and supersedes all prior communications, agreements and understandings relating

thereto. The provisions of this Agreement shall not be modified, amended or waived, except by a written instrument duly executed by both of the Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of _____, 2004.

PUGET SOUND ENERGY, INC.

By _____

Its _____

[OTHER PARTY]

By _____

Its _____

Exhibit VI. Glossary and Acronyms

Request for Proposals for Electric Energy Efficiency Resources and Pilot Projects

February 3, 2004

Exhibit VI. Glossary and Acronyms

Administrative Costs includes costs associated with planning, project management, program support, etc., such that the Implementation Cost, the Installed Measure Cost and the Administrative Cost combined represent the total costs of the proposal.

Annualized kWh Savings for the proposal is the sum of the one-year's kWh savings from all measures installed.

Average Life of Savings is the assigned life of the conservation measure or measures, based on documentation and/or field experience. Where multiple measures or measure types are involved, an average measure life value, derived by weighting each measure by the amount of savings it contributes to the total, is assumed for the program life.

C&RD: Conservation and Renewables Discount

Conservation Cost Effectiveness Standard (CCES): See Exhibit IV.1.

Customer refers to a residential or business entity which purchases (or, in the case of new construction, intends to purchase) electricity from Puget Sound Energy.

Customer Cost is the best estimate of the installed measure cost paid by the customer. This may be less than the full measure cost where incentives are provided. Where available, copies of customer invoices collected to verify installation provide reliable information on measure total cost. Estimates may be based on historical program data, and trade ally information.

Demand Savings (kW) where quantified, are only used to calculate customer payback; it is not used explicitly to calculate either utility cost or resource cost.

EES: Energy Efficiency Services Department at Puget Sound Energy.

End-use refers to the application for which the electricity is used, e.g. heating, vs. lighting. Each end-use has a different load shape for purposes of calculating the value of the energy savings. **Fee for Service Collected** is any customer payment for services provided as authorized for the program.

Implementation Cost is the expected cost for all services delivered through the program, including the costs of staff, overheads, program materials, marketing and incentive payments, not including the Installed Measure Cost.

Installed Measure Cost is the cost of the physical equipment measure, plus any labor, materials, and incidental costs associated with installing the measure at the customer's site.

Low Income means those residential households served by the Company that meet income and other requirements that are published in the current U.S.

Department of Energy – Washington State Low-Income Weatherization Assistance Plan prepared by OCD.

Market Transformation means activities effecting permanent changes in the markets for targeted, cost-effective, energy efficiency products and services that will result in sustainable market penetration, without the need for long-term utility incentives. Market Transformation is a temporary market intervention with a clear expectation that involvement will end.

M&V: Measurement and Verification

Measure is used to denote a product, device, piece of equipment, system, building design feature or operational practice used to achieve greater energy efficiency.

Non-Quantified Benefits are the non-energy-savings related benefit(s) of the installed measure, without attempting to assign a dollar value, which are cited by participants. PSE requires a listing to document additional customer benefits. These are not quantified other than by the understanding that customers deem them sufficient to make their investment in the measure.

Operations and Maintenance (O&M) Measures are periodic, on-going tasks and activities to enable equipment (e.g. HVAC, Lighting, etc.) to function in accordance with occupants' needs and usage patterns at the facility throughout the equipment's useful life. It is recognized that O&M activities typically strive to insure occupants' comfort and convenience, and do not necessarily seek to optimize energy efficiency of the system(s).

Other Third-Party Contributions are costs covered by other than the vendor, Puget Sound Energy and its ratepayers, or the participating customer. For example, Low-income weatherization agencies may have matching funds from State or Federal funding sources for weatherization of low-income customer homes.

Quantified Non-Energy Savings Benefits are based on information from customers where available and able to be generalized. Estimates are the annualized \$ value of other, non-energy benefits received by the customer (e.g., reduced maintenance costs). Like annual energy savings, these benefits may recur on an annual basis over the life of the measure or on a one-time basis. Quantified Non-Energy Savings must be clearly labeled and described. These are used in calculating the benefit/cost ratio for Puget Sound Energy's Total Resource Cost test.

RTE: Regional Technical Forum **TRC**: Total Resource Cost, see Exhibit IV.1

Type of Savings determines the appropriate Cost Effectiveness Standard for analyses, based on the load shape of the end-use and is required for Puget Sound Energy's Cost Effectiveness Standard. See Exhibit IV-3 and Table IV-A.

Units show the appropriate basis for reporting participation. In many cases, units equal numbers of customers. In programs targeting a specific measure, units may equal number of measures. The type of units must be specified.

UC: Utility Cost. See Exhibit IV.1

WAC: Washington Administrative Code

WUTC: Washington Utilities and Transportation Commission

Exhibit VII - Summary Data

**Request for Proposals for
Electric Energy Efficiency Resources and Pilot Projects**

February 3, 2004

Exhibit VII - Summary Data. Please provide the following information:

Project Name _____

Respondent, Bidder Organization: _____

Contact (name, phone): _____ Location: _____

Proposed Start date: _____

Proposed End date: _____

Technical Information

Sum of Annualized kWh savings for all installed measures : _____

Target Customer Segment(s): __ Residential Single Family, Multi-family or Mobile Home;
Commercial (Business type, e.g. office, retail, if applicable) and/or Industrial (Sector, if
applicable) _____

Total Participating Customers: _____

Retrofit or New construction: _____

Energy Efficiency Measures to be Installed: _____

Total Measures Installed: _____

End-use Involved- Select one or more: Heating, Air Conditioning, Water Heating,
Appliances, Lighting, Year Round Process, Seasonal Process (describe)

Cost Information

Total Respondent Cost of proposal (Bid Amount
\$): _____

Total Incentives (\$) for PSE-customers: _____

Total Incentives (\$) to be offered to others (specify): _____

Estimated Customer Contributions towards cost of installation of
Measures: _____

Expected services from PSE (list type and quantity - e.g., est. hrs.): _____

Payment Schedule

Summarize proposed method for being paid by PSE (e.g., timing, amount):

Other

Method to Recruit customers _____