PUGET SOUND ENERGY, INC.

NATURAL GAS SCHEDULE NO. 183
Natural Gas Conservation Service

1. **Purpose:** To promote the efficient use of natural gas energy by providing Customers with access to information, products and incentives, which will assist them in making energy efficiency/conservation decisions and investments. Conservation/energy efficiency activities will be consistent with cost-effectiveness as defined by a Total Resource Cost Test. Company funding for services will be limited to cost-effectiveness defined by a Utility Cost Test using the Company's Energy Efficiency Cost Effectiveness Standard, also known as the Conservation Cost Effectiveness Standard. Individual programs are described under Schedules numbered between 200 and 299.

2. **Availability:** The programs described in Schedules numbered between 200 and 299 are available to Customers receiving their bundled natural gas service under the Company's natural gas tariff, in facilities permanently located or under construction for permanent location in the Company's natural gas distribution service territory. By virtue of this open availability and corresponding funding [by all Customers] through Schedule No. 120, all Customers are deemed [to be] subscribing to Conservation services offered under Schedules numbered between 200 and 299. The services are available to owners of these facilities and also may be provided to tenants or other eligible parties who have obtained appropriate owner consent. Specific incentives may also be available to and divided among manufacturers, distributors, contractors, vendors, retailers or other entities who provide equipment or services, install or facilitate the installation of approved Measures in facilities receiving natural gas service under the Company's natural gas tariff. (T)

   Service provided under this schedule is limited to end-uses where natural gas is the energy source and to Measures which increase efficiency in the use of natural gas.

3. **Source of Funding:** Schedule No. 120 of this tariff implements surcharges to collect all costs incurred in providing services, programs, other incentives or methods to encourage Customers to make investments in energy efficiency as described in Schedules numbered 200 through 299 of this tariff. Costs of services, programs and other incentives funded by federal or state government programs or other sources, if available, will not be recovered through Schedule No. 120. Availability of all services, programs, rebates and other incentives offered in Schedules numbered 200 through 299 is subject to the availability of funding through Schedule No. 120. Additional sources of funding may be specified in individual Energy Efficiency Programs. (T) (T) (T) (K)

(K) Transferred to Sheet No. 1183-A (Continued on Sheet No. 1183-A) (K)

PUGET SOUND ENERGY, INC.

NATURAL GAS SCHEDULE NO. 183
Natural Gas Conservation Service (Continued) (O)

4. **Definitions:** Unless specifically indicated, the following terms when used in this schedule and in (M)
Energy Efficiency Schedules numbered between 200 and 299 shall have the meanings given below. (M)

a. **Avoided Cost**, also known by the terms Conservation Cost Effectiveness Standard or Energy Efficiency Cost Effectiveness Standard herein for Conservation/energy efficiency activities and/or Measures is based on forecast gas commodity market prices and includes the credits for avoided pipeline capacity and transport costs and avoided storage and distribution costs.

b. **Building Commissioning** is the process of verifying and documenting that the performance of building systems meets the design intent or the owner's current operational requirements.

c. **Conservation** means any reduction in natural gas energy consumption resulting from increases in the efficiency of energy use, production or distribution. Energy Efficiency Programs in this tariff are for the purpose of achieving Conservation.

d. **Energy Code** refers to the currently effective Washington State Energy Code, as amended, including amendments by local jurisdictions.

e. **Energy Efficiency Cost Effectiveness Standard** -- see Avoided Cost.

f. **Energy Efficiency Programs** are programs described in Schedules of this tariff numbered between 200 and 299.

g. **Environmental Attribute** is the quantifiable benefit to society associated with reduced natural gas energy use by employing the practice of energy efficiency/Conservation.

h. **Force Majeure** means factors, events or conditions beyond the control of the Company that negatively impact Customer participation in its Energy Efficiency Programs, such as, but not limited to, a local economic recession or natural disaster. (K)

i. **Incremental Measure Cost** is the incremental cost of a natural gas efficient Measure in excess of the cost of a Measure required to satisfy existing codes or conform with existing construction practices. (K)

(M) Transferred from Sheet No. 1183
(K) Transferred to Sheet No. 1183-B (Continued on Sheet No. 1183-B)

PUGET SOUND ENERGY, INC.

NATURAL GAS SCHEDULE NO. 183
Natural Gas Conservation Service (Continued) (O)

j. **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 the Washington State Department of Commerce (also "Commerce"). (M)

k. **Market Transformation** means 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.

l. **Measure** is a product, device, piece of equipment, system or building design or operational practice used to achieve greater energy efficiency. Unless otherwise enumerated in a specific Energy Efficiency Program, all Measures, proposed by Customers or otherwise, shall meet or exceed the efficiency standards set forth in the applicable energy codes, or, where none exists, "standard industry practice" as determined by the Company. Measures will meet common construction practices, and meet industry standards for quality and energy efficiency.

m. **Measure Cost** is the known and measurable costs to all parties of purchasing and installing an energy-efficiency Measure at a Customer's facility, not to include the Company's administrative costs.

n. **Measure Life** is the expected life (in years) of the savings of a Measure.

o. **Non-quantifiable Benefits (or Costs):** Benefits (or costs) of undertaking energy efficiency improvements, as determined by society and the utility. Benefits (or costs) may include, but are not limited to: legislative or regulatory mandates, support for regional Market Transformation programs, low income health and safety, low income energy efficiency or experimental and pilot programs. The Company may use these Non-quantifiable Benefits (or costs) to demonstrate cost-effectiveness based on the Total Resource Cost Test. (O) (K)

p. **Optimization** refers to improving the energy efficiency performance of existing buildings and in existing processes, typically through low-cost operational and maintenance strategies. (K)

(M) Transferred from Sheet No. 1183-A
(K) Transferred to Sheet No, 1183-C (Continued on Sheet No. 1183-C)

PUGET SOUND ENERGY, INC.

NATURAL GAS SCHEDULE NO. 183

Natural Gas Conservation Service (Continued) (O)

q. **Performance Basis** refers to the Company determining energy savings through direct measurement of energy usage and/or the use of efficiency indicators. (M)

r. **Prescriptive Basis** refers to the Company using a standard energy savings amount for a Measure rather than individually calculating energy savings for each specific installation. (D)

s. **Process Efficiency Improvement** refers to operational and/or equipment changes to improve the energy efficiency of industrial and commercial processes, not including comfort conditioning. (M) (D)

t. **Simple Payback** is the estimated installed cost of the energy efficiency Measure divided by the estimated annual dollar savings to the Customer from the Measure.

u. **Quantifiable Benefits (or Costs):** Non-energy benefits of undertaking energy efficiency improvements, as determined by society or the utility. Benefits (or costs) may include, but are not limited to, water usage savings or maintenance savings that may be quantified in dollar value. The Company may use these Quantifiable Benefits (or Costs) to demonstrate cost-effectiveness based on the Total Resource Cost Test.

(K)

v. **Simple Payback** is the estimated installed cost of the energy efficiency Measure divided by the estimated annual dollar savings to the Customer from the Measure.

w. **Site-Specific Basis** refers to the Company calculating energy savings using the engineering savings determined for each site.

x. **Total Resource Cost** is the cost to the Customer and/or other party costs to install or have installed approved Measures, plus Utility Costs and minus Quantifiable Benefits (or Costs).

(K)

(M) Transferred from Sheet No. 1183-B
(K) Transferred to Sheet No. 1183-D

(Continued on Sheet No. 1183-D)

PUGET SOUND ENERGY, INC.

NATURAL GAS SCHEDULE NO. 183
Natural Gas Conservation Service (Continued) (O)

y. **Total Resource Cost Test** is a cost-effectiveness calculation which demonstrates that the total benefits, including electricity, natural gas, and other savings benefits (assessed using the Energy Efficiency Cost Effectiveness Standard for electricity and natural gas), exceed total costs including those incurred by the utility, the Customer, and any other contributing party. The benefits and costs not directly associated with natural gas energy efficiency in this calculation may fall under Non-quantifiable Benefits (or Costs) or Quantifiable Benefits (or Costs) as defined above. Where there are a significant amount of Non-quantifiable Benefits (or Costs), then Total Resource Cost may be up to 150 percent (150%) of the Energy Efficiency Cost Effectiveness Standard, with a Total Resource Cost benefit/cost ratio of 0.667 or greater. (M) (T)

z. **Utility Cost** is the Company's costs of administering programs including, but not limited to, costs associated with incentives, audits, analysis, technical review, and funding specific to the Measure or program and evaluation. (K) (M)

aa. **Utility Cost Test (UCT)** is a cost-effectiveness calculation which demonstrates that the utility energy savings benefits, assessed using the Energy Efficiency Cost Effectiveness Standard, exceed the Utility Cost. (T)

5. **Description of Services:** The Company will provide energy efficiency services in conjunction with individual programs described in Energy Efficiency Schedules numbered between 200 and 299. These services include, but are not limited to, the following: (T)

a. Information, education and training in energy efficiency technologies or practices to encourage undertaking of cost-effective energy efficiency activities and investments.

b. Incentive application forms and program descriptions.

c. Analyses, outlined in section 6 of this Schedule, to identify energy efficiency Measures and opportunities. (O)

(K)

(M) Transferred from Sheet No. 1183-C
(K) Transferred to Sheet No. 1183-E (Continued on Sheet No. 1183-E)

PUGET SOUND ENERGY, INC.

NATURAL GAS SCHEDULE NO. 183
Natural Gas Conservation Service (Continued)

d. Services to facilitate the procurement of energy efficiency Measures and the adoption of energy efficient practices, including facilitation of access to financing for purchase of Measures. Referrals to private sector designers, contractors, and installers will also be provided where appropriate. (M)

e. Funding to encourage the installation of cost-effective Measures where appropriate. (K)

f. Market Transformation activities that will result in cost-effective and durable market penetration in the Company's distribution service territory, as well as in the Northwest. Cost effectiveness of Market Transformation activities depends heavily on projections of future energy savings impacts in the market.

g. Efficiency services for special classes of Customers.

h. Pilot projects to test new products, technologies, program delivery methods, electric conversion to natural gas, distribution system benefits or Customer acceptance.

i. Monitor or measure energy usage or other efficiency indicators to analyze, verify or evaluate energy efficiency Measures.

j. Reporting and evaluation of the effectiveness of services provided, including participation in the development of regional evaluation protocols. (M)

6. **Analyses:** Unless otherwise specified in applicable Energy Efficiency Programs, the Company will use energy savings estimates based on analyses using standard engineering techniques, regionally accepted standards, historical energy use, current operations, existing equipment, on-site data acquisition, Customer input and Measures implemented. The Company reserves the right to modify Customer, owner, tenant or third party energy savings estimates.

For retrofit Measures, energy savings estimates will use the efficiency of the existing product, device, piece of equipment, system or building design or operational practice to determine baseline energy use. (K)

(M) Transferred from Sheet No. 1183-D
(K) Transferred to Sheet No. 1183-F

(Continued on Sheet No. 1183-F)

PUGET SOUND ENERGY
Natural Gas Tariff

SCHEDULE 183 (T)
NATURAL GAS CONSERVATION SERVICE (Continued)

6. **Analyses** (Continued)**:** For incremental Measures, energy savings estimates will use Energy Code requirements or, where no such code exists, standard industry practice as determined by the Company to determine minimum baseline energy use.

   Measure savings used by the Company are based on, but not limited to:
   a. Company-approved Prescriptive Basis Measure savings estimates.
   b. Energy savings analyses performed on a Site-Specific Basis using Company-approved engineering analysis methods.
   c. Company-approved Performance Basis methods.
7. **Measures:** In addition to meeting the definition of Measure in Section 4, a Measure must reasonably be expected to satisfy the Total Resource Cost Test and the Utility Cost Test. The Company may, at its sole discretion, review and implement Customer-proposed Measures that meet all Measure evaluation criteria. The Company may, at its sole discretion, provide payments, funding or other remuneration that may be less than the maximum allowed under the Energy Efficiency Cost Effectiveness Standard, based on market conditions and/or available funding.
8. **Environmental Attributes Ownership:** Environmental Attributes, reporting rights as well as the therm savings associated with these Conservation/energy efficiency Measures installed under the Company's Energy Efficiency Programs will accrue to the ownership and beneficial use of the Company.

9. **Special Conditions:**

   a. Low Income: Low Income Customers are qualified by government agencies, using federal low income guidelines. Approved Low Income agencies may receive Measure funding equal to the lesser of one hundred percent (100%) of the Measure Cost or the value that will result in a Total Resource Cost Benefit/Cost ratio of a minimum of 0.667. Measures will be (D)
   deemed to be cost-effective if they meet either the Department of Commerce Weatherization (D)
   Guide cost-effectiveness requirements, or meet a Total Resource Cost test of 0.667, whichever provides the greater assistance to qualifying Low-Income Customers. Funding is in accordance with funding described in Natural Gas Energy Efficiency Schedule No. 201.
   b. Regional Market Transformation: Northwest regional programs include projects aimed at advancing new promising technologies or changes to standards, codes and practices, which are anticipated to be cost-effective from a Total Resource Cost Test perspective over time.

PUGET SOUND ENERGY
Natural Gas Tariff

SCHEDULE 183
NATURAL GAS CONSERVATION SERVICE (Continued)

c. Pilot Programs/Demonstration Projects: Pilot programs and demonstration projects may be undertaken to determine whether certain strategies and Measures are cost-effective over an extended period of time. Pilots are employed to test cost-effective ways to demonstrate market opportunities for energy efficiency. Pilots may include tests of Measure Cost and performance, Customer acceptance or delivery methods. Pilots are not subject to achieving energy savings sufficient to demonstrate cost-effectiveness in the short term.

10. **Expenditures:** For years 2020 and 2021, the Company has budgeted $36.2 million to implement and affect cost-effective energy efficiency Measures/Conservation initiatives to achieve natural gas Conservation objectives mutually agreed to by the Company and the Conservation Resource Advisory Group ("CRAG"). (C) (I)

11. **General Rules and Regulations:** Service under this schedule is subject to the general Rules and Regulations contained in this tariff.

12. **Termination:** Programs under this tariff will terminate

    a. When any of the following or similar conditions exist or arise, with 30 days written notice to the CRAG:
    - Regional economic downturn, resulting in the cancellation of all or a portion of energy efficiency projects,
    - Force Majeure, such as events affecting the environment, regional economy, infrastructure, etc.,
    - Lack of Customer participation due to either of the above or other conditions beyond the Company's influence,
    - Lack of qualified contractors to install approved Measures,
    - The Company has achieved significant market penetration.

    b. When the program is no longer cost effective; or

    c. December 31, 2021, whichever comes first. However, commitments entered into prior to termination will be honored. (C)

(Continued on Sheet No. 1183-H)

PUGET SOUND ENERGY, INC.

NATURAL GAS SCHEDULE NO. 183
Natural Gas Conservation Service (Continued)

13. **Customers Who Change Provider of Commodity:** This Section 13 applies only to Customers who have received funding through Schedule Nos. 205, 208, 217, 218, 250, 251, 253 or 261 of this tariff under a written grant agreement that includes provisions requiring repayment. Customers who have received funding from the Company for a Conservation Measure or Measures who, after receipt of such funding, have all or a portion of the natural gas provided or delivered by a party other than the Company and thereby no longer contribute to the recovery of costs of Energy Efficiency Programs, except for amounts less than $100, shall be obligated to refund to the Company, by the due date of the Company's invoice for such refund, an amount equal to the ratio of the unused Measure Life of the Measure to the total Measure Life of the Measure multiplied by the dollar amount of the Conservation funding provided by the Company, for each Measure. The Customer will have the option to enter into an installment plan when amounts owing are greater than $3,000. Terms of the installment plan will allow the Customer to repay over a period not to exceed 10 years, with a minimum monthly payment of not less than $250. The monthly installment will be based on a simple annuity calculation, or the minimum monthly installment of $250, and will include interest at the Company's after tax overall authorized rate of return grossed up for taxes at the time the installment plan is established. The calculation methodology for the interest rate is described below. All funds paid by Customers as repayment of Conservation funding and interest will be credited against the Schedule No. 120 Natural Gas Conservation Rider account. (M) (K) (T) (T) (T) (T) (T) (T) (T) (T)

The after tax overall authorized rate of return grossed up for taxes shall be calculated as follows: the components of the overall rate of return most recently approved by the state Utilities and Transportation Commission that include the effect of federal income tax are multiplied by 0.65 which when all components are added result in the after tax overall authorized rate of return. The after tax overall authorized rate of return is then divided by 0.65 to yield the after tax overall authorized rate of return grossed up for taxes. For example, the current authorized overall rate of return approved in Docket No. UG-111049 is 7.80%, the after tax overall authorized rate of return is 6.71% which is divided by 0.65 to yield an after tax overall authorized rate of return grossed up for taxes of 10.32%. (K)

This example is shown in detail on Sheet No. 1183-I. (M) (T)

(M) Transferred from Sheet No. 1183-G
(K) Transferred to Sheet No, 1183-I (Continued on Sheet No. 1183-I)

PUGET SOUND ENERGY, INC.

NATURAL GAS SCHEDULE NO. 183
Natural Gas Conservation Service (Continued)

13. **Customers Who Change Provider of Commodity** (Continued)**:** (M) (T)

Line No.	Description	Pro Forma Capital %	Cost %	Cost of Capital	(T)
1	Short Term Debt	4.00%	2.68%	0.11%	
2	Long Term Debt	48.00%	6.22%	2.99%	
3	Preferred	0.00%	0.00%	0.00%	
4	Equity	48.00%	9.80%	4.70%	
5	Total	100.00%		7.80%	
6					
7	After Tax Short Term Debt ((line 1)*65%)	4.00%	1.74%	0.07%	
8	After Tax Long Term Debt ((line 2)*65%)	48.00%	4.04%	1.94%	
9	Preferred	0.00%	0.00%	0.00%	
10	Equity	48.00%	9.80%	4.70%	
11	Total After Tax Cost of Capital	100.00%		6.71%	
12					
13					
14	Total After Tax Cost of Capital Grossed Up For Taxes (line 11 ÷ 65%)			10.32%	

Other than grants as mentioned above, the Company will not require re-payment of funding for Conservation Measures from individual Customers. (M) (T)

(M) Transferred from Sheet No. 1183-H