

COMMERCIAL STRATEGIC ENERGY MANAGEMENT INCENTIVE AGREEMENT

This AGREEMENT is made this 7th day of February, 2024, by and between
PUGET SOUND ENERGY (“PSE”) and **CITY OF REDMOND** (“Participant”).

RECITALS

- A. Under PSE’s Electric Schedule 253, Gas Schedule 253, Electric Schedule 83, and Gas Schedule 183 as currently in effect and on file with the Washington Utilities and Transportation Commission (collectively, “Tariffs”), PSE offers incentives for electricity and natural gas Strategic Energy Management measures installed or implemented at facilities that receive electric or natural gas service from PSE.
- B. Participant intends to install or implement Strategic Energy Management measures and is requesting an incentive from PSE under its filed Tariffs.

AGREEMENTS

PSE and Participant agree as follows:

1. **PREMISE/METER LOCATION ADDRESS: 8701 160TH AVE NE REDMOND WA 98052 - CITY OF REDMOND - CSEM R1** (Please note: meter/premise address may differ from the site mailing address, full project site list can be found on Attachment B). Participant will install or implement the Strategic Energy Management measures listed in paragraph 2 (“Strategic Energy Management Measures”) at the above located facility and other facilities identified in **Attachment B – List of Facilities** (the “Premises”). Participant represents either (a) that it is the owner or otherwise has the lawful authority to make the statements herein on behalf of the owner of the Premises, or (b) that it is the lawful tenant of the Premises and that it has obtained written authorization from the owner of the Premises.
2. **Strategic Energy Management Measures.** Participant represents that it will implement Strategic Energy Management Measures at the Premises which may be detailed in **Attachment C – Energy Management Plan**.

	Strategic Energy Management Measures	Measure Life	Total Cost ¹	Eligible Incentive ²
1.	CSEM - Performance Incentive - Year 1	3	\$30,000.00	\$21,000.00
2.	CSEM - Milestone Incentive 1	3	\$1,000.00	\$1,000.00
3.	CSEM - Training Allowance - Year 1	3	\$1,000.00	\$1,000.00

4.	CSEM - Performance Incentive - Year 2	3	\$30,000.00	\$21,000.00
5.	CSEM - Milestone Incentive 2	3	\$1,000.00	\$1,000.00
6.	CSEM - Training Allowance - Year 2	3	\$1,000.00	\$1,000.00
7.	CSEM - Performance Incentive - Year 3	3	\$30,000.00	\$21,000.00
8.	CSEM - Milestone Incentive 3	3	\$1,000.00	\$1,000.00
9.	CSEM - Training Allowance - Year 3	3	\$1,000.00	\$1,000.00
10.	CSEM - Target Incentive - Year 3	3	\$6,000.00	\$6,000.00
	TOTAL (includes sales tax)		\$102,000.00	\$75,000.00

¹ The “Total Cost” column is the sum of electric and gas measure costs and is for PSE internal reference only and is an assumed amount of committed resources to implement Strategic Energy Management Measures based on portfolio size. The costs listed in this column do not impact Participant’s eligibility for receiving incentive(s) under this agreement.

² The incentive amount(s) listed in this column are maximum values and could be reduced at PSE’s sole discretion in the event of additional energy savings benefiting Participant. See Section 3.

3. **Incentive.** Upon the execution by both parties and PSE’s receipt of this Commercial Strategic Energy Management Incentive Agreement within **90 days** of the agreement date, PSE agrees to grant the Participant, after installation or implementation by Participant of the Strategic Energy Management Measures, an amount equal to the eligible Strategic Energy Management incentive (“the Incentive”) set forth in **Attachment A – Scope of Work**. The parties agree that the Strategic Energy Management Measures must be installed or implemented and the Incentive paid within **36 months** of the signing of this Commercial Strategic Energy Management Incentive Agreement. In the event Participant’s energy usage benefits from other PSE-sponsored energy efficiency programs, the Incentive paid to Participant may, at PSE’s sole discretion, be reduced to reflect such benefits. Participant shall be responsible for paying any amount in excess of the amount of the Incentive.
4. **Separate Contract.** The purchase and implementation of the Strategic Energy Management Measures shall be pursuant to a separate contract between Participant and a strategic energy management energy champion (“SEM Energy Champion”). Participant acknowledges and agrees that PSE is not, and shall not be deemed to be, a party to any purchase, installation, or implementation contract. All obligations to any SEM Energy Champion pursuant to any such contract shall be Participant’s responsibility. Participant expressly acknowledges that PSE’s involvement with respect to any aspect of the Strategic Energy Management Measures is limited to the furnishing of the Incentive Agreement. **PSE**

HAS NOT MADE AND DOES NOT MAKE (AND PARTICIPANT ACKNOWLEDGES THAT PSE DOES NOT MAKE) ANY IMPLIED OR EXPRESS WARRANTY (INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS) REPRESENTATION, OR PROMISE WITH RESPECT TO EITHER (A) THE STRATEGIC ENERGY MANAGEMENT MEASURES, (B) ANY MATERIALS AND LABOR REQUIRED FOR OR USED IN THE IMPLEMENTATION OF THE STRATEGIC ENERGY MANAGEMENT MEASURES, OR (C) THE INSTALLATION OR IMPLEMENTATION OF THE STRATEGIC ENERGY MANAGEMENT MEASURES.

5. **Final Cost Documentation, Access & Inspection:** Participant agrees to promptly provide PSE, upon request, and for a period no shorter than the longest applicable measure life: (1) documentation verifying equipment purchased and/or work performed in connection with the Strategic Energy Management Measures installed or implemented; (2) reasonable access to and inspection of the Facility and Strategic Energy Management Measures installed therein before, during and/or after implementation; and (3) reasonable access to, inspection and use of energy usage data related to the Strategic Energy Management Measures including release of utility bills and Facility energy consumption information following implementation.
6. **Release.** Participant releases PSE from any and all claims, losses, harm, costs, liabilities, damages and expenses directly or indirectly resulting from or in connection with (a) the Strategic Energy Management Measures, (b) any materials and labor required for or used in the installation or implementation of the Strategic Energy Management Measures, (c) the installation or implementation of the Strategic Energy Management Measures, or (d) the identification, handling and disposal of any associated hazardous waste materials.
7. **Disclaimer.** PSE conducts energy analyses at the request of its customers to determine the extent to which Strategic Energy Management measures are cost-effective. Any estimate of energy savings made by PSE in connection with any such analyses is solely for the purpose of determining the cost-effectiveness of the particular Strategic Energy Management Measures and not to be used for any other purpose. PSE has not and does not make any promise, warranty or representation with respect to any savings in energy consumption from Strategic Energy Management Measures.
8. **Termination.** In the event a Participant's contribution to PSE's recovery of energy efficiency program costs is affected by all or a portion of Participant's electric and/or gas delivery service being provided by a party other than PSE, then Participant shall refund to PSE an amount equal to the ratio of the unused Measure Life of the measure(s) to the total Measure Life of such Strategic Energy Management Measures multiplied by the dollar amount of the Incentive with respect to such Strategic Energy Management Measures. The Strategic Energy Management Incentive agreement may be reviewed annually to determine the cost-effectiveness and assess continuance. Either party may terminate this agreement with 30 days notice to the other parties.
9. **Incorporation of tariffs by reference.** This Agreement along with *Attachment A: Scope of Work* and *Attachment B: List of Facilities* are subject to the terms of the filed Tariffs, which are incorporated herein by this reference. Specific terms and conditions from one or more conservation schedules from similar filed tariffs may also apply, as determined by PSE at its sole discretion, based on various criteria. A complete list of conservation schedules is available at:
<https://www.pse.com/en/pages/rates/electric-tariffs-and-rules>
10. **Entire Agreement.** This Agreement sets forth the entire agreement between the parties and supersedes any and all prior agreements with respect to the Strategic Energy Management Measures identified herein. No change, amendment or modification of any provision of this Agreement shall be valid unless set forth in writing and signed by both parties.



Conservation Program:
Agreement No.:
Project No.:

SEM
1
P_1412102

PUGET SOUND ENERGY

PARTICIPANT
CITY OF REDMOND

By: Leslie D. Wright

By: _____

Name: Leslie Wright

Print Name: _____

Title: Mgr. Business Energy Management

Title: _____

Federal Tax I.D. No.: _____

ATTACHMENT A – SCOPE OF WORK

Renewal Project Intent

PARTICIPANT agrees to maintain and enhance its Strategic Energy Management (SEM) program which will provide leadership for efficient management of utility resources used in their organization which may include electricity and natural gas. During the renewal period, PARTICIPANT will revisit and update their Energy Management Plan (EMP) to ensure the savings are achieved through efficient operations, targeted building maintenance, low-cost actions, and behavior changes by facility users. The PARTICIPANT will continue to use a resource accounting software package to monitor resource use and to report savings.

Incentives

Table 1 provides a list of SEM incentives to support PARTICIPANT. Tasks and deliverables associated with the successful completion and payment of incentives are described for each measure in the “Incentive Requirements” section of the Scope of Work. The expectation of this contract is that the SEM program will exist for a minimum of three years from signing date.

Table 1: SEM Incentives – Project # P_1412102

	Measure	Term	Electric Measure Cost (for PSE)	Electric Incentive Amount	Gas Measure Cost (for PSE)	Gas Incentive Amount
1.	CSEM - Performance Incentive - Year 1	1 Year	\$25,000.00	\$17,500.00	\$5,000.00	\$3,500.00
2.	CSEM - Milestone Incentive 1	1 Year	\$833.00	\$833.00	\$167.00	\$167.00
3.	CSEM - Training Allowance - Year 1	1 Year	\$833.00	\$833.00	\$167.00	\$167.00
4.	CSEM - Performance Incentive - Year 2	1 Year	\$25,000.00	\$17,500.00	\$5,000.00	\$3,500.00
5.	CSEM - Milestone Incentive 2	1 Year	\$833.00	\$833.00	\$167.00	\$167.00
6.	CSEM - Training Allowance - Year 2	1 Year	\$833.00	\$833.00	\$167.00	\$167.00
7.	CSEM - Performance Incentive - Year 3	1 Year	\$25,000.00	\$17,500.00	\$5,000.00	\$3,500.00
8.	CSEM - Milestone Incentive 3	1 Year	\$833.00	\$833.00	\$167.00	\$167.00
9.	CSEM - Training Allowance - Year 3	1 Year	\$833.00	\$833.00	\$167.00	\$167.00
10.	CSEM - Target Incentive - Year 3	1 Year	\$5,000.00	\$5,000.00	\$1,000.00	\$1,000.00
TOTALS						

Notes

- Performance Incentive amount is variable based on PARTICIPANT performance, with a maximum incentive amount of up to the amount listed in the table. Refer to “Incentives” section for variable incentive details.
- Target Incentive will only be provided if PARTICIPANT meets performance target.
- Incentives are based on baseline period consumption.

PSE will provide incentives on an annual basis in accordance with Table 1. ***In order to receive the incentive, PARTICIPANT shall provide all deliverables required in “Customer Requirements”.*** The incentives will be as follows:

1. ***Performance Incentives*** – The performance incentive is equal to \$0.04/kWh and \$0.40/therm of “SEM Savings”. The total performance incentive is capped at 70% of the measure cost (see Table 1 for measure costs).
2. ***Target Incentive*** – The PARTICIPANT must meet or exceed the 3 year performance target with their “Total Savings” in order to qualify for the target incentive. The 3 year performance target will be a

ATTACHMENT A – SCOPE OF WORK

total of 9 percent savings across the portfolio over the incentive agreement. This incentive is only available once per incentive cycle and can be paid out once the 9 percent savings target has been met.

3. Training Allowance – The total incentive payment will be based on actual training and/or software costs and will not exceed the training allowance. Incentive payments can only be made once per program year.
4. Milestone Incentives – The milestone incentives will be paid upon completion of milestone incentive qualifiers. This can be found in Attachment F of this document.

Additional Services

In addition to the incentives listed, PSE will also provide services to PARTICIPANT. The services will include the following:

1. Access to Energy Data – PSE will maintain software providing PARTICIPANT with access to consumption and cost data. PSE will provide 15-minute electric data and hourly gas data for all viable meters associated with participating sites, identified in Attachment B.
2. Training – PSE will host a variety of trainings throughout the contract period in order to educate the SEM customers on best practices.

Participant Requirements

By participating in the SEM program, the PARTICIPANT agrees to the following:

1. Assign an Energy Champion – PARTICIPANT must delegate SEM activities to at least one person. This role must be maintained throughout participation in the SEM program. For the this agreement, the delegation is expected to be as follows:

Table 2: Staffing Breakdown – Energy Team

Name	Position	Responsibilities
Jenny Lybeck	Environmental Sustainability	CSEM Duties

2. Update Energy Management Plan (EMP) – PARTICIPANT should update and submit their EMP. The EMP provides an organizational guideline for effective and efficient management of utility resources including electricity and natural gas. A template is provided for an EMP in Attachment C.
3. Complete and Implement an Operations & Maintenance Program Plan (O&M Program Plan) – PARTICIPANT must complete, implement, and submit an O&M Program Plan within the contract. The O&M Program Plan provides a breakdown of each building system and the tasks required for efficient operations and maintenance of a building. A template is provided in attachment D.
4. Complete Quarterly Reporting – PARTICIPANT must complete and submit Quarterly Reporting in the form of an opportunity register for the buildings identified in Attachment B. The report includes an activity log that captures any significant action that impacted energy usage including:
 - a. Capital projects
 - b. O&M changes
 - c. Behavioral campaigns
 - d. Changes in occupied hours
 - e. Changes in occupancy
 - f. Changes in site square footage

A sample checklist is provided in Attachment E.

ATTACHMENT A – SCOPE OF WORK

5. Host an Annual SEM Meeting – PARTICIPANT must host an annual meeting, at minimum, with PSE, dedicated RCM staff, and senior management to review the program. At the time of the agreement, the following people are expected to attend the meeting:

Table 3: Top Management – Program Sponsors

Name	Position	Responsibilities
Quinn Kuhnhausen	Facility Manager	CSEM Management

The following table provides the delivery dates and requirements for a customer to participate in the SEM program:

Table 4: Deliverable Requirements

Time	Due Date ¹	Deliverable Requirement
Year 1, Quarter 1	03/31/2023	Quarterly Report
Year 1, Quarter 2	06/30/2023	Quarterly Report
Year 1, Quarter 3	09/30/2023	Quarterly Report
Year 1, Quarter 4	12/31/2023	Quarterly Report, EMP, O&M Program Plan, Annual Meeting, Introductory SEM Coursework Records
Year 2, Quarter 1	03/31/2024	Quarterly Report
Year 2, Quarter 2	06/30/2024	Quarterly Report
Year 2, Quarter 3	09/30/2024	Quarterly Report
Year 2, Quarter 4	12/31/2024	Quarterly Report, EMP, O&M Program Plan, Annual Meeting
Year 3, Quarter 1	03/31/2025	Quarterly Report
Year 3, Quarter 2	06/30/2025	Quarterly Report
Year 3, Quarter 3	09/30/2025	Quarterly Report
Year 3, Quarter 4	12/31/2025	Quarterly Report, EMP, O&M Program Plan, Annual Meeting

¹ PARTICIPANT has up to 60 calendar days from the due date to submit the deliverable requirement or within a time period determined by PSE. If PARTICIPANT does not provide the deliverables, PSE may terminate the contract and all services.

² EMP and O&M Program Plans only need to be resubmitted if there are changes

Training

PSE encourages PARTICIPANT to use the training allowance each year provided in Table 1. Each training allowance will expire if it is not used within the designated year. The person attending the training must be listed as an SEM resource in Table 2 or be approved by PSE. The training allowance is to be provided for SEM-related training courses, which include the following:

1. Building Operator Certification (BOC) training
2. Association of Energy Engineers (AEE) training
3. American Society of Heating, Refrigeration, and Air Conditioning Engineers (ASHRAE) training
4. PSE-approved courses

The training allowance can also be used to offset the cost of energy management software used by the Energy Champion to track energy consumption/costs across the portfolio.

ATTACHMENT A – SCOPE OF WORK

To receive reimbursement up to the allotted amount, PARTICIPANT must submit evidence of payment for the training course (such as an invoice from the training organization) or software and evidence that the course has been completed (such as a transcript). PSE will determine if the information presented is sufficient for payment, and will reimburse to the customer as listed in the Incentive Agreement. It is not possible to reimburse individuals. PARTICIPANT must submit for reimbursement within 60 days of completing the course or within a time period determined by PSE.

Building Requirements

In order for a building to be included in PARTICIPANT's portfolio, it must have the following requirements or be approved by PSE:

1. Minimum Data – The building must have a minimum of 24 months of consecutive PSE utility data. In addition, PARTICIPANT must have occupied the building for a minimum of 12 months.
2. Minimum Meter Resolution – The meter associated with a building cannot serve more than three unique facility types (defined by operating hours and use) unless submetering data is provided by PARTICIPANT on an annual basis. For example, a campus gas meter for a steam plant that serves four different building types cannot be included in PARTICIPANT's portfolio if submetering is not provided. In this case, the gas usage associated with the campus gas meter would be excluded.
3. Predictability – The building utility consumption must be predictable based on independent variables as determined by PSE. The variables may include weather, occupancy hours, production units, etc. PARTICIPANT must provide the independent variable data other than weather (occupied hours, production units, etc.) per the required resolution (monthly, daily, etc.) to PSE on an annual basis as outlined in Attachment B.

Performance Targets

The baseline period for this incentive agreement is determined on a site by site basis; the base year chosen for each site is listed in Attachment B. Based on the total facility portfolio listed in Attachment B, the consumption of PSE supplied energy during the base period was 4,932,620 kWh and 107,814 therms. This equates to incentives and resource needs based on a **25%** personnel level for electricity and a **5%** personnel level for natural gas per PSE defined funding levels based on consumption (20,000,000 kWh for electricity, 2,000,000 therms for natural gas).

Each performance incentive will have a target reduction of 3 percent. Note that PARTICIPANT first year targets has been may be adjusted if the performance period is altered. The following table presents the targets for the three years:

Table 5: Savings Targets

Performance Period	Date Range	Savings Target	
		kWh	Therms
Year 1 Performance	01/01/2023 to 12/31/2023	147,979	3,234
Year 2 Performance	01/01/2024 to 12/31/2024	147,979	3,234
Year 3 Performance	01/01/2025 to 12/31/2025	147,979	3,234
Total		443,937	9,702

PSE Savings Calculations

PSE will calculate the savings of the performance period against the baseline period on an annual basis for PARTICIPANT. The baseline period consumption will be adjusted based on the independent variables that impact

ATTACHMENT A – SCOPE OF WORK

consumption, which may include weather, occupancy hours, production units, etc. PSE has identified the likely independent variables in Attachment B, but reserves the right to change the independent variables used.

The PARTICIPANT shall submit any information that would support adjustments to the baseline or the performance year energy usage. This may include changes to the building area, changes in occupancy, significant addition of plug loads (greater than 1% of annual consumption), etc.

PSE will quantify two types of savings for the incentive. The first calculation will be known as “Total Savings” and includes all savings associated with SEM activities and PSE-incentivized projects. The second calculation will be known as “SEM Savings” and is equal to the “Total Savings” minus savings associated with other PSE-incentivized projects.

Savings claimed for SEM efforts three years prior will count towards the “SEM Savings” target of the current year if demonstrated savings the savings have persisted.

The following table demonstrates how savings may be claimed for a sample portfolio:

Table 6: Example of Renewal Year 1 Savings Claims

Site	Adjusted Baseline Usage (kWh)	Renewal Year 1 Usage (kWh)	Renewal Year 1 Savings (kWh)	Sum of SEM Savings Reported in Previous 2 Years (kWh)	Past Non-SEM PSE-Incentivized Savings (kWh)	Renewal Year 1 Non-SEM PSE-Incentivized Savings (kWh)	Renewal Year 1 Total Savings (kWh)	Renewal Year 1 SEM Savings (kWh)
Site 1	1,000,000	700,000	300,000	200,000	0	0	100,000	100,000
Site 2	1,000,000	900,000	100,000	50,000	50,000	0	0	0
Site 3	1,000,000	600,000	400,000	0	0	100,000	400,000	300,000
Site 4	1,000,000	900,000	100,000	50,000	0	50,000	50,000	0
Site 5	1,000,000	1,100,000	(100,000)	100,000	0	0	0	0
Total							550,000	400,000

Table 6 Definitions

- Adjusted Baseline Usage – The baseline usage adjusted based on current independent variables (weather, occupancy hours, building area, production units, etc.) that impact consumption.
- Renewal Year 1 Usage – The usage of the site during the Renewal Year 1 reporting period.
- Renewal Year 1 Savings – The *Adjusted Baseline Usage* minus the *Renewal Year 1 Usage*.
- Sum of SEM Savings Reported in Previous 2 Years – The total amount of savings claimed through the SEM program over the last two years.
- Past Non-SEM PSE-Incentivized Savings – The total amount of savings claimed through other PSE programs (non-RCM) since the baseline period.
- Renewal Year 1 Non-SEM PSE-Incentivized Savings – The total amount of savings realized through other PSE programs (non-SEM) during the Renewal Year 1 reporting period.
- Renewal Year 1 Total Savings – The *Renewal Year 1 Savings* minus the *Sum of SEM Savings Reported in Previous 2 years* minus *Past Non-SEM PSE-Incentivized Savings*. Note that this number can’t be negative.
- Renewal Year 1 SEM Savings – The *Renewal Year 1 Total Savings* minus the *Renewal Year 1 Non-SEM PSE-Incentivized Savings*. Note that this number can’t be negative.

ATTACHMENT B – LIST OF FACILITIES

[illegible]

¹Annual consumption based on prorated billing data for 12 consecutive months concluding with the Baseline Period End Date. Baseline consumption may change or be adjusted by PSE when savings analysis is performed each year.

ATTACHMENT B – LIST OF FACILITIES

#	Site	Base Year	Baseline			
			Variables	kWh	Therms	SF
1	Farrel-McWhirter Park	1/1/2022	HDD, CDD	106,479	0	5,800
2	Fire Station 11	1/1/2022	HDD, CDD	166,147	9,446	16,800
3	Fire Station 12	1/1/2022	HDD, CDD	67,607	5,392	7,050
4	Fire Station 13	1/1/2022	HDD, CDD	49,226	4,244	7,300
5	Fire Station 14	1/1/2022	HDD, CDD	0	5,596	9,500
6	Fire Station 16	1/1/2022	HDD, CDD	95,757	9,041	9,852
7	Fire Station 17	1/1/2022	HDD, CDD	221,279	2,479	19,397
8	Fire Station 18	1/1/2022	HDD, CDD	66,284	4,649	7,714
9	Maintenance & Operations Center	1/1/2022	HDD, CDD	377,337	5,623	6,000
10	MOC - Building 1	1/1/2022	HDD, CDD	54,117	0	61,398
11	MOC - Building 5	1/1/2022	HDD, CDD	467,911	0	6,800
12	MOC - Trinity Building	1/1/2022	HDD, CDD	122,836	0	15,500
13	Park Operations	1/1/2022	HDD, CDD	98,918	4,938	6,500
14	Perrigo Park	1/1/2022	HDD, CDD	214,184	0	3,000
15	Redmond City Hall	1/1/2022	HDD, CDD	1,507,593	26,995	107,212
16	Redmond Community Center	1/1/2022	HDD, CDD	252,094	16,680	46,000
17	Redmond Public Safety Building	1/1/2022	HDD, CDD	1,064,851	12,732	24,000
			Total	4,932,620	107,814	359,823

¹Annual consumption based on prorated billing data for 12 consecutive months concluding with the Baseline Period End Date. Baseline consumption may change or be adjusted by PSE when savings analysis is performed each year.