

**EXHIBIT NO. _____ (GRP-3T)
DOCKET NO. UE-011570 and UG-011571
WITNESS: GEORGE R. POHNDORF, JR.**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

**DIRECT TESTIMONY OF GEORGE R. POHNDORF, JR.
ON BEHALF OF PUGET SOUND ENERGY, INC.
REGARDING CONSERVATION SETTLEMENT**

JUNE 7, 2002

PUGET SOUND ENERGY, INC.

DIRECT TESTIMONY OF GEORGE R. POHNDORF, JR.

CONSERVATION SETTLEMENT

Q: Please state your name, business address and present position with Puget Sound Energy, Inc.

A: My name is George Pohndorf. My business address is One Bellevue Center, Suite 300, 411 – 108th Ave. N.E., Bellevue, Washington 98004. I am the Director, Rates and Regulation for Puget Sound Energy, Inc. ("PSE" or "the Company").

Q: What do your responsibilities as Director, Rates and Regulation include?

A: I am responsible for overall management of the Company's rates and regulation department, including the regulatory planning, regulatory compliance, revenue requirements, and cost of service functions. My job duties currently include providing support to Ms. Harris in her oversight of PSE's pending General Rate Case. I have participated on behalf of the Company in many of the collaboratives. I will testify about the settlement with respect to Rate Design, Rate Spread, Time of Use, Line Extension, Conservation, Low Income, Service Quality Indices, and Backup Distribution Service issues.

Q: Why is conservation an important issue for the Company?

A: Conservation assists the Company in meeting its public service obligation to serve load. It is an important energy resource option for the Company. Through cost-effective reductions of energy consumption and peak demand,

conservation reduces the need for the Company to invest in additional generation, or acquire additional energy or gas.

Q: Please identify what policy interests the Company considers to be important in addressing conservation issues?

A: Conservation is a demand-side resource that helps the Company meet its energy and peak needs and serves other public interests, such as environmental interests. Pursuit of conservation efforts that achieve these benefits at a cost less than, or equal to, the cost of comparable generation resources is good public policy. Therefore, securing these benefits through conservation must, consistent with our public service obligations, be pursued in a cost-effective manner.

Conservation efforts must also be responsive to our customers' wants and needs, as customer participation, involvement, and acceptance are critical to a successful conservation program. Conservation programs should be made available to a broad array of customers because, among other things, the energy saving opportunities among customer types and programs need to be designed to take advantage of these opportunities. In turn, the costs of conservation should be allocated equitably among customers.

There are other policy interests bearing upon a conservation effort that are important to the Company. Conservation planning should be integrated with supply-side planning as part of the least cost planning process on an ongoing basis to ensure fair consideration of all options. Utilizing this process also serves the important policy objective of public involvement in resource planning.

Q: How does the Company believe conservation programs are best designed?

A: Effective conservation programs are best designed through collaboration with interested parties. Because of the many factors described above, the Company and its customers benefit from the involvement of interested parties in the development, evaluation, and adjustment of conservation efforts. It has become clear to the Company that the advisory process used in the past needed much improvement, and, going forward, meaningful and regular involvement by interested parties is essential.

Q: Has the Conservation collaborative arrived at a settlement that addresses the interests you have described above?

A: Yes.

Q: How does this settlement address the policy interests discussed above?

A: From a broad perspective, the settlement addresses these interests through near-term and long-term conservation commitments. The settlement provides that the Company will work with the Advisory Committee to develop by August 1, 2002, a tariff filing that presents a set of cost-effective programs for consideration by the Commission. While these programs move forward, the Advisory Committee will work together on a number of efforts, including assessment of cost-effective conservation potential in the Company's service territory, evaluation of current programs, program review and assessment, and ongoing review of assumptions and analyses for program planning. These efforts promote integration of the conservation effort within an ongoing and invigorated least-cost planning process. This provides a context for developing and reviewing conservation programs that support a

long-term resource plan that considers cost-effective supply and demand management measures that are necessary to serve our customers.

Q: How does the settlement address cost-effectiveness?

A: The settlement establishes a process for developing cost-effective conservation programs. Program development will be responsive to the assessment of the overall conservation potential for the Company. The settlement also provides for monitoring and evaluation of programs and the opportunity to make adjustments over time to the conservation effort, as necessary, to facilitate achievement of cost-effective conservation.

Q: How does the settlement address the involvement of interested parties the development and ongoing evaluation, monitoring and adjustment of conservation programs?

A: The settlement establishes a formal Advisory Committee that is charged with these responsibilities. The Committee will be comprised of the members of the conservation collaborative, the group that brings this settlement proposal to the Commission for its consideration, as well as direct customer representation. Speaking as a member of the conservation collaborative, I am proud of what we have accomplished in a few short weeks, and I am looking forward to working with the Advisory Committee in the future.

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