



PUGET SOUND ENERGY

The Energy To Do Great Things

Puget Sound Energy, Inc.

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February 27, 2009

Mr. David Danner, Secretary and Executive Director
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

**Re: Advice No. 2009-07
Electric Tariff Filing - Filed Electronically**

Dear Mr. Danner:

Puget Sound Energy, Inc. (the "Company" or "PSE") hereby submits proposed revisions to its electric Schedule 120, Electricity Conservation Service Rider and electric Schedule 121, Electricity Conservation Incentive Mechanism. This filing, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, proposes revisions in the following electric tariff sheets.

WN U-60, Tariff G - (Electric Tariff):

- Seventeenth Revision of Sheet No. 120 - Electricity Conservation Service Rider
- Eighteenth Revision of Sheet No. 120-a - Electricity Conservation Service Rider (Continued)
- Nineteenth Revision of Sheet No. 120-b - Electricity Conservation Service Rider (Continued)
- Sixteenth Revision of Sheet No. 120-c - Electricity Conservation Service Rider (Continued)
- Fourteenth Revision of Sheet No. 120-d - Electricity Conservation Service Rider (Continued)
- Thirteenth Revision of Sheet No. 120-e - Electricity Conservation Service Rider (Continued)
- Second Revision of Sheet No. 121 - Electricity Conservation Incentive Mechanism
- Second Revision of Sheet No. 121-a - Electricity Conservation Incentive Mechanism (Continued)
- Second Revision of Sheet No. 121-b - Electricity Conservation Incentive Mechanism (Continued)
- Second Revision of Sheet No. 121-c - Electricity Conservation Incentive Mechanism (Continued)
- Second Revision of Sheet No. 121-d - Electricity Conservation Incentive Mechanism (Continued)

The primary purpose of this filing and the companion filing under Advice No. 2009-08, is to implement changes to rates under the conservation tracker and rider mechanisms, as provided in Exhibit F to the Settlement Stipulation Agreement approved by the Commission in Docket Numbers UE-011570 and UG-011571. Specifically, the principal purpose of this filing is to revise the Electricity Conservation Rider charges downward in order to reflect both the increased amounts budgeted for the upcoming year and the true-up of actual costs and actual collections over the past year. As part of the true-up of actual 2008 expenditures and collections, there were at least three components that affected the number: changes due to actual expenditures compared to budgeted expenditures in 2008; allocation of expected expenditures over the program year; and variation in actual load compared to expected load. Actual expenditures were approximately \$5 million lower than budgeted expenditures, this is one component resulting in a decrease in rates. PSE also discovered it had made an error in allocating expenditures for 2008 -- 15 months rather than 12 months of expected expenditures was used to allocate expected expenditures over the 12 month program year. This over-allocation is another component resulting in a decrease in rates, and is approximately \$11 million. This error has been corrected and procedures

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have been put in place to ensure that this over-allocation does not occur again. The true-up also includes the effect of variation in actual load compared to expected load and this variance contributed approximately \$1.4 million to the decrease. Although budgets for 2009 programs are increasing, the impact of the true-up for 2008 results in a net rate decrease. Overall, this proposal represents a decrease of \$7,255,188 or 0.35%. All rate schedules for electric service are affected by the decrease with the exception of schedules 40, 46, 49, 449 and 459 which received no decrease.

The baseline target level for acquisition of energy efficiency resources is 31.7 aMW (278,000 MWh). This baseline target was set in consultation with the Conservation Resource Advisory Group (CRAG). The CRAG provided valuable insight in setting the baseline target, and it provides a robust process for the individual members to conduct a detailed review of the baseline target. The ambitious target level of 31.7 aMW, exceeds our achievement of 31.2 aMW in 2008. The Company's long-term straight-line pro rata amount of 20-year of electric energy efficiency potential is 17.5 aMW/year. The 2009 target of 31.7 aMW is also significantly above that 17.5 aMW level because PSE has chosen to accelerate its acquisition of electric energy efficiency resources in 2009.

The purpose of filing revisions to Schedule 121, Electricity Conservation Incentive Mechanism is to provide the annual update of the Baseline Target, the Net Shared Incentive rate and the Total Resource Cost. These updates result in updates to the values in the table on Sheet 121-b used for calculation of the incentives or penalties under the mechanism and the examples on the following sheets. In addition, other minor changes were incorporated for greater clarity. The Electricity Conservation Incentive Mechanism was approved by the Commission in Docket No. UE-060266, by replacing a penalty-only structure with a new penalty-and-reward mechanism. In that docket, the Commission noted that it is better policy to set a reasonably achievable target and then incent the Company to reach beyond the target. The Incentive Mechanism allows for mitigation of any penalties if factors beyond the Company's control affected customer participation in the Company's programs. Several factors beyond the Company's control are the regional, national and international economies.

The tariff sheets described herein reflect issue dates of February 27, 2009, and effective dates of April 1, 2009. Posting of proposed tariff changes, as required by WAC 480-100-193, is being made by posting the proposed tariff sheets on the PSE web site immediately prior to or coincident with the date of this transmittal letter. Notice to the public will be provided under the provisions of WAC 480-100-195 through a published notice at least thirty days before the effective date of the tariff change.

Please contact Lynn Logen at (425) 462-3872 for additional information about this filing. If you have any other questions please contact me at (425) 462-3495.

Very truly yours,



For Tom DeBoer

(Director, Federal & State Regulatory Affairs)

Enclosures

cc: Simon J. ffitich, Public Counsel
Sheree Carson, Perkins Coie