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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

February 27, 1998

Mr. Paul Curl
Acting Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P. O. Box 47250
Olympia, WA 98504-7250

Docket: UG-950288

RE: Annual Report of Demand-Side Management Programs subject to tracker recovery for the 1997 Calendar Program Year

Dear Mr. Curl:

Enclosed is an original and nineteen copies of the third annual report covering gas Demand-Side Management ("DSM") programs eligible for tracker recovery in accordance with Docket No. UG-950288 for Puget Sound Energy. This filing contains a progress report on the results of DSM programs through December 31, 1997, and summary of accounting for each of the DSM programs for the same period.

In accordance with the accounting treatment and annual tracker recovery mechanism approved in the Commission's letter dated May 11, 1995, Ref. No. 6-0599, the Company is filing tariffs, separately and coincident with this filing, to recover the \$291,768.06 third year DSM program costs as summarized in the enclosed report. Recovery is being apportioned 91.77% to firm rate schedules and 8.23% to interruptible rate schedules proportionate to total gas cost recoveries. This is consistent with the Commission's findings on conservation costs as outlined in the Seventh Supplemental Order in Docket No. UG-940814 and prior action under this docket.

Please direct any inquiry related to the accounting issues in this annual report to me at (425) 456-2797 and any inquiry related to the technical aspects of the conservation programs to George Pohndorf at (425) 462-3272.

Sincerely,

Karl R. Karzmar
Manager, Revenue Requirements

enclosures