EXHIBIT NO. ___(CES-6)
DOCKET NO. UE-06___/UG-06___
2006 PSE GENERAL RATE CASE
WITNESS: CALVIN E. SHIRLEY

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-06_____
Docket No. UG-06_____

FIFTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
CALVIN E. SHIRLEY
ON BEHALF OF PUGET SOUND ENERGY, INC.

FEBRUARY 15, 2006

Calculation Methodology for Electric Energy Efficiency Incentive Mechanism

1. Evaluate the cost-effectiveness of electric efficiency programs
    Consistent with Exhibit No. ___(CES-5), benefit-cost ratios are calculated as follows:

    Total Resource Cost (TRC) Test:
    Benefit-Cost Ratio =   Weighted Average Cost Effectiveness Standard   /   (Utility Costs + Customer Costs - Non-Energy Benefits)

    Utility Cost (UC) Test:
    Benefit-Cost Ratio =   Weighted Average Cost Effectiveness Standard   /   Utility Costs

    Where:
    Weighted Average Cost Effectiveness Standard is the value of energy saved by each program weighted by the proportion
    of program savings to the total savings from all programs, then summed together.

    Utility Costs, as defined in Exhibit No. ___(CES-5), are the costs incurred by PSE for administering programs, including funding specific
    to the conservation measures, program implementation, research and evaluation. Incentive or penalty amounts are not included.

    Customer Costs, as defined in Exhibit No. ___(CES-5), are the costs incurred by participating customers for installation of measures
    beyond any utility incentive contribution

    Non-Energy Benefits are are any additional benefits beyond the intrinsic value of energy savings to reduce energy costs.
    These benefits are usually difficult to quantify, so are generally not included in the calculation of the TRC Test

2. Determine applicable energy savings threshold band
    Consistent with Exhibit No. ___(CES-4), each threshold band consists of a range of energy savings, calculated as the ratio of achieved total energy savings
    to the annual baseline target level of savings

    % of Baseline Target :   Annual Achieved Savings (aMW or kWh)   /   Baseline Target Annual Energy Savings (aMW or kWh)

    Use the result of this calculation to determine which threshold band in Exhibit No. ___(CES-4) applies.

3. Calculate the incentive or penalty associated with that treshold savings band
    For an incentive, the amount is calculated by applying the appropriate incentive payment factor to total annual electric tariff rider program costs

    Incentive Amount =   Total Electric Rider Annual Program Expenses x   % Incentive Payment Factor for threshold band determined in Step 2 above

    See Exhibit No. ___(CES-4) for the Incentive Payment Factor assiciated with each energy savings threshold band.