

EXHIBIT NO. ___(DEM-3)
DOCKET NO. UE-06 ___/UG-06 ___
2006 PSE GENERAL RATE CASE
WITNESS: DAVID E. MILLS

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 ___

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
DAVID E. MILLS
ON BEHALF OF PUGET SOUND ENERGY, INC.**

FEBRUARY 15, 2006

Puget Sound Energy (PSE)
Energy Management Committee Charter

August 18, 2005

Purpose and Authority

The PSE Energy Management Committee ("EMC") provides policy-level and strategic direction for the Company's energy resource planning, operations, portfolio management and acquisition decisions. The EMC performs the following functions:

- Reviews and evaluates recommendations from the Energy Resources Group with respect to the Company's Least Cost Integrated Resource Plan and to any material transaction relating to: (a) the acquisition of energy efficiency or conservation resources; (b) electric, gas and merchant transmission resources; (c) natural gas supply, transportation or storage agreements; (d) electric supply and merchant transmission agreements; (e) electric generation facility acquisitions; and (f) other energy related asset capital expenditures.
- Oversees the hedging, balancing, and optimization activities of the Energy Portfolio Management group consistent with practices contained in the Energy Supply Hedging and Optimization Procedures Manual;
- Periodically reviews the position and exposures of both the Core (PGA) Gas and Power portfolios;
- Reviews and evaluates recommendations from the Energy Portfolio Management group with respect to managing the Company's exposures;
- Oversees compliance by the Energy Resources and Energy Portfolio Management groups of any relevant Board directives or policies, specifically including the Energy Price Risk Policy;
- Periodically reviews the Energy Resources Group's resource evaluation procedures for best industry practices;
- Periodically makes reports to the Audit Committee of the Board of Directors on management's risk assessment and steps taken to manage strategic energy resources; and
- Maintains a record of its deliberations and actions.

Non-energy related resources or other capital projects made in the ordinary course of business and capital projects which are the subject of other partnership, co-tenant and other contractual agreements shall not ordinarily be the subject of the EMC's deliberations.

Prudent Person Standard

The EMC shall carry out its duties in a manner consistent with prudent business practices and applicable regulatory guidelines, including as discussed more fully below, compliance with FERC's Standards of Conduct (FERC Order 2004).

Membership and Voting

The EMC shall be comprised of such officers and directors as the President and CEO shall determine from time to time, but at no time shall be fewer than five in number and shall at all times include the Standards of Conduct Chief Compliance Officer. The EMC shall meet monthly, or as commercial needs may require. Committee membership shall be divided into two classes, voting and non-voting members. A quorum shall be deemed to exist when a simple majority of the voting members are present during a meeting. For convenience, a voting member may give a proxy to an alternate or other designated person, who shall attend and vote at meetings in accordance with such absent voting member's instructions. The initial list of members, which may be revised at the President's discretion (except as otherwise provided in this Charter) is set forth on Appendix A hereto.

Standards of Conduct Compliance

In consideration of the importance of resource planning, acquisition and operational management to the Company and its customers, the EMC membership may be comprised from time to time of both transmission function and energy or marketing affiliate ("merchant function") employees.

To ensure compliance with FERC's Standards of Conduct, the EMC will function under the following guidelines:

1. The Secretary to the Committee shall publish an agenda prior to each meeting that shall include as the first agenda item a discussion of the requirements of the Standards of Conduct regulations as applicable to the meeting. The agenda shall also list any transmission-related discussion.
2. The Standards of Conduct Chief Compliance Officer ("Compliance Officer") or designee shall attend all EMC meetings. At each meeting, the Compliance Officer shall review the applicable Standards of Conduct regulations with the meeting attendees, keep a list of meeting attendees, monitor the meeting for Standards of Conduct compliance and keep minutes of the meeting discussion.

Appendix A
 Energy Management Committee
 Voting and Non-voting Committee Members

Voting Members	
Senior Vice President Energy Resources (Co-Chair)	Eric Markell
Senior Vice President Finance & Chief Financial Officer (Co-Chair)	Bert Valdman
Senior Vice President Operations	Sue McLain
Vice President & General Counsel	Jennifer O'Connor
Vice President Regulatory & Public Affairs (Co-Chair)	Kimberly Harris
Vice President Contracts & Project Management	Paul Wiegand
Vice President of Finance and Treasurer	Don Gaines
Vice President, Corporate Secretary, Chief Accounting Officer	Jim Eldredge
Vice President Risk Management and Strategic Planning	Julie Ryan

Non-voting Members	
Director Gas & Power Supply Operations (Co-Secretary)	David Mills
Director Natural Gas Resources (Co-Secretary)	Wayne Gould
Director Cost & Regulation	John Story
Director, Energy Risk Management	Salman Aladin
Director, Budgets and Energy Risk Control	Gordy Funai
Director, Resource Planning	Wayman Robinett
Standards of Conduct Chief Compliance Officer or Designee	Tom DeBoer