

Puget Sound Energy

Annual Report on Program Outcome of PSE's Low Income Program, HELP

**For 2010 Program Year
October 2010 through September 2011**

Filed April 27, 2012



Table of Contents

Introduction and Background..... 2
Description of Help Bill-Payment Assistance 4
 HELP Bill-Payment Assistance by Fuel Type and Program Year 4
Demographics of Customer Households..... 9
 HELP Bill-Payment Assistance by County 9
HELP Bill-Payment Assistance Impacts..... 12
Administration of Program 13
Marketing of PSE Home Energy Lifeline Program..... 14

Introduction and Background

Puget Sound Energy's ("PSE's" or the "Company's") low income bill assistance program, the Home Energy Lifeline Program ("HELP"), provides bill-payment assistance to eligible PSE customers who are defined as "very low-income" (as defined by RCW 46.63A.510). The majority of the HELP funding is sponsored by all PSE customers through the Company's electric and natural gas Schedules 129, Low Income Program that set rates for the funding collection. Also, if the Company does not meet any of the service quality benchmarks set forth in its Service Quality Index ("SQI") program and the total annual penalty dollars are less than the equivalent of \$12 per customer, the SQI penalty will then be allocated to the appropriate PSE HELP funding based upon the energy service affected by the missed SQI.

HELP benefits are supplemental to the Federal Low Income Home Energy Assistance Program ("LIHEAP"), which are available year-round to eligible customers. For the 2010 program year, October 2010 through September 2011, eligible customers may receive up to \$1,000 per year per customer in HELP credit to offset their electricity or natural gas bills, which is the same maximum as the 2009 program year.

Puget Sound Energy's HELP was first implemented in accordance with Exhibit G to Settlement Stipulation Agreement approved by the Commission in consolidated Dockets UE-011570 and UG-011571 Twelfth Supplemental Order dated June 20, 2002, which was amended by the Partial Settlement Agreement approved by the Commission on January 5, 2007, in Dockets UE-060266 and UG-060267. The HELP settlement terms allow eligible very low-income customers to receive bill-payment assistance and they do not limit how the benefits are applied to any amounts owed (past, present, and future) by these customers to PSE.

On October 8, 2008, the Commission approved three changes to HELP in its Order 12: Final Order Approving and Adoption Settlement Stipulations; Authorizing and Requiring Compliance Filing in consolidated Dockets UE-072300 and UG-072301 ("Order"). Appendix D to the Order ("Appendix D") set forth details of these three changes which had become effective since October 1, 2008, the beginning of the 2008 program year. These changes are:

1. HELP funding is distributed to electric and natural gas customers at the fixed ratio of 75% and 25%, respectively.
2. The total annual HELP funding is increased from \$10.25 million to \$15 million.
3. Any HELP funds not distributed to customers in any single program year will be carried over to the next program year as supplemental HELP funding.

In Docket U-072375, merger of PSE and Puget Holdings LLC, these changes are further affirmed as Commitments 22, 23, and 42 of the Multi-Party Settlement Stipulation approved by the Commission on December 30, 2008, in Order 8 of Docket U-072375, Approving and Adopting Settlement Stipulation; Authorizing Transaction Subject to Conditions.

This HELP program year, additional funding has been available to very low-income customers to mitigate the effect of the last approved PSE electric and natural gas rate increase. This supplemental HELP funding adjustment was described in PSE's Initial Brief in the Company's

2009 General Rate Case (“2009 GRC”) under the consolidated Dockets UE-090704 and UG-090705, as follows:

The company proposed to increase the annual level of low-income electric and natural gas bill assistance funding by the corresponding percent increase to the residential class that are approved by this Commission. The amount of this percentage increase would be added to the low income tariff in the next program year.

This funding adjustment was put in place for PSE’s annual electric and natural gas Schedules 129 filing in August 2010.

In summary, for the program year of October 2010 through September 2011, in addition to the \$15 million funds, the available HELP funding was increased by the following adjustments:

1. The GRC supplemental adjustment of \$465,951, \$426,823 (3.8%) and \$39,128 (1.0%) for electric and natural gas customers, respectively. The 3.8% and 1.0% are the corresponding percentage increases to the residential class that were approved in the 2009 GRC.
2. Contributions from PSE’s shareholders of \$1,140,074. PSE did not meet its SQI No. 3, System Average Interruption Duration Index (SAIDI) performance standard for 2009 which resulting a penalty of \$1,140,074¹. The entire amount is allotted to the electric low income customers as SQI No. 3 pertaining only to electric service.
3. Carried-over funds of \$194,547 from the prior HELP year.

¹ The total penalty assessed against PSE was \$1,340,074. PSE proposed in its petition, UE-100338, to exclude certain SAIDI minutes from the 2009 reporting period due to access issues caused by unusual and exceptional weather and subsequent hazardous events that occurred in early January 2009. On August 12, 2010, the Commission ordered the Company to pay \$1,140,074, i.e. a corresponding penalty reduction of \$200,000.

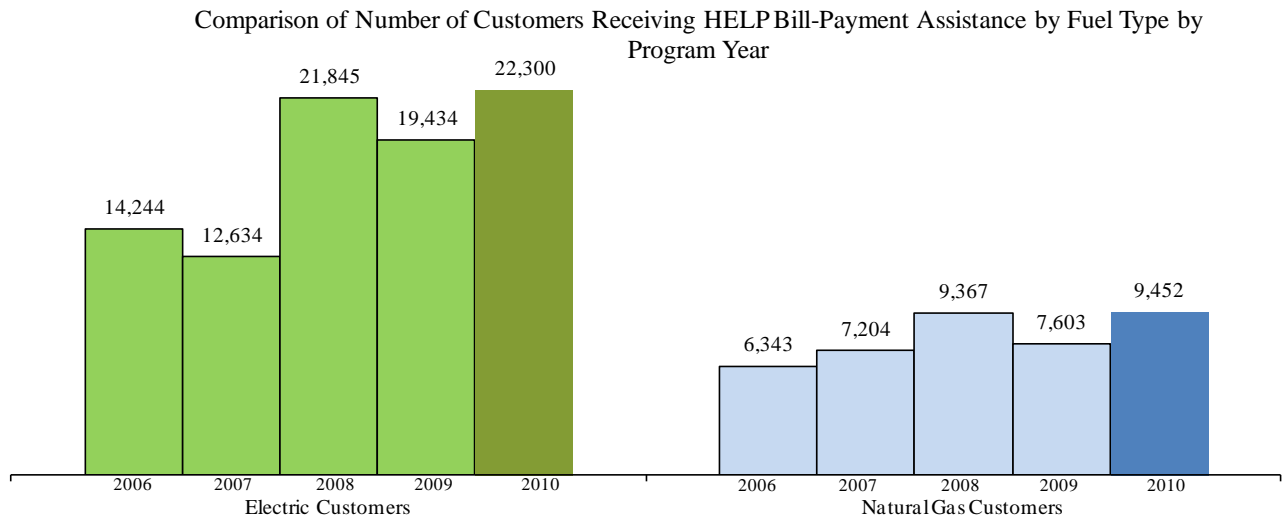
Description of Help Bill-Payment Assistance

HELP Bill-Payment Assistance by Fuel Type and Program Year

The following table shows the number of PSE residential very low-income customers who received bill-payment assistance from PSE’s HELP during the 2010 program year, the 12-month period of October 2010 through September 2011.

| | |
|-----------------------|--------|
| Electric customers | 22,300 |
| Natural gas customers | 9,452 |

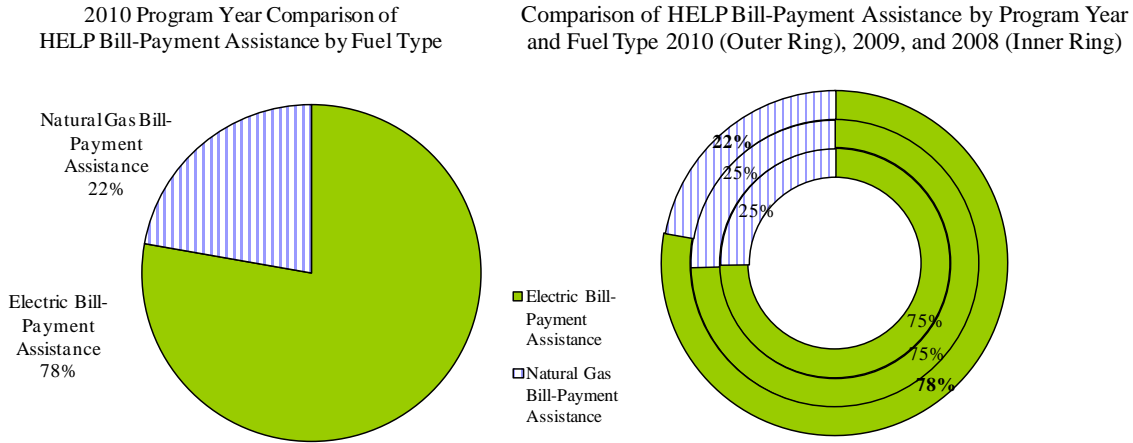
The number of eligible very low-income households that received bill-payment assistance is somewhat lower than the sum of the two numbers above since some households are both PSE natural gas and electric customers. The total number of very low-income households that received bill-payment assistance is 23,789. Of the electric customers who received bill-payment assistance, 17% were also natural gas customers. Of the natural gas customers who received bill-payment assistance, 41% were also electric customers. The chart below is a comparison of the number of customers who received bill-payment assistance since 2006 by fuel type and by program year. The big increase in the numbers of electric and natural gas customers is due to more annual benefit available to customers and the slightly lower average HELP benefit per customer (see the *Demographics of Customer Households* section).



The total dollar amount of HELP bill-payment assistance during the 2010 program year was:

| | |
|-------------|--------------|
| Electric | \$10,430,138 |
| Natural Gas | \$ 3,008,866 |
| Total | \$13,439,004 |

The charts below show the relative amount of payment assistance awarded to eligible very low-income electric and natural gas residential customers by program year.



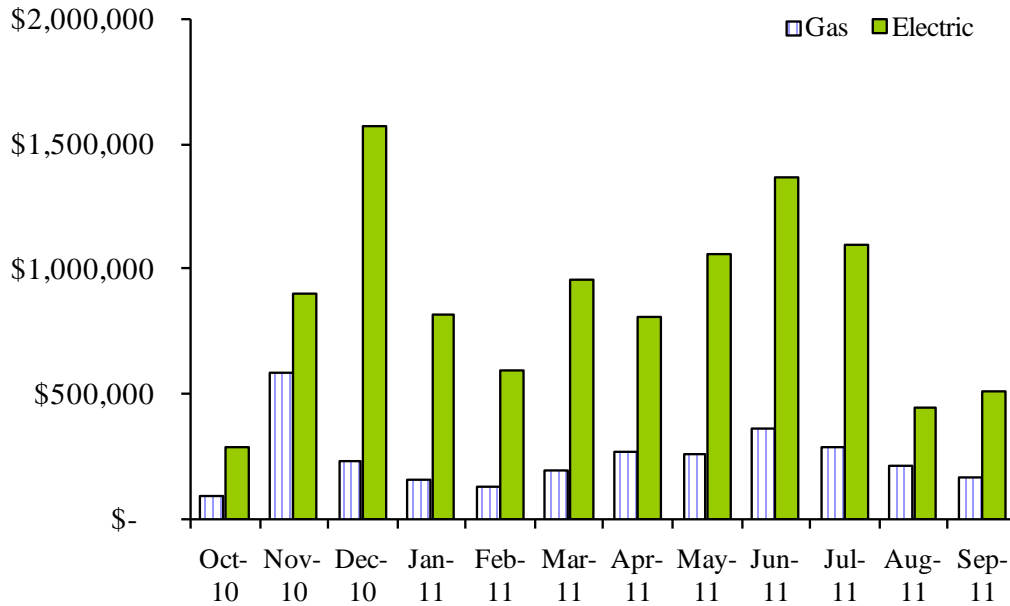
The percentages of HELP bill-payment assistance awarded to each fuel are 78% electric and 22% natural gas for the 2010 program year, which reflect the combined effects of the following funding: 1) the 75% electric and 25% natural gas allocation prescribed in the Appendix D of the Order, 2) the supplemental HELP funding due to 2009 GRC rate increase, 3) PSE shareholders' contribution to electric HELP funding, and 4) the carried-over funds from last HELP year.

The table below shows a comparison, by fuel type, of the percentages of bill-payment assistance awarded with the percentages of residential customers and of residential revenues. Electric residential customers were allocated relatively more HELP payment assistance than that of natural gas residential customers based upon the proportion of residential revenue and customer count percentages.

| | % of Actual Total Awarded HELP Bill-Payment Assistance | % of Residential Customers | % of Residential Revenues |
|-------------|--|----------------------------|---------------------------|
| Electric | 78% | 58% | 60% |
| Natural Gas | 22% | 42% | 40% |

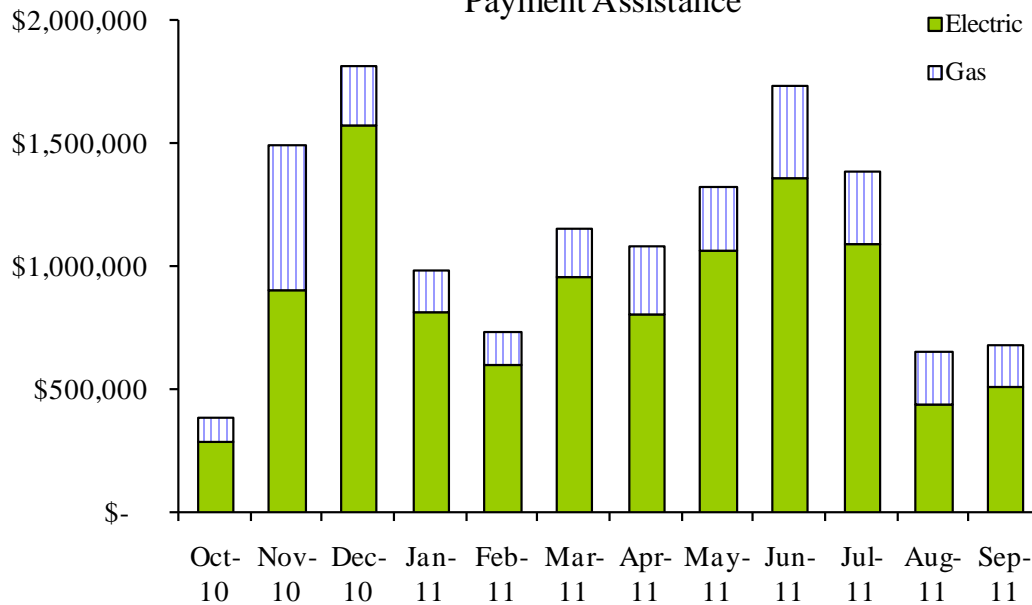
The following two charts show the monthly pattern of distribution of HELP bill-payment assistance to eligible very low-income PSE customers during the 2010 program year by fuel type. The first chart is a side-by-side bar chart with both the electric and natural gas payment assistance.

Monthly Pattern of Distribution of HELP Bill-Payment Assistance by Fuel Type

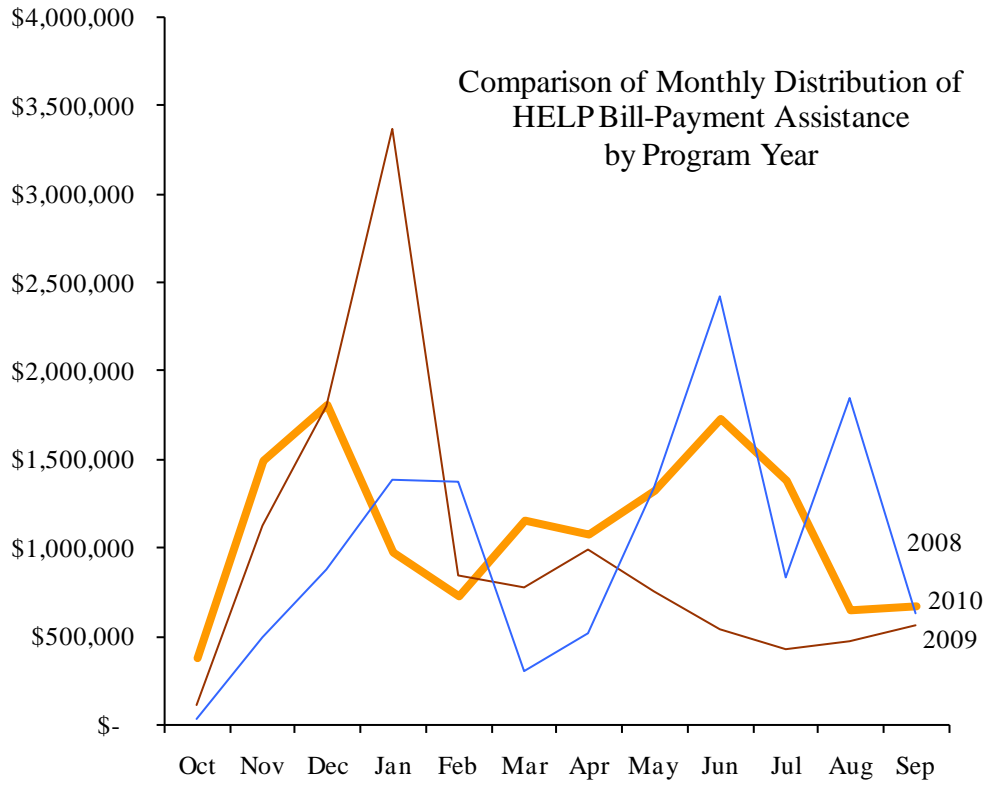


The second chart is a stacked bar chart with both the electric and natural gas payment assistance by month.

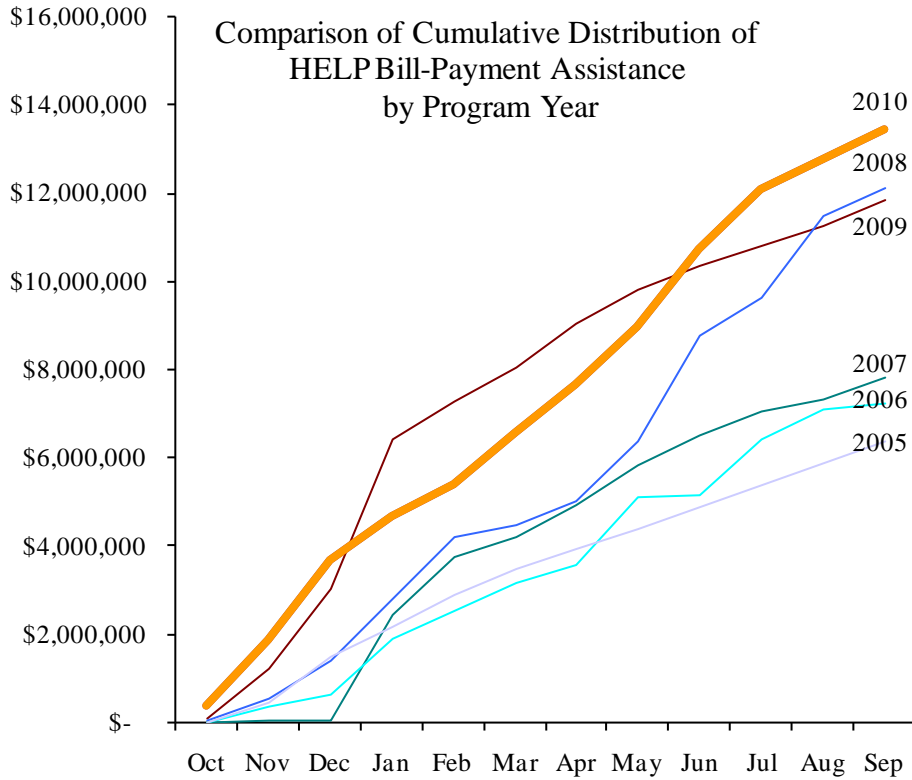
Combined Monthly Pattern of Distribution of HELP Bill-Payment Assistance



The chart below shows the combined electric and natural gas awarded HELP bill-payment assistance on a monthly basis for the 2010 program year (depicted by the heavy line) and the previous two program years (in light lines).



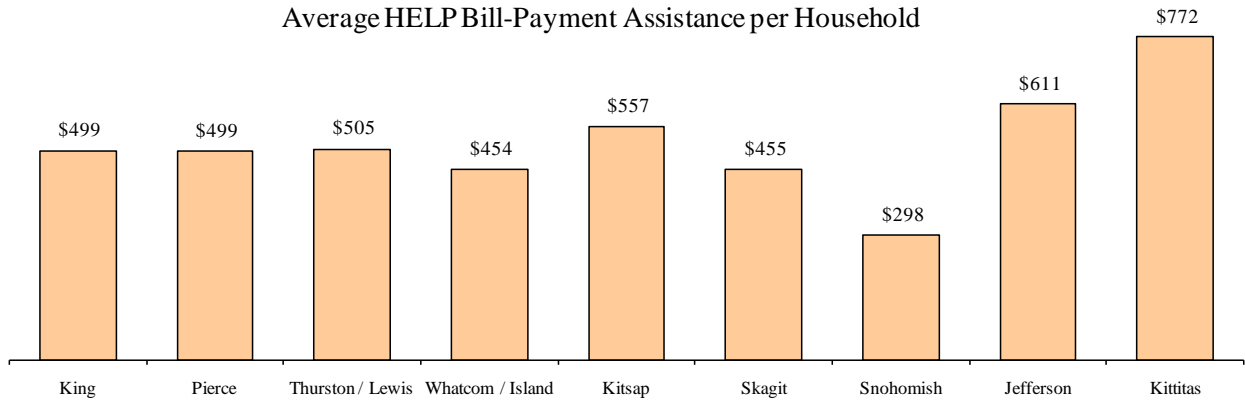
The chart below shows a comparison of the cumulative amount of awarded HELP bill-payment assistance on a monthly basis for the 2010 program year (shown in heavy line) and the previous five program years (in light lines). More HELP payment assistance was awarded to eligible very low-income customers during the 2010 program year compared with any of the prior program years due to the additional funding from PSE shareholders and other adjustments discussed in the *Introduction and Background* section.



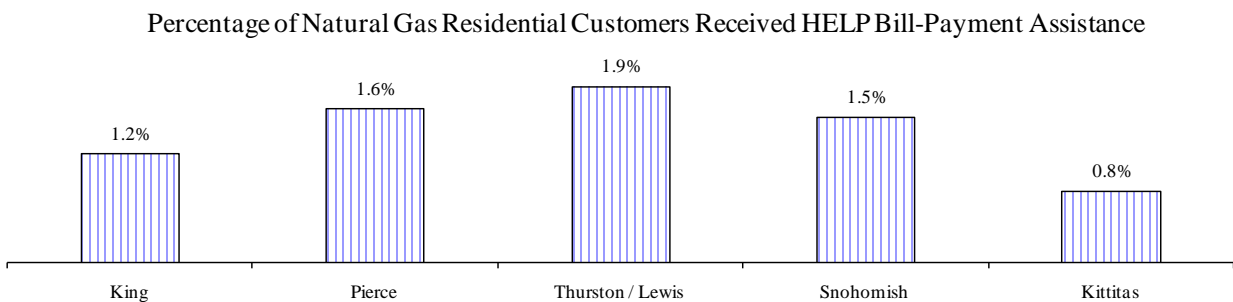
Demographics of Customer Households

HELP Bill-Payment Assistance by County

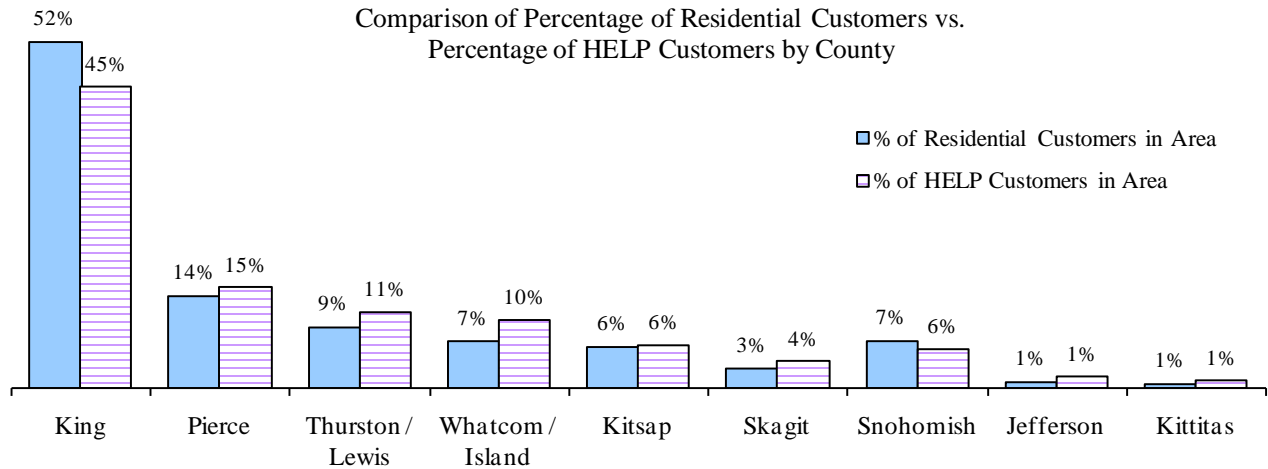
The average level of HELP bill-payment assistance to each eligible very low-income household is \$488 for this program year. It is a \$15 decrease from the \$503 of the 2009 program year. The chart below shows the average HELP assistance per household for the various counties in PSE's service territory.



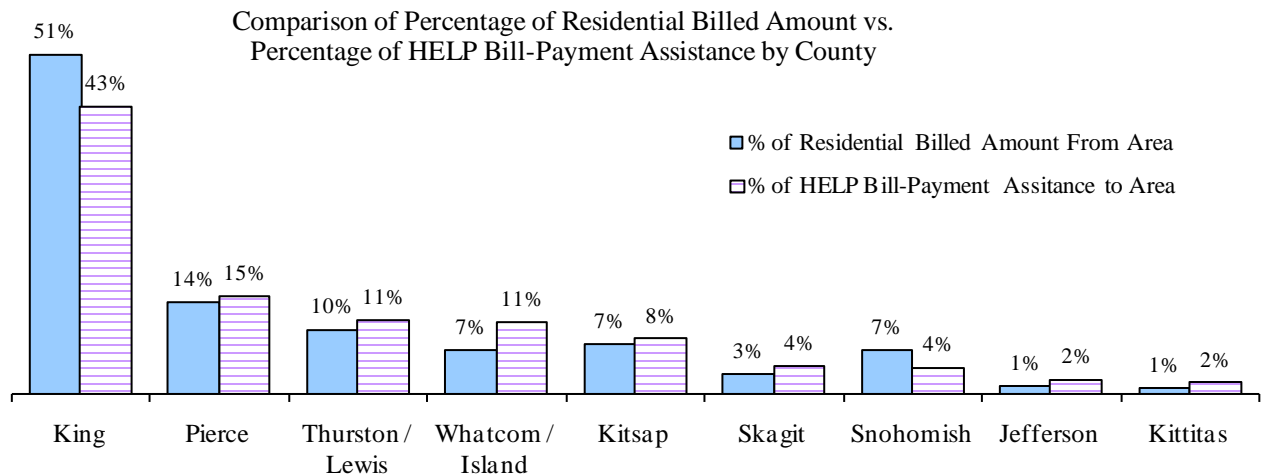
The following charts show the number of eligible very low-income customers receiving HELP bill-payment assistance as percentage of the number of residential customers in a county area. The overall percentages for electric and natural gas are 2.3% and 1.4%, respectively.



The chart below shows the percentage distribution of PSE residential customers, both electric and natural gas, by county area along with the percentage of PSE HELP customers in that area. King received proportionally significantly less HELP bill-payment assistance than the rest of the areas. King County has 52% of the PSE's residential customers but, in comparison, only 42% of the PSE HELP customers are in King. Thurston/Lewis and Whatcom/Island have higher percentages of PSE HELP customers than that of PSE residential customers in the area. Kitsap, Jefferson, and Kittitas have the comparable percentages of PSE HELP customers and PSE residential customers in the area.

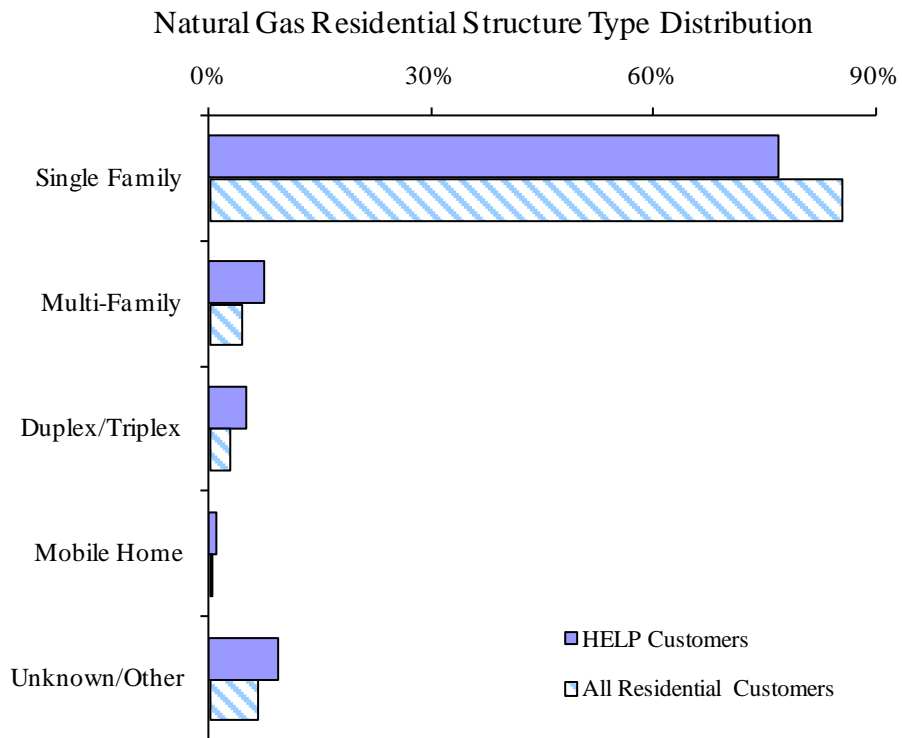
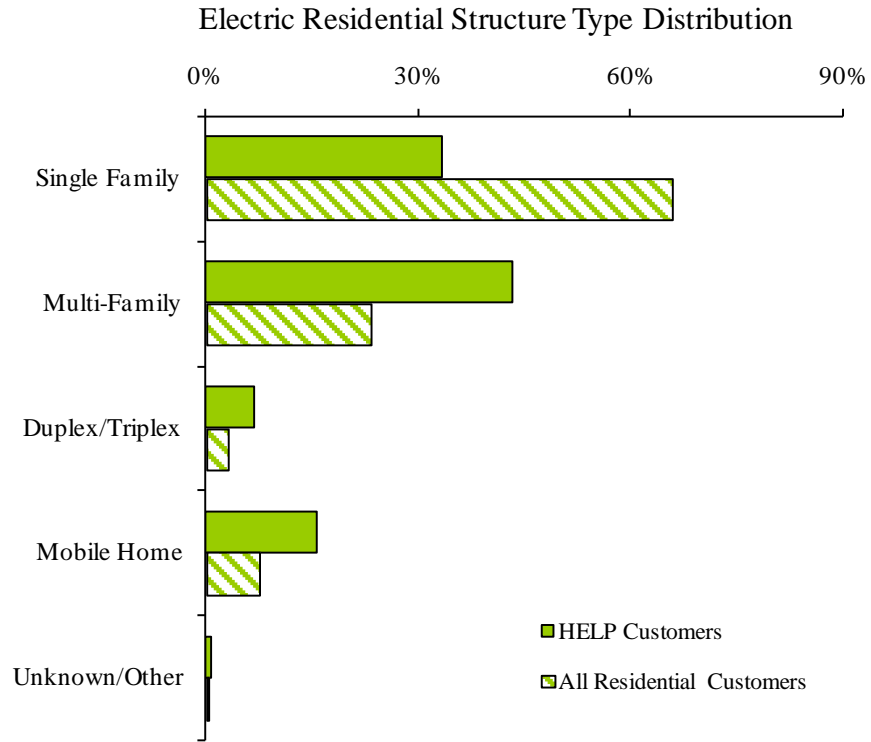


The chart below shows the percentage by county area of PSE total billed residential amount, electric and natural gas, in a county area compared to the percentage of PSE HELP funding awarded to that area. Six out of the nine areas received HELP funding level similar to the percentage of total residential revenue from that area. The exceptions are King, Whatcom/Island, and Snohomish Counties. King and Snohomish received less; Whatcom/Island received more.



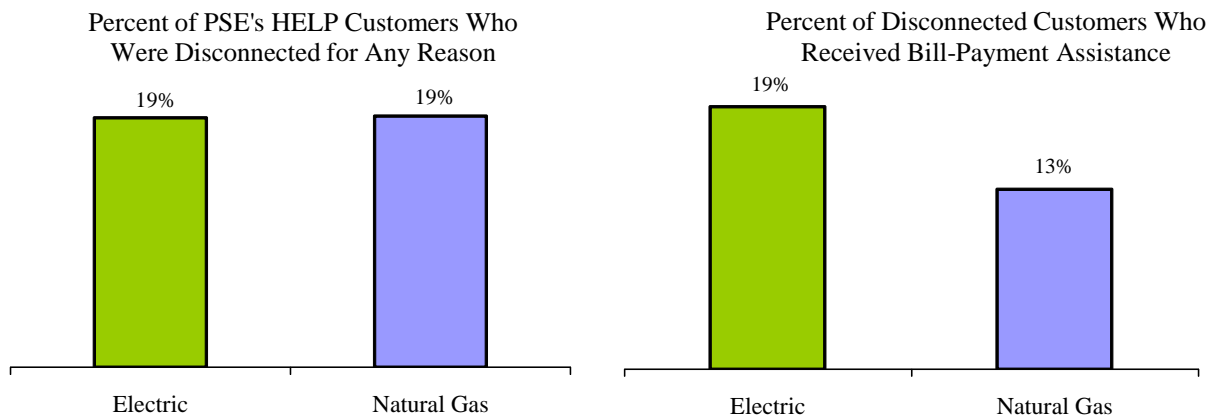
HELP Bill-Payment Assistance by Residential Housing Structure

The two charts below show comparisons by fuel type and residential housing structure type between PSE residential customers and the eligible very low-income customers receiving HELP bill-payment assistance during the program year. Electric HELP customers were more likely to live in a multi-family structure but natural gas HELP customers were mostly to live in a single-family structure.

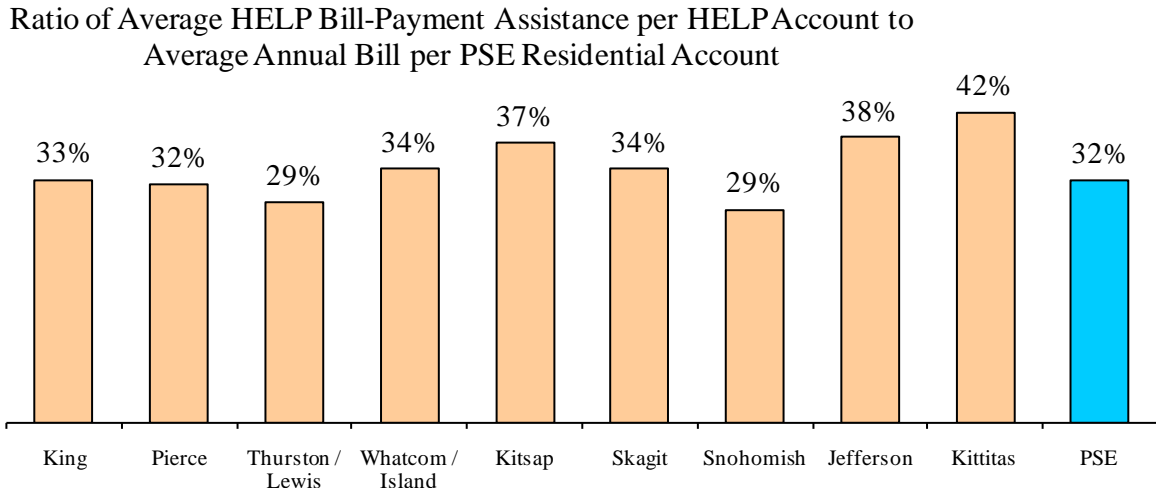


HELP Bill-Payment Assistance Impacts

The two charts below show the relationship between disconnection events and HELP bill-payment assistance for the 2010 program year. Keep in mind these charts only show what happened to customers during the program year and this data does not indicate which event occurred first, namely the receipt of payment assistance or the disconnection. The first chart highlights the percentage of customers who received HELP payment assistance and were disconnected. Overall, 17% of HELP customers experienced service disconnection due to move-in/move-out, non-payment, or any other reasons. For electric customers it was about 17% and for natural gas customers it was about 18%. The second chart highlights the percentage of all types of disconnected customers who received HELP payment assistance during the program year. For electric customers it was about 20% and for natural gas customers it was also about 15%. The combined percentage of the two fuel types is 18%.



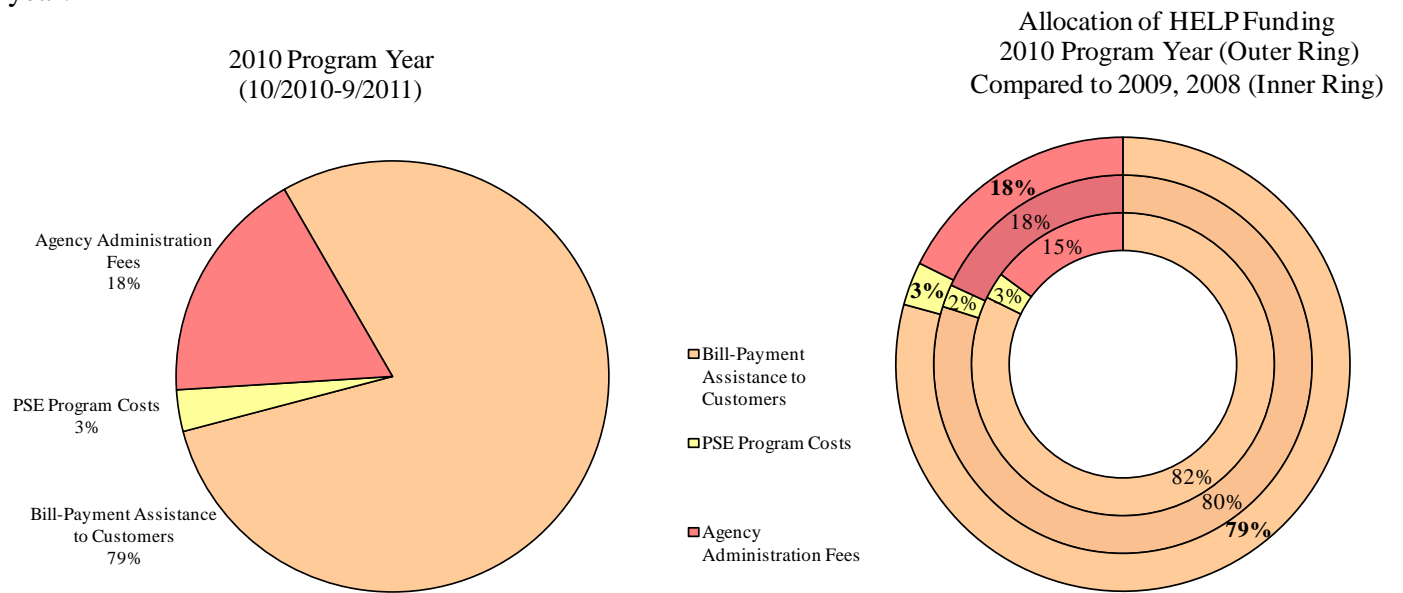
The chart below compares the ratio of average HELP bill-payment assistance per HELP account to the average annual bill per PSE residential account for the 2010 program year by county area. It demonstrates, on average, how much of a residential electric or natural gas customer's energy bill could be mitigated by HELP bill-payment assistance. The overall PSE average ratio is 32%, i.e. the HELP bill-payment assistance alone would pay for 32% of a residential customer's annual energy bills. Among PSE service areas, Kittitas County has the highest ratio of 42% and Thurston/Lewis and Snohomish Counties have the lowest ratio of 29%.



Administration of Program

During the 2010 program year, there were twelve qualifying low income agencies administering HELP and distributing bill-payment assistance to customers for PSE. In addition to the funding for bill-payment assistance to eligible low-income customers, these agencies also received allotment of funds from PSE for administrative fees to run HELP and related services such as customer education, eligibility evaluation, grant determination and distribution, and other support services.

The charts below illustrate the allocation of the HELP administration costs and bill-payment assistance to customers by program year. For this program year, the overall agency administration fees comprised about 18% of the total funding of the HELP, which is same as the previous program year. PSE's own program administrative costs were a 3%, an increase of 1% from the last program year.



Marketing of PSE Home Energy Lifeline Program

The following are some highlights regarding the marketing of the HELP during the 2009 program year, October 2010 through September 2011.

- November-December 2010 EnergyWise customer newsletter article, "Bill payment assistance available," sent in PSE bill statements, linked to online PSE bill statements, and posted on PSE.com throughout year.
- November 9, 2010, "PSE Challenges Vashon Island Residents to Donate to Local Food Bank at Utility's Customer Service Office Donors Will Receive Chance to Win Free Strands of LED Holiday Tree Lights," provided utility-bill credit and bill assistance information. The news release was distributed throughout PSE service territory and posted on PSE.com.
- January-February 2011 EnergyWise customer newsletter articles, "Energy assistance funds available to pay heating bills," "Help us help you," "Warm Home Fund helps those in need," sent in PSE bill statements, linked to online PSE bill statements, and posted on PSE.com throughout year.
- January-February 2011, all billing envelopes included messaging about payment options and payment assistance programs.
- March-April 2011 EnergyWise customer newsletter article, "Difficulty paying your bill?," sent in PSE bill statements, linked to online PSE bill statements, and posted on PSE.com throughout year.
- May-June 2011 EnergyWise customer newsletter article, "Cool spring leads to higher bills," sent in PSE bill statements, linked to online PSE bill statements, and posted on PSE.com throughout year.
- All credit notice letters sent out during October 2010-March 2011 included the "Energy Assistance for PSE Customers" insert that provides information about the Winter Moratorium, LIHEAP, PSE Help, Warm Home Fund, Weatherization and Energy Assistance Centers. .
- September-October 2011 EnergyWise customer newsletter articles, "Difficulty paying your bill?" and "Consider a gift to the Warm Home Fund," sent in PSE bill statements, linked to online PSE bill statements, and posted on PSE.com throughout year.
- Multilingual HELP brochures (English, Spanish, Russian, Korean and Vietnamese) with information about income eligibility and assistance centers were available at low income agencies, in PSE customer service offices, and posted on PSE.com. Brochures were updated in September of 2011 and posted online in October 2011.
- Frequently Asked Questions brochure was provided to all the twelve qualifying low income agencies and PSE customer service representatives. The brochure helps answer questions about payment of the PSE HELP grants and impacts on subsequent bills.

- Year-round HELP promotion posted on PSE.com at “Accounts and Services” site.
- The multilingual recorded telephone line (1-866-223-5425) about the HELP and options for local agency contact information (English, Spanish, Russian, Korean and Vietnamese) was accessible 24/7.