



UE-081789-SI

Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

September 30, 2008

VIA ELECTRONIC & OVERNIGHT MAIL

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

2008 OCT -1 AM 9:49
RECEIVED
REGULATORY AFFAIRS
PUGET SOUND ENERGY

Re: Annual Report - RCW 19.29A.090
Voluntary Option to Purchase Qualified Alternative Energy Resources

Dear Mr. Danner:

Pursuant to RCW 19.29A.090, Puget Sound Energy, Inc. hereby fulfills the reporting requirement detailed below. The enclosed annual report is for the period September 2007 through August 2008.

RCW 19.29A.090
Voluntary option to purchase qualified alternative energy resources — Rates, terms, and conditions — Reports.

(6) Each consumer-owned utility must report annually to the department and each investor-owned utility must report annually to the commission beginning October 1, 2002, until October 1, 2012, describing the option or options it is offering its customers under the requirements of this section, the rate of customer participation, the amount of qualified alternative energy resources purchased by customers, the amount of utility investments in qualified alternative energy resources, and the results of pursuing aggregated purchasing opportunities. The department and the commission together shall report annually to the legislature, beginning December 1, 2002, until December 1, 2012, with the results of the utility reports.

If you need any additional information please contact Eric Englert at (425) 456-2312.

Sincerely,

E = E. Englert
Manager, Regulatory Initiatives & Tariffs for

Tom DeBoer
Director, Federal and State Regulatory Affairs

Enclosure

cc: Sheree Strom Carson, Perkins Coie

Description of the Options the Company is Offering its Customers

The Puget Sound Energy ("PSE") Green Power Program has been available to customers through Schedule 135 since January 1, 2002. Customers can enroll over the phone, on-line or through their monthly bills. Customers have the option to buy green power in increments of \$2.00 per month, with a \$4.00 per month minimum; or they can elect to purchase enough to cover 100 percent of their electric usage, kilowatt hours ("kWh") usage multiplied by \$0.0125. On average, residential customers purchase \$7.00 of green power per month and commercial customers participate at an average of just over \$23.00 per month. The green power charge reoccurs each month until the customer either notifies PSE to stop or moves to a new location outside of our service territory. Since July 2005, the program has also included a large volume rate option under Schedule 136. Customers must purchase one million kWh or more and make a purchase commitment for a minimum of one year. Twenty businesses and government agencies have joined the program using this large volume rate.

Notable Marketing Activity:

- In 2008 PSE began the search for a qualified third party outreach firm to help significantly increase residential participation in the Green Power Program. A Request for Proposal was issued in March. This September, PSE finalized negotiations and signed a performance-based contract with 3 Degrees. The goal is to move from a two percent participation rate (the national average) to four percent within three years.
- In January 2008, PSE partnered with the City of Lacey to encourage residential and business customers to enroll in PSE's Green Power Program. Outreach has included bill inserts in city water and PSE bills, letters and flyers directed at neighborhood groups and the local business community, and displays at Lacey events.
- PSE joined with Tacoma Power and Seattle City Light to launch a campaign aimed at residential customers in the entire Puget Sound region. The campaign included 30 and 10 second spots which aired on KING5, KONG, and NWCN during an eight week period in April and May. Customers were asked to join their utility's green power program, and in return they would receive a gift of chocolate, courtesy of Theo Chocolate. Nearly 1,500 PSE customers responded to the offer.
- PSE sponsored Concerts at Marymoor and the Chateau Ste. Michelle Summer Concert Series, and provided enough green power to make the concerts carbon neutral events. Sponsorship also included on-air, on-line, and some on-site promotion throughout both series.
- In addition to the campaigns listed above, PSE continued to communicate to existing and potential customers through bill inserts, newsletters sent out three-times a year, a coupon book featuring green power businesses, and at community events during the region.

Green Power Program Rate of Customer Participation

21,343 Customers Total

20,459 Residential (electric meters)
884 Commercial (electric meters)

Amount of Qualified Alternative Energy Resources Purchased by Green Power Customers

284,379 Megawatt Hours ("MWh") Total

132,225 Residential
152,154 Commercial

Amount of Utility Investment in Qualified Alternative Energy Resources

For the period September 1, 2007 through August 31, 2008, PSE paid \$2,047,204 for green tags. Sources of those green tags included the Bonneville Environmental Foundation for wind and solar green tags, VanderHaak Dairy for animal waste energy green tags, Nooksack Falls for hydro green tags, and Grays Harbor Paper LP for the green attributes associated with biomass energy produced from wood waste.

Other Renewable Investments

PSE provided a \$20,000 grant to the City of Bellingham for a second small-scale renewable energy demonstration project to be installed at the Bellingham Depot Market.

Results in Pursuing Aggregated Purchasing Opportunities

N/A