



The Energy To Do Great Things

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August 16, 2011

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

**Re: Advice No. 2011-17
Electric Tariff Filing - Filed Electronically**

Dear Mr. Danner:

Puget Sound Energy, Inc. (the "Company" or "PSE") hereby submits proposed revisions to its electric Schedule 258, Electricity Energy Efficiency Program, Large Power User Self-Directed Program and Schedule 83, Electricity Conservation Service. This filing, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, proposes revisions in the following electric tariff sheets.

WN U-60, Tariff G - (Electric Tariff):

Second Revision of Sheet No. 83-g – Electricity Conservation Service (Continued)
Sixth Revision of Sheet No. 258 – Large Power User Self-Directed Program
Seventh Revision of Sheet No. 258-a - Large Power User Self-Directed Program (Continued)
Original Sheet No. 258-b – Large Power User Self-Directed Program (Continued)

This filing seeks to: (i) clarify the program cycle milestones and periods and add an extra year for fulfillment of the current non-competitive phase projects in a new section called "Program Cycle"; (ii) clarify the program mechanics in a new section called "Program Mechanics" wherein the processes of the non-competitive phase and the competitive phase are described; and (iii) add language that clarifies the true-up process for Schedule 258 customers. The most recent Schedule 120 rate change (effective May 1, 2011) has resulted in a significant increase in funding available for the Schedule 258 program customers during the current program cycle and, consequently, the Company is proposing to extend the current program cycle by an additional year to allow those customers additional time to submit their proposals during the non-competitive phase.

On September 2, 2010, as part of Docket Number UE-100177, PSE and other parties to that docket agreed to certain conditions and modifications relating to electric conservation as provided for in the Settlement Terms for Conservation in Docket Number UE-011570. The Commission approved and adopted those Agreed Modifications to Electric Settlement Terms for Conservation ("Settlement") on September 28, 2010.

Consistent with Condition K(11)(c) of the Settlement, the Conservation Resource Advisory Group ("CRAG") reviewed the cost allocation methodology used to derive Schedule 120 rates during CRAG

meetings held on January 27, 2011 and February 10, 2011, as well as a CRAG conference call on February 18, 2011. As part of that review, CRAG members discussed their interpretation of the Settlement language regarding the allocation and recovery of costs to the Schedule 258 customers. As a result of these discussions, it became clear to PSE that: the method of allocating its conservation costs using the peak credit method should be updated; the method of recovering Northwest Energy Efficiency Alliance (“NEEA”) and administrative costs from Schedule 258 customers should be updated; and these methods should make sense in the ongoing practical operation of the Schedule 258 program.

On March 1, 2011, PSE filed changes that addressed, in part, the above described issues identified by the CRAG and made changes to the existing Schedule 258 (Large Power User Self-Directed Program), in order to explicitly reflect in the tariff language certain provisions of the Settlement. These issues were also further addressed in PSE’s Schedule 120 tariff revisions that were filed concurrently with that filing.

Specifically, the March 1st filing: (i) added language that clarifies the use of the peak credit method of assigning the costs of electric conservation programs to non-Schedule 449 customers of Schedule 258, consistent with Section H, paragraph 16 of the Settlement; (ii) added language that clarifies that non-449 Schedule 258 customers share in paying NEEA and administration costs as provided in Section F, paragraph 12 of the Settlement; and (iii) added language that clarifies that the current program is a four-year conservation program, consistent with Section H, paragraph 16 of the Settlement, the Schedule 258 RFP, and the Schedule 258 Program Description. At the April 28th Open Meeting, the WUTC allowed the proposed tariff schedule changes into effect on May 1, 2011, by operation of law.

PSE and the parties to the Settlement had also agreed to continue the Schedule 258 programs as modified in that filing and to set a schedule to discuss possible future changes to the program. Consistent with that agreement, PSE and the CRAG members had CRAG meetings on the following dates where Schedule 258 issues were discussed: March 31, 2011, May 19, 2011, and July 21, 2011.

The Company worked with CRAG members to reach a possible consensus during that time period to make changes to Schedule 258, and although there was broad agreement to the proposed changes filed herein, that consensus was not unanimous.

The proposed new language describes that each program cycle is comprised of a non-competitive phase and a competitive phase. The new program cycle will be from January 1, 2010 through December 31, 2014; thus extending the non-competitive phase by one year. Proposed changes to Schedule 83 also reflect this new program cycle. Customers are required to complete measures funded during the 2010 – 2014 program cycle by December 16, 2014. This extra time is in response to feedback the Company received directly from customers currently on Schedule 258. The non-competitive phase is from April 1, 2010 through March 29, 2013. The competitive phase begins May 15, 2013. Proposals will be due on July 15, 2013. The allocations are based on estimated collections from January 1, 2010 through December 31, 2013.

The new “Program Mechanics” section describes the true-up process. Where the actual collections from all Schedule 258-eligible Customers under Schedule 120 of this Tariff (minus administration and NEEA costs) are more or less than the amount allocated to Customers in the non-competitive and competitive

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phases, the difference will be transferred to the funding for the competitive phase of the next program cycle. This new section also provides for the transfer of funds that are not used in certain phases to the budget for electricity energy efficiency programs available to all customers.

The forward-looking nature of the expected cost-recovery in the program year 2014, as proposed above, is consistent with the forward-looking nature of cost recovery as part of electric Schedule 120, since 1997. Therefore the Company believes that these proposed changes are consistent with current ratemaking practices for electric conservation cost recovery.

On July 21, 2011 the Company presented the CRAG its estimated conservation savings for the Biennial Target for 2012-13. That estimated biennial savings target contains assumptions regarding the estimated conservation savings being acquired by PSE under Schedule 258. Depending on the final scope of the Schedule 258 program, PSE may need to amend its estimated biennial savings targets and budgets prior to November 1, 2011.

Consistent with Section K, Condition (3)(c), of the Settlement, the Company provided Commission Staff and other members of the CRAG with draft proposed tariff sheets on August 1, 2011 to allow them time to review the filing prior to the requested September 16, 2011 effective date. The CRAG was informed and did not object to PSE providing less than 60 days prior to the effective date to review the draft tariff schedules.

The tariff sheets described herein reflect an issue date of August 16, 2011, and an effective date of September 16, 2011. Posting of proposed tariff changes, as required by WAC 480-100-193, is being made by posting the proposed tariff sheets on the PSE web site immediately prior to or coincident with the date of this transmittal letter. Notice of proposed tariff changes, as required by law and the Commission's rules and regulations, is being given to the public immediately prior to or coincident with the date of this transmittal letter through web, telephone and mail access in accordance with WAC 480-100-195(3) by posting the proposal in accordance with WAC 480-100-193(1).

Please contact Mr. Lynn Logen at (425) 462-3872 for additional information about this filing. If you have any other questions please contact me at (425) 462-3495.

Very truly yours,



Tom DeBoer
Director, Federal & State Regulatory Affairs

Enclosure

cc: Simon J. ffitich, Public Counsel
Sheree Carson, Perkins Coie