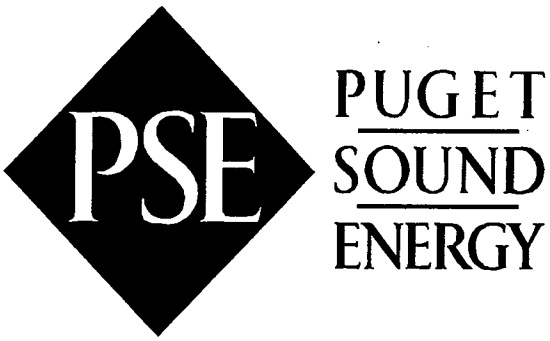

Conservation Rider & Tracker
Accounting Summary
For the Year Ended December 31, 2001

March 1, 2002

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Electric Rider Accounting Overview

2001 Recovery

Program costs for the 2001 electric DSM Programs have been debited to FERC account No. 182.3 "Other Regulatory Assets". The recovery of the conservation expenditure is through the rates set forth in the electric tariff rider, Schedule 120, which are designed to recover on a peak credit basis for each class, during the period April 1, 2001 through March 31, 2002. The worksheet on page 2 summarizes all of the DSM costs and the recovered amount through the electric rider filing. The Company will debit FERC account No. 908 "Customer Assistance Expense" based on actual recoveries and credit "Other Regulatory Assets". Allocations of common costs were based on various scenarios such as the numbers of customers served by electric and gas programs, or direct spending by electric and gas programs.

Proposed Recovery of New Rider

The Company proposes to account for the 2002 electric DSM program costs in the same manner as the 2001 rider program. The program costs will be debited to FERC account 182.3 "Other Regulatory Assets. The recovery is for the period April 1, 2002 through March 31, 2003. The Company will debit FERC account No. 908 "Customer Assistance Expense" based on actual recoveries and credit "Other Regulatory Assets." The Company also proposes to roll the actual over/under recovery of the 2001 rider into the 2002 rider.

Puget Sound Energy
Conservation Rider Report
January 1, 2001 through December 31, 2001

Order Number	Tariff Sch. No.	Description	Jan - Dec 2001 Expenditures
RESIDENTIAL			
18230128	150	Net Metering	$ 15,299
18230601/18230602/18230603/18230604	200	Residential Energy Efficiency Services	485,917
18230611	201	Low-Income Retrofit	786,066
18230621	202	In Concert with the Environment	300,285
18230631/18230633	203	Duct Systems Pilot	56,693
Summary of Residential Conservation Programs:			$ 1,644,260
COMMERCIAL/INDUSTRIAL			
18230711	250	C/I Energy Efficiency Services	$ 8,854,943
18230715	251	Non Residential Energy Code Program	24,257
18230719	252	Premium Efficiency Motors	2,299
18230150/18230723	253	Resource Conservation Manager	70,830
18230725/18230740	255	Small Business Energy Efficiency	156,678
Summary of Commercial/Industrial Conservation Programs:			$ 9,109,007
REGIONAL MARKET TRANSFORMATION SUPPORT			
18230641	205	CFL Conservation Pilot	$ 104,983
18230651/18230422	206	High Efficiency Clothes Washers Pilot	8,522
18230421	254	NW Energy Efficiency Alliance	2,044,627
18230726	256	Building Commissioning	28,312
18230728	257	LED Traffic Lights	18,957
18230729	258	High Voltage Pilot	759,583
18230730	270	Local Infrastructure/Market Transformation	182,812
Summary of Regional Market Transformation Support Programs:			$ 3,147,796
TOTAL 2001 RIDER EXPENDITURES			$ 13,901,063
Conservation Costs Recovered Through Rates as of 12/31/01			4,064,760
Over Collection/ (Under Collection) Related to 2000 Rider			(1,170,637)
Under Collection/ (Over Collection) as of 12/31/01			11,006,940
Recoveries for January 2002			621,875
Forecasted Recoveries for February 2002 Through March 2002			1,109,081
Estimated Under Collection/ (Over Collection)			$ 9,275,984

* Conservation overhead costs are allocated to all programs on an activity to total spending rati

Gas Tracker Accounting Overview

Deferred Costs

The following sections present summaries of program costs subject to deferral. In accordance with the Commission's letter in Docket No. UG-950288, the Company may also defer lost margins and an allowance for funds used to conserve energy ("AFUCE"), including a 2% low income and elderly kicker.

Through December 31, 2001 Lost Margins were calculated based on price per therm included in Rate Schedules 23 & 24. The amount calculated for January through December, 2001 is $85,821. Through December 31, 2001, AFUCE has been calculated at an annual rate of 7.77% of program costs respectively and deferred for each of the tracker programs as shown below.
The equity kicker portion of AFUCE was calculated at an annual rate of .88% of program costs and deferred for the LIW DSM only.

C/I DSM - AFUCE	$ 15,875
Residential DSM - AFUCE	73,665
LIW DSM - AFUCE	27,767
LIW DSM - Equity Kicker	3,143
	$120,451

Recovery

Program costs for the DSM programs and related AFUCE have been debited to FERC account No. 182.3 "Other Regulatory Assets" for consideration of annual recovery in rates. The attached schedule provides a summary of all deferred costs to be recovered in the twelve months beginning April 1, 2002, through the DSM tracker filing accompanying this report. An adjustment was made to the calculation to true-up the 1999 Tracker Recovery for the amount of $10,405 and is presented on page 4. Based on costs determined to be appropriate at the time of filing the petition in Docket No. UG-950288, the annual tariff tracker was anticipated to be apportioned 85% and 15% to firm sales rate schedules and interruptible sales rate schedules, respectively.

Subsequent to implementation of the rate structure approved coincident with the Company's last general rate change, interruptible sales volumes now comprise a significantly smaller fraction of the total sales. Consequently, the distribution of current gas costs is much different than that expected when the application relevant to this filing was originally made. Gas costs are now 88.98% firm sales and 11.02% interruptible sales as shown in Exhibit B of this filing. Accordingly, it is appropriate and consistent with prior action under this docket, that the seventh year program recovery, excluding revenue related taxes and fees, be collected at .177 cents per therm for all firm sales customers and .157 cents per therm for all interruptible sales customers, as shown on lines 15 and 16 of Exhibit B. This methodology is consistent with the Commission's finding on conservation costs as outlined in the Seventh Supplemental Order in Docket No. UG-940814. The Company will debit FERC account No. 908 "Customer Assistance Expense" based on actual recoveries and credit Other Regulatory Assets.

Exhibits

Exhibit A on page 7 illustrates the forecast of 2002 therms as well as the development of the apportioned factors for the Firm and Interruptible Schedules. Exhibit B on page 8 provides the 2002 Tracker Recovery allocation which includes the 1999 Tracker True-up.

Puget Sound Energy
Conservation Tracker Report
January 1, 2001 through December 31, 2001

Order/Account Number	Tariff Sch. No.	Description		Jan - Dec 2001 Expenditures
RESIDENTIAL				
Order:				
18230661	203	Low Income Retrofit	$	153,240
18230681/18230682/18230683	204	Duct System Pilot		36,730
18230652/18230653/18230654	206	Resident Efficiency Services		390,864
18230671	207	In Concert with the Environment		284,704
Summary of Residential Conservation Programs:			$	865,539
COMMERCIAL/INDUSTRIAL				
Order:				
18230731	205	C/I Energy Efficiency Services	$	348,449
18230424	206	Coin-Op Washer Pilot		5,414
18230691	208	Resource Conservation Manager		6,291
18230250	208	Utility Cost Manager-Gas		13,838
18230692	255	Small Business Energy Efficiency		85,745
Summary of Commercial/Industrial Conservation Programs:			$	459,737
AFUCE				
Account:				
18230372		Commercial Conservation Programs	$	15,875
18230382		Energy Education Programs		73,665
18230392		Low Income Weatherization Programs		27,767
18230402		Equity Kicker on Low Income Weatherization		3,143
Summary of AFUCE:			$	120,451
TOTAL			$	1,445,727
1999 Tracker Recovery True-up			$	10,405
Total Conservation Tracker Recovery			$	1,456,132

Exhibit A

PUGET SOUND ENERGY

DOCKET NO.	UG-950288
EXHIBIT NO.	2001 Annual Report Exhibit A
SCHEDULE NO.	
SHEET NO.	1 OF 1

2002 Annual Forecast of Therms and Gas Cost Recoveries

Line No.	Rate	Gas Cost Recovery Rates Commodity	Demand	Total	4/02 - 3/03 Forecast Volumes	Total Forecast Gas Cost Recoveries
	(a)	(b)	(c)	(d)	(e) (in therms)	(f)
1	11,16	$ 0.31956	$ 0.08763	$ 0.40719	132,474	$ 53,942
2	23,24	$ 0.31956	$ 0.12344	$ 0.44300	486,884,539	215,689,851
3	53	$ 0.72116	$ 0.23719	$ 0.95835	398,651	382,047
4	31,36,51	$ 0.31956	$ 0.11125	$ 0.43081	192,967,135	83,132,171
5	41	$ 0.31956	$ 0.06229	$ 0.38185	51,837,293	19,794,070
6	43	$ 0.31956	$ 0.11662	$ 0.43618	-	-
7	50	$ 0.31956	$ 0.03997	$ 0.35953	377,306	135,653
8					732,597,398	$ 319,187,734
9	85	$ 0.31956	$ 0.08572	$ 0.40528	19,247,482	$ 7,800,620
10	86	$ 0.31956	$ 0.08572	$ 0.40528	25,807,795	10,459,383
11	87	$ 0.31956	$ 0.05156	$ 0.37112	57,291,266	21,261,935
12					102,346,543	$ 39,521,937

13	**TOTAL SALES VOLUMES**	**834,943,941**		
14	**FIRM SCHEDULES**	**732,597,398**		**87.74%**
15	**INT. SCHEDULES**	**102,346,543**		**12.26%**
16	**TOTAL GAS COST RECOVERIES**		**$ 358,709,671**	
17	**FIRM SCHEDULES**		**$ 319,187,734**	**88.98%**
18	**INT. SCHEDULES**		**39,521,937**	**11.02%**

Exhibit B

PUGET SOUND ENERGY

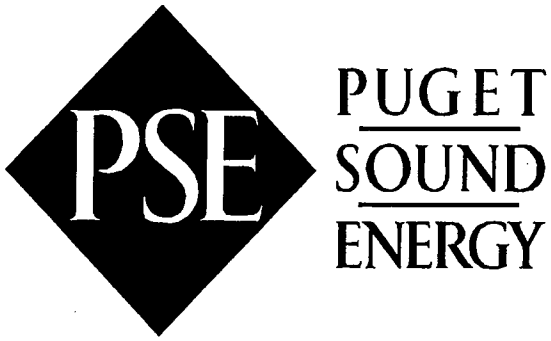
DOCKET NO.	UG-950288
EXHIBIT NO.	2001 Annual Report Exhibit B
SCHEDULE NO.	
SHEET NO.	1 OF 1

2002 Annual Forecast of Therms and Gas Cost Recoveries

Tracker Recovery Calculation

Line No.	(a)	(b)	(c)
1	2002 Budget Therms		
2	Firm	732,597,398	87.74%
3	Interruptible	102,346,543	12.26%
4	Total Sales Volumes	834,943,941	100%
5	2001 Program Costs	$ 1,445,727	
6	1999 Tracker Recovery True-up		
7	Firm	$ 9,104	87.50%
8	Interruptible	$ 1,301	12.50%
9	Total Required True-Up	$ 10,405	100.00%
10	Tracker Recovery Allocation - Including 1999 Recovery		
11	Firm	$ 1,295,544	88.98%
12	Interruptible	$ 160,588	11.02%
13	Tracker Recovery	$ 1,456,132	100%
14	Tracker Recovery Cents per Therm (Excluding Revenue Sensitive Items)		
15	Firm (line 11 / line 2)	$ 0.00177	88.98%
16	Interruptible (line 12 / line 3)	$ 0.00157	11.02%
17	Total Required Recovery		100%

Appendix



Energy Efficiency Services
Program Results
January – December, 2001

February 15, 2002

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Executive Summary

2001 was a year of unprecedented public visibility and customer energy management opportunity, driven by the regional energy crisis. As customer inquiries for energy assistance more than doubled early in the year, PSE was fortunately positioned to deliver a broad range of tools and services to help customers meet their needs. New time-of-day information technologies and the Personal Energy Management (PEM) campaign were launched during this same period, creating even greater public awareness and participation in broad-based solutions. New online tools included the opportunity for most customers to see their actual hourly energy usage on a daily basis for each day of the week over the preceding 30 days. A substantial investment was also made to offer customers a Conservation Incentive Credit (CIC) for monthly energy savings greater than 10% of their usage in the previous year. All of these circumstances contributed to exceptionally high levels of customer participation in mainstream efficiency programs throughout the year.

In the fourth quarter, PSE also completed development of a new Greenpower program, and began taking customer sign-ups in January. Customers may now support the delivery of wind power or other environment-friendly generation into the northwest power grid through a payment on their monthly bills. An average of 20 customers per day have registered for Greenpower since its launch, and additional promotional activities are anticipated.

As 2001 represents the final full year of a three-year program commitment, we are pleased to report that all program targets, established in consensus with the Technical Advisory Group and set in tariffs approved by the commission in early 1999, were exceeded as of December 31, 2001. Energy savings results were 79% above early projections in electric programs, and more than double the projections for gas programs. Spending levels also exceeded original estimates, although a strong commitment to cost-effective delivery resulted in a lesser excess than the savings, about 16%, over the three-year period. All commitments, results and spending levels are summarized in the tables and charts beginning on page 11.

As new discussions around future programs proceed, the observations and results described in this report can help guide the development of new and modified services to be those most appropriate for assisting customers with their overall energy management needs. We are looking forward to continue leveraging customer awareness of energy market issues to build interest in new and improved web-based tools such as the Personal Energy Profile, which was launched at mid-year. Additional tools as described in the report, for helping both residential and commercial customers with as many facets as possible of their energy management interests and needs, were also launched in 2001.

Program Activities

Residential Energy Efficiency Services, Schedules 200/206

PSE's Residential Energy Efficiency Services (REES) help customers to efficiently use energy and reduce their energy costs by providing recommendations and detailed information through various REES tools. Key elements of REES include a telephone hotline (1-800-562-1482), a home energy audit known as Personal Energy Profile (PEP), and a family of brochures that answer a comprehensive range of questions about energy use in the home.

Customers request the Personal Energy Profile (PEP) and energy efficiency brochures over the phone, by mail, and PSE website facilitated e-mail. An online version of PEP, as well as other energy efficiency information and calls to action are also available on the Company's website: www.pse.com.

In addition to useful information and calls-to-action provided on the website and in printed materials, personal energy advisors staff the Hotline to answer customer questions and offer guidance over the phone. Ongoing training continues to expand the energy advisors' ability to answer a broad range of energy use questions and direct the customer to needed resources.

Notable highlights for Residential Energy Efficiency Services in 2001 include:

- More than 4,872,000 kWh of electricity and 358,000 therms of natural gas saved.
- 146,800 residential customer requests for energy efficiency information and recommendations by phone, mail and e-mail.
- More than 45,900 residential customer calls answered by the Energy Efficiency Hotline.
- Over 27,800 customers requested the paper version of Personal Energy Profile.
- Approximately 72,900 customers requested other printed materials, seeking specific energy saving information and tips. Customers requested these materials through PSE's website, by returning bill inserts, or by calling the Hotline. Over 124,000 PDF files of conservation brochures were downloaded from the PSE website.
- 2,058 customers accessed PEP online between May and year-end. Through the internet, customers may quickly obtain energy saving recommendations and an action plan, based on their answers to a series of questions. Since October, when customers' access to PEP required logging into PSE's newly developed Personal Energy Management Center, the average time customers spend on PEP has steadily increased. Looking into 2002, online volume is expected to increase with greater visibility and customer awareness. The paper version of the PEP home audit survey will also continue to be available.
- More than 3.5 million bill inserts were mailed to customers to inform them of available residential energy efficiency services in 2001. In addition, energy efficiency tips and calls to action were included in the monthly Energy Wise Newsletter, delivered with customers' bills.
- Numerous presentations were made to consumer groups including senior citizens, neighborhood associations and others regarding efficient use of electricity and natural gas.

PSE has recently developed the Personal Energy Management Center, which provides a central location for customers to access PSE's online, energy management tools. Once registered, customers have access to energy profile tools, calculators, a reference library, a product store and a contractor referral service. The PEM center provides tools customers can use to understand their energy use, create an action plan and have access to resources to put their energy plan into action. In addition, customers can subscribe to PSE's e-newsletter, which will be an on-going way to keep customers engaged in managing their energy.

In August 2001, customers served by PSE, Seattle Public Utilities and their water purveyors received an offer for a free Conservation Kit. The kit included a low-flow faucet aerator, a flow bag to measure water flow of faucets and showers, a discount coupon for an energy star appliance purchase, and rebates for efficient gas water heaters and low-flush toilets. In addition to the conservation kit, PSE offered customers the Personal Energy Profile. By the end of 2001, approximately 4,000 customers requested kits. Of those, 1,200 requested a PEP survey. More than 800 of these customers subscribed to PSE's Personal Energy Management E-newsletter. The costs for this joint effort were shared equally with Seattle Public Utilities, and PSE is grateful for the opportunity to participate. In addition to shared costs, SPU also provides a link from their website at www.savingwater.org to PSE's Personal Energy Profile at www.pse.com.

Residential Low Income Programs, Schedules 201/203 and 209/209

The Washington State Office of Community Development (OCD), provides administrative oversight including funding distribution and data reporting for implementation of the home weatherization programs conducted under electric Schedule 201, gas Schedule 203 and electric and gas schedules 209. Program services are delivered to customers through 11 county and municipal low income assistance agencies operating in the PSE service area.

Notable program highlights in 2001 include:

- 537 low income homes weatherized, with estimated energy savings of more than 703,800 kWh of electricity and 34,510 Therms of natural gas per year.
- 905,000 bill inserts were targeted to low income single family gas and electric customers, to increase awareness of available home weatherization services. Customers who called the Hotline regarding low income were referred to low income assistance agencies for weatherization and other services.
- Customers referred to low income weatherization agencies were also offered the brochure, *Weatherization Assistance for Low Income Customers.* In addition, they were eligible for PSE's other residential energy efficiency services.

Efficient Gas Water Heater Program, Schedule 201

2,625 customers participated in the gas water heater rebate program, saving 86,625 Therms of natural gas during the year. We continue to promote builder participation and increased installation of efficient tanks in the new construction market.

Contractors may now send rebate requests electronically, and a process for verification of qualifying tanks was implemented in 2001. As contractors become more familiar with the new process, volume is expected to increase.

In Concert with the Environment, Schedules 202/207

In Concert with the Environment (In Concert) is a secondary school program that teaches students about natural resources and their use. Students learn the definition of renewable and non-renewable natural resources. They are shown examples of each and how we use natural resources in our daily lives. A key objective is to teach students about the choices they make and the impact their choices have on our environment and natural resources. Students participate in a variety of activities and demonstrations focusing on energy, water, solid waste, and air quality.

A key component to the curriculum is a computer program that leads the students through a home energy audit and concludes with a report detailing their energy use and ways to save energy.

During the 2000 – 2001 school year, In Concert served over 11,000 students in 60 schools. The estimated annual household savings are more than 565,000 kWh of electricity and 61,100 Therms of natural gas.

Contributing to the success of In Concert are the partnerships with neighboring municipalities and utilities. In Concert has raised over $120,000 in cooperative funding through 23 partners. Partners include the Seattle Public Utilities and Snohomish County PUD. In addition, In Concert has a working relationship with the Electric League of the Northwest through its 501-c3 non-profit entity – The Education Foundation of the Electric League – to facilitate additional grant funding from third parties.

Residential Duct Systems, Schedules 203/204

Phase I of the Duct Sealing Pilot was completed in the fall of 1998, and project results were analyzed and formally reported in early February of 1999. Phase II is also now complete, marked by a final report covering field diagnostic testing results on 52 heat pump-equipped homes. The findings of Phase I (covering primarily gas furnaces) and Phase II (heat pumps) have been the basis for planning Phase III of the Pilot.

Phase III was designed to test the knowledge gained about duct and heat pump systems in phases I and II, under a more market-oriented environment that would ultimately involve a heating and air conditioning contractor performing heating duct leakage diagnostics and advanced diagnostics of the electric heat pump.

Incentives of $100 or $150 were offered to homeowners in Phase III who agreed to participate. The lower payment was offered for a complete diagnostic test and inspection of the heat pump. The higher payment was for both heat pump diagnostics and heating duct leakage measurement. The customer was required to pay the balance of the costs. The full invoice cost of the diagnostic service was either $250 or $350, plus sales tax.

A total of six field diagnostic (research) visits were conducted by year-end. Four participants purchased the comprehensive heat pump and duct diagnostics and two purchased the heat pump diagnostics only. All of the heat pump installations had the indoor and outdoor coils (heat exchangers) cleaned.

Coil cleaning and minor systems adjustments are projected to save about 5% in annual heating and air conditioning costs. Based on average heating consumption (for these homes) of 12,000 kWh per year, the savings are estimated to be approximately $50 per year. In five cases, the heat pumps required additional repairs or service. Participating homeowners had responsibility for getting contractor bids and paying for the cost of the recommended repairs. Projected annual energy savings per system for repairs and major service is estimated to range from 15% to 30%. Additional bill history analysis and

customer follow-up work is due to be completed by March 31, 2002.

In November 2001, two trained heating contractors with duct diagnostic and sealing equipment were recruited to participate in a market-based field test of heat pump and duct diagnostics. A pilot utility incentive of $75 was/is being offered to customers for heat pump service performed in accordance with the advanced diagnostic testing methods developed during Phases II and III. An additional $75 incentive is offered for a completed heating duct diagnostic test performed by the same certified heating contractor. A report of the filed test results is expected by March 31, 2002.

Compact Fluorescent Lighting, Schedule 205

Schedule 205 is administered in coordination with Northwest Energy Efficiency Alliance lighting initiatives. PSE offers a rebate of $25 or 40% of cost (whichever is less) to builders, developers or owners of new construction and major rehab multi-family facilities for each qualified energy efficient compact fluorescent lighting fixture installed.

Schedule 205 gained momentum in 2001 through increased promotion to targeted industry contact lists and electronic distribution of program information and rebate application forms. Rebates resulted in 1,351,075 annual kWh saved and 2,490 fixtures installed during 2001. More than 800 builders, developers, and architects were provided with program information and participation materials.

Finding additional opportunities for promoting efficient lighting, PSE influenced change in fixture procurement practices at Microsoft Corporation with a 3,000 torchiere turn-in program planned at Microsoft facilities for March 2002. Also, a cooperative effort with Seattle City Light, resulted in development and completion of an efficient lighting fixture website, www.elflist.com.

High Efficiency Clothes Washers, Schedule 206

Schedule 206, offers a $50 rebate for the purchase of efficient washing machines in multi-family laundry facilities and coin-operated laundromats with electric water heat. During 2001, PSE increased awareness of the program by direct mail and personally contacting multifamily building owners, property managers, and laundry route companies. This resulted in 71 washer rebates for a total of 56,800 kWh savings. There are few potential customers for this electric program, since most multi-family facilities and coin-operated laundromats have gas water heat.

In November 2000, PSE began a pilot, offering a $50 rebate for efficient washers in coin operated laundromats with gas water heat. During 2001, a total of 92 rebates were paid for efficient washing machines in coin operated laundromats with gas water heat, for 42,780 Therms saved per year.

Duplex/Triplex Weatherization Pilot, Schedule 207 - Completed

The Duplex/Triplex pilot began in 1998, and with the concurrence of interested stakeholders, ended early in 2000. PSE was unable to demonstrate cost-effective energy savings. After two mailings to a total of 100 eligible customers and a number of site visits, no units qualified for weatherization. Customers did not qualify or decided not to participate for the following reasons:

- Existing insulation levels that exceeded the minimum criteria for the program
- Moisture and wood decay problems were present in a number of structures, where owners were not willing to spend additional money for corrective repairs or added

venting in order to participate.

Owners and tenants of duplex and triplex structures remain eligible for PSE's other energy efficiency services.

Refrigerator Bulk Purchase Pilot, Schedule 208 - Completed

The Refrigerator Bulk Purchase Pilot, also initiated in 1998, encouraged the use of Energy Star qualified refrigerators in local housing authorities and other low income housing. It had partial success in its first year but became unsustainable in its original design. The available targeted agencies could not generate sufficient long-term demand for refrigerator replacements and were resistant to abandoning traditional procurement channels.

In 2000, PSE enlisted the Washington State University Energy Program to verify estimated savings from the 1998 to 1999 demonstration pilot, and look for opportunities to develop a sustainable efficient refrigerator program. Results of the study confirmed that several housing authorities are now independently purchasing Energy Star qualified refrigerators, perhaps due to the influence of the pilot and regional Northwest Energy Efficiency Alliance efforts. However, use of Energy Star refrigerators to replace less efficient models is not universal. The study suggested that a regional approach to the replacement of old refrigerators, with local utility support, could have additional influence. PSE will continue working with opportunities that support regional efforts.

Commercial-Industrial Energy Efficiency Services, Schedules 250/205

Energy efficiency projects installed for the year 2001 under electric Schedule 250 and gas Schedule 205 will save 60,653 MWh and more than 1,632,000 therms annually. Prompted by the energy crisis/news earlier in the year, PSE heavily promoted a "10% bonus" for retrofit projects which could be completed by year end. Year-end results reflect this year-long effort to motivate customers to receive this "limited-time-only" bonus before the year-end deadline. 457 projects were completed in 2001.

Higher efficiency lighting continues to provide significant energy saving opportunities. Close to half (47%) of the installed retrofit measures involved lighting upgrades. PSE continues to maintain a contractor referral network, to help customers find qualified lighting installers. A third of the installed measures upgraded the efficiency of processes, including water heating and refrigeration measures. Nearly 20% of the measures upgraded efficiency for HVAC systems.

PSE is introducing more online service and tools available at www.pse.com for customers, with the goal of making it easier for customers to take action on energy management projects. Beginning October, 21,000 commercial customers began receiving time-of-use prices in monthly bills. These customers can view energy consumption on line, and get fast feedback about how changes to their operations can affect energy use. PSE is working to educate customers to take advantage of the power of this service as an energy management tool. The Company is also encouraging customers to review how they use energy with new on-line energy audits for businesses. These were introduced mid-year. The audits prioritize energy efficiency recommendations, and direct customers to PSE's grant and rebate programs for eligible measures. In addition, PSE is using a new e-newsletter for businesses as another way to help promote energy efficiency programs and services. In December PSE launched a reformatted version of this free newsletter service, sending it to 500 businesses via email. The new format provides convenient links to online services at the website.

Commercial-Industrial New Construction, Schedule 251

Funding is available for cost-effective energy savings measures in commercial new construction. PSE continues to assist customers to assure understanding and compliance with Washington State's Non Residential Energy Code (NREC). Commercial New Construction continues to be a challenging sector, especially if property is being developed for lease. Projects are most likely to come about if the owner is involved, and plans to occupy the facility with a direct financial interest in ongoing operating costs. Ten projects completed this year will save nearly 3,000 MWh annually. Two additional projects will save 3,489 Therms per year. It is unclear how broader economic conditions are going to impact PSE's ability to attract new program participants going forward.

Premium Efficiency Motors, Schedule 252

PSE works in coordination with the Northwest Efficiency Alliance (NEEA) motors program. Regional funding for NEEA's program has been extended to three years through 2003. The Company is anticipating follow-on customer leads from the NEEA program. Some of the latest regional activities include:

- A PSE-sponsored Motor Management Workshop held in December 2001. The seminar was very well attended and offered customers excellent information on motor management principles including a software demonstration.
- PSE customers are beginning to be contacted for potential field consultation services concerning motor management techniques.
- The "Windings" newsletter continues to be published and sent to customers every four months.

Resource Conservation Manager, Schedules 253/208

PSE offers the Resource Conservation Manager Service to any school district, public–sector government agency, or commercial or industrial customer, focusing on larger customers with multiple facilities. An RCM customer is one who employs (or contracts with) someone who has designated resource management responsibilities, including accounting for resource consumption and savings, (i.e. electricity, natural gas, water, sewer, and solid waste).

The RCM program is comprised of a "menu" of service features:

- A forum for resource managers to exchange information, ideas and techniques for controlling utility costs
- Assistance to customers in designing and implementing an RCM program and developing resource policy guidelines
- Aid in hiring a resource manager, including a salary guarantee or partial funding for a limited period to reduce the risk to customers
- A resource accounting system for tracking usage and analyzing and reporting savings relative to established baselines
- PSE billing data in electronic format to upload to the resource accounting system or the customer's own resource database
- Training opportunities for resource managers and other customer personnel, such as custodians and maintenance staff.
- Informational materials for classroom or building occupant use.

Training and ongoing support is a key to a successful RCM program. PSE provides a forum for resource managers to share successes and challenges; and training activities that focus on technical and analytical skills, accounting tools, and project management. Private sector consultants can provide additional support to compliment resource manager skills, enhance productivity and increase cost effectiveness. In addition, some customer agreements include support from other utilities.

Program activities and results for 2001 are summarized below:

- RCM supported 46 customers, including 21 new customers. The RCM concept is catching on. Several utilities around the country have met, or have scheduled conference calls, to learn how to start an RCM program.
- RCM customers reported electric savings of approximately 24,600 MWh (2.8 average mega-watts) and natural gas savings of nearly 100,800 therms. One school district with an RCM program in place for only a year, saved over 2,000 MWh and more than 100,000 therms of natural gas for a total cost savings of $220,000. This district had strong support from the school board and a paid full-time RCM position. Another school district, which has had an active RCM program for several years, made a concerted effort in 2001 and reduced electric and natural gas usage by 8.5% and 11.4%, respectively. Cost savings were over $200,000. This was in addition to exceptional savings achieved in prior years.
- Some customers find it difficult to support a full-time resource manager, due to budgetary restrictions. Several have had to let their resource managers go or reduce their hours. Continued support, by coordinating consultants to provide services such as utility cost tracking and facility control system tune-ups, enables these customers to find continued savings.
- Two networking/training meetings, attended by approximately 40 resource managers and RCM service providers, included tours of low-cost/no-cost conservation measures at Sea-Tac Airport in February and the Renton King County Wastewater Treatment Plant in May.

PSE's metering system, with internet access to time-of-day usage, is useful for customers to diagnose building energy problems and control their usage. In 2002, training will include ways that RCM customers can maximize the value of this new system, in saving energy and money.

HB2247 requires school districts and state government facilities to conduct walk-through audits in 2002 to identify energy savings through O&M strategies and cost-effective investments. PSE will assist school districts with these efforts as part of the RCM services.

Northwest Energy Efficiency Alliance, Schedule 254

As a partner with the Northwest Energy Efficiency Alliance (NEEA), PSE contributes funding for regional programs, actively participates on the NEEA Board of Directors, and supports various related initiatives within the PSE service area. The Company believes that NEEA's market transformation initiatives will increase the availability and consumer acceptance of energy-efficient technologies and practices.

PSE programs that are directly related to regional NEEA activities include: Duct Systems Pilot, Schedules 203/204; Compact Fluorescent Lighting, Schedule 205; High Efficiency Clothes Washers, Schedule 206; Commercial-Industrial New Construction, Schedule 251; Premium Efficiency Motors, Schedule 252; Building Commissioning,

Schedule 256; and Local Infrastructure/Market Transformation, Schedule 270.

NEEA reports energy savings of 61,424 MWh in first-year-savings for 2001 in PSE's Service area, representing a five-fold increase over previous annual periods (12,470 MWh in 2000, and 7,446 MWh in 1999). This increase is driven in part by expanded consumer purchasing of compact fluorescent lamps throughout the NW region in 2001, the result of several years of NEEA efforts to condition the market, and increased consumer interest in saving energy and reducing energy bills in 2001.

Expressed here only as first-year-savings, market transformation programs and activities are expected to produce greater savings over a longer period of time than those typically expected by mainstream utility programs. We are pleased with NEEA's success in securing funding participation by all of the major self-generating public and municipal utilities subsequent to their new contracts with the BPA, effective October 2001.

Detailed information on NEEA history, structure, funding, projects, reports, press-releases, proposals and more is available at NEEA's website at www.nwalliance.org.

Small Business Energy Efficiency, Schedule 255

PSE continued to expand service for small business customers in 2001. Small business customers are generally defined as facilities with less than 20,000 square feet or those served by electric Schedule 24 (under 50 kW demand).

Changes in 2001 included:

- The addition of a program manager and the dedication of energy advisors to handle energy-efficiency calls from commercial customers. Energy advisors are able to handle most small business inquires. Larger customer or more complex energy-efficiency calls are referred to an energy management engineer for service typically covered under C/I Energy Efficiency Services, Schedules 250/205, or C/I New Construction, electric Schedule 251;
- Two new small commercial brochures: "Smart Lighting Options," and "Programmable Thermostats". These brochures support rebate programs and are available in paper format or online at www.pse.com;
- A free light switch and circuit breaker panel labeling kit -- a tool developed, in part, to serve the heightened energy awareness and supply concerns of 2001. Small business customers generally rely on manual forms of lighting control. The kit provides clear guidance;
- Revision of the lighting rebate to more specifically target and serve the needs of small business, increasing incentives and providing more supportive informational materials;
- Assistance to link the small business person with needed lighting expertise in the contracting and products-supply community.

These changes resulted in 8,935 customers served under Schedule 255, saving an estimated 1,320,300 kWh, more than twice the amount from the previous two years combined, and 56,800 therms, up from only about 6,000 therms from the previous two years.

PSE has developed the Personal Energy Management Center, which provides a central location for all customers to access PSE's online energy management tools. Once registered, customers have access to Energy Profile tools, calculators, a reference library, a product store and a contractor referral service. The PEM Center provides tools

customers can use to understand their energy use, create an action plan and have access to resources to implement their energy plan. In addition, customers may subscribe to PSE's e-newsletter, which will be an on-going way to help customers stay engaged with managing their energy use.

Building Commissioning, Schedule 256

Energy management engineers have further developed working relationships with private sector building commissioning agents during the year, and attended the Building Commissioning Association (BCA) conference held in New Jersey during the first week of May 2001. While most building commissioning initiatives are large new construction projects, "retro-commissioning" of existing buildings also promise cost-effective opportunities for savings.

Commissioning projects facilitated by PSE may be "piggy-backed" with Schedules 250/205 or Schedule 251 funding for eligible measures. Building Commissioning program requirements include documentation of results and recommendations, as well as training of in-house operations staff.

Two commissioning projects were completed in 2001, achieving energy savings of 861,852 kWh of electricity and 3,164 Therms of natural gas. At year-end, 6 additional projects were already underway with projected savings of 650,000 kWh and 5,300 Therms.

Other activities included assisting the Washington State GA in developing a list of pre-approved commissioning providers for public building projects; and work with the NW Building Commissioning Collaborative Group. This group is presently focusing on incorporating commissioning into state building codes, and on tracking the efforts of northwest states to implement commissioning in public facilities.

LED Traffic Lights, Schedule 257

All prospective cities and county jurisdictions in PSE's service area have been contacted to promote energy-efficient LED traffic lights. In addition to energy savings, jurisdictions benefit from lower maintenance costs, improved safety, and reduced liability. Installation of LED traffic lights often requires adjustment of billing calculations for service without meters, under electric Schedule 57.

During 2001, one project for the Washington State Department of Transportation (WSDOT), which encompassed 4 counties, installed 996 red LED traffic lights, saving 734,610 kWh annually.

Beginning in July, PSE began offering $38 rebates for replacement of green 12" balls with green LED traffic lights, when installed in conjunction with red LED lights. The Association of Washington Cities assisted with an announcement in their October newsletter, reaching multiple personnel at 80 cities across the state, to increase awareness of the program. Several cities and additional WSDOT counties have projects underway and will be completing installation of red and green LED lights during 2002.

High Voltage/Optional Large Power Pilot, Schedule 258

With support from Industrial Customers of Northwest Utilities (ICNU), PSE has had good success in encouraging customer participation in the Schedule 258 program.

Eighteen (18) projects have been completed through December 2001, with an energy savings of 12,493,000 kWh per year. Eight (8) additional projects, now in construction and anticipated to be completed in the first quarter of 2002, will use the remaining

allocated funds and have estimated savings of 7,627,000 kWh per year.

Total energy savings over the three-year life of the program is estimated to be 20,100,000 kWh, or 2.3 average mega-watts.

Local Infrastructure/Market Transformation, Schedule 270

PSE participates with or utilizes the services of many organizations to support the local delivery, management, and promotion of a broad range of energy efficiency programs. Financial support for these organizations is provided through Schedule 270, with spending capped at 5% of overall program budgets. Expenditures in 2001 were less than 1.5% of total electric program costs. Organizations currently supported by Schedule 270 include:

- E-Source
- Building Owners and Managers Association (BOMA)
- Puget Sound Chapter of ASHRAE
- Consortium for Energy Efficiency (CEE)
- Lighting Design Lab
- Electric League
- Northwest Energy Efficiency Council (NEEC)

Many of these organizations, particularly BOMA, NEEC and the Electric League were utilized on multiple occasions to present information directly to customers and key trade allies regarding best practices for responding to the energy crisis. Such venues involved both monthly membership and special meeting presentations coordinated to include joint information from all Puget Sound regional utilities.

Net Metering, Schedule 150

Schedule 150, Net Metering for Renewable Energy Services, became effective February 11, 1999. Subsequently, Schedule 150 was revised on June 8, 2000 in response to legislative action[1], which modified certain aspects of the net metering program. As revised, the schedule applies to customers who operate fuel cells or hydroelectric, solar or wind generators of no more that 25 kW. Service under this schedule is limited to a total of 4.5 MW of cumulative nameplate generating capacity, of which no less than 2.25 MW of cumulative nameplate generating capacity shall be attributable to net metering systems that use either solar, wind, or hydroelectric power as its fuel. Customer generation can be used to offset part or all of the customer-generator's electricity use under Schedules 7, 24, 25 or 29 of Electric Tariff G.

Two micro hydro customer-generators were interconnected in 1999; five solar photovoltaic systems began net metering in 2000; eight solar PV systems and one wind turbine generator were interconnected in 2001. One customer has a combination system, solar PV and wind turbine. The 15 customer-generator systems interconnected as of the end of December 2001 total 20.2 kW in maximum generating capacity.

Two hundred-twelve additional customers expressed an interest in net metering, and were provided with information regarding Schedule 150 and solar, wind, micro-hydro or fuel cell resources.

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[1] On March 27, 2000, Engrossed House Bill 2334 relating to the definition of net metering systems and amending RCW 80.60.010, 80.60.020 and 80.60.040 was signed into law. The revised law became effective June 8, 2000.

Table 1 Program Results, January-December 2001

Energy Efficiency Services
Program Results, January – December 2001
& Appendix B Projections for 2001

Elec Sch #	Gas Sch #	Service	January - December 2001 Elec Units	Gas Units	Total Units	kWh Savings	Therm Savings	Electric Costs	Gas Costs	Total Costs	Appendix B Projections Total Units	kWh Savings	Therm Savings	Total Costs
150	na	Net Metering	8	-	8	-	-	$ 15,299	$ -	$ 15,299	-	-	-	$ -
200	206	Res. EnergyEfficiency Services	79,869	66,900	146,769	4,872,009	358,046	$ 485,917	$ 390,865	$ 876,782	81,500	3,809,000	208,000	$ 450,000
201	203	Low-Income Retrofit	654	146	800	703,800	42,340	$ 786,066	$ 153,240	$ 939,306	550	700,000	56,000	$ 452,000
202	207	In Concert wEnvironment	5,828	5,828	11,656	565,316	61,194	$ 300,285	$ 284,704	$ 584,989	10,000	582,000	42,000	$ 416,000
203	204	Residential Duct Systems Pilot	-	-	-	-	-	$ 56,693	$ 36,730	$ 93,423	400	360,000	19,200	$ 200,000
na	201	Gas Water Heater Rebate *	-	2,625	2,625	-	86,625	$ -	$ 113,605	$ 113,605	2,500	-	82,500	$ 80,000
205	na	Compact Fluorescent Lighting	2,490	-	2,490	1,351,075	-	$ 104,983	$ -	$ 104,983	2,000	600,000	-	$ 140,000
206	na	HiEfficiency Clothes Washers	71	92	163	56,800	42,780	$ 8,522	$ 5,414	$ 13,936	500	400,000	-	$ 37,000
207	na	Duplex/Triplex Retrofit Pilot	-	-	-	-	-	$ -	$ -	$ -	250	600,000	-	$ 200,000
208	na	Bulk Refrigerator Purchase Pilot	-	-	-	-	-	$ -	$ -	$ -	400	140,000	-	$ 20,000
na	na	Water Heater Control Pilot *	-	-	-	-	-	$ 34,487		$ 34,487	-	-	-	$ -
209	209	Low Income Customers *	na	na	na	-	-	$ 854,383	$ 145,616	$ 999,999	1,000	-	-	$ 1,000,000
250	205	C/I Energy Efficiency Services **	443	14	457	60,653,423	1,632,374	$ 8,854,943	$ 348,449	$ 9,203,392	300	16,800,000	62,500	$ 1,730,000
251	na	C/I New Construction **	10	2	12	2,989,404	3,489	$ 24,257	$ -	$ 24,257	15	1,500,000	-	$ 500,000
252	na	Premium Efficiency Motors	-	-	-	-	-	$ 2,299	$ -	$ 2,299	10	800,000	-	$ 75,000
253	208	Resource Conservation Manager	11	1	12	24,608,341	100,781	$ 70,830	$ 20,129	$ 90,959	25	19,000,000	316,600	$ 266,000
254	na	NW Energy Efficiency Alliance	na	na	na	61,424,000	-	$ 2,044,627	$ -	$ 2,044,627	-	-	-	$ 2,000,000
255	255	Small Business Energy Efficiency	6,749	2,186	8,935	1,320,300	50,858	$ 156,678	$ 85,745	$ 242,423	1,200	6,720,000	14,000	$ 270,000
256	na	Building Commissioning	2	1	3	861,852	3,164	$ 28,312	$ -	$ 28,312	10	500,000	-	$ 180,000
257	na	LEDTraffic Lights	996	-	996	734,610	-	$ 18,957	$ -	$ 18,957	5,000	2,000,000	-	$ 182,500
258	na	Hi Voltage/Opt Large Power Pilot	8	-	8	8,604,822	-	$ 759,583	$ -	$ 759,583	7	3,525,000	-	$ 1,175,000
270	na	Local Infrastructure&Mkt Trans	-	-	-	-	-	$ 182,812	$ -	$ 182,812	-	-	-	$ 150,000
		Total	97,139	77,795	174,934	168,745,752	2,381,651	$ 14,789,933	$ 1,584,497	$ 16,374,430	105,667	58,036,000	800,800	$ 9,523,500

* Line items for gas Schedule 201 Gas Water Heater Rebate, electric and gas schedules 209 Low Income Customers, and the Water Heater Control Pilot are not included in Rider and Tracker expenditures.

** Costs for Schedule 251 C/I New Construction are understated and costs for Schedule 250 C/I Energy Efficiency Services are overstated by $178,261 in 2001 due to a tracking error. A correction will be made in the first quarter of 2002.

Table 2 Program Results, 1999 - 2001

Energy Efficiency Services
Program Results, 1999 - 2001
& Appendix B Projections for 1999 – 2001

Elec Sch #	Gas Sch #	Service	1999-2001 Total Units	kWh Savings	Therm Savings	Electric Costs	Gas Costs	Total Costs	Appendix B Projections Total Units	kWh Savings	Therm Savings	Total Costs
150	na	Net Metering	15	-	-	$ 50,716	$ -	$ 50,716	-	-	-	$ -
200	206	Res. Energy Efficiency Services	343,442	13,795,165	733,975	$ 975,757	$ 838,953	$ 1,814,710	244,500	11,427,000	624,000	$ 1,350,000
201	203	Low-Income Retrofit	2,143	2,464,700	126,320	$ 1,653,781	$ 502,437	$ 2,156,218	1,650	2,100,000	168,000	$ 1,356,000
202	207	In Concert w/Environment	32,072	1,723,593	244,024	$ 707,037	$ 718,174	$ 1,425,211	30,000	1,746,000	126,000	$ 1,248,000
203	204	Residential Duct Systems Pilot	17	15,300	-	$ 167,396	$ 59,404	$ 226,800	825	780,000	36,300	$ 490,000
na	201	Gas Water Heater Rebate *	8,268	-	272,844	$ -	$ 357,109	$ 357,109	7,500	-	247,500	$ 240,000
205	na	Compact Fluorescent Lighting	7,665	3,374,006	-	$ 202,349	$ -	$ 202,349	4,500	1,350,000	-	$ 366,000
206	na	HiEfficiency Clothes Washers	291	142,400	52,440	$ 33,810	$ 11,042	$ 44,852	1,500	1,200,000	-	$ 111,000
207	na	Duplex/Triplex Retrofit Pilot	-	-	-	$ 10,981	$ -	$ 10,981	794	1,907,000	-	$ 650,000
208	na	Bulk Refrigerator Purchase Pilot	-	-	-	$ 25,735	$ -	$ 25,735	1,200	420,000	-	$ 60,000
na	na	Water Heater Control Pilot *	-	-	-	$ 34,487	$ -	$ 34,487	-	-	-	$ -
209	209	Low Income Customers *	-	-	-	$ 2,131,261	$ 868,224	$ 2,999,485	3,000	-	-	$ 3,000,000
250	205	C/I Energy Efficiency Services **	648	103,992,735	2,594,429	$ 11,697,104	$ 538,839	$ 12,235,943	900	50,400,000	187,500	$ 5,190,000
251	na	C/I New Construction **	31	8,947,770	3,489	$ 56,780	$ -	$ 56,780	40	4,500,000	-	$ 1,500,000
252	na	Premium Efficiency Motors	-	-	-	$ 16,498	$ -	$ 16,498	23	1,840,000	-	$ 190,000
253	208	Resource Conservation Manager	54	43,553,919	954,692	$ 271,298	$ 79,399	$ 350,697	25	40,800,000	679,800	$ 699,000
254	na	NW Energy Efficiency Alliance	-	81,340,000	-	$ 6,599,563	$ -	$ 6,599,563	-	-	-	$ 6,700,000
255	255	Small Business Energy Efficiency	9,680	1,937,475	56,842	$ 216,124	$ 101,164	$ 317,288	3,600	20,160,000	42,000	$ 810,000
256	na	Building Commissioning	6	1,546,672	44,964	$ 45,617	$ -	$ 45,617	22	1,320,000	-	$ 385,000
257	na	LEDTraffic Lights	1,844	1,306,505	-	$ 51,872	$ -	$ 51,872	12,500	5,020,000	-	$ 452,500
258	na	Hi Voltage/Opt Large Power Pilot	16	12,437,939	-	$ 1,099,288	$ -	$ 1,099,288	21	8,550,000	-	$ 2,850,000
270	na	Local Infrastructure&Mkt Trans	181	-	-	$ 362,514	$ -	$ 362,514	-	-	-	$ 450,000
		Total	**406,373**	**276,578,179**	**5,084,019**	**$ 26,409,968**	**$ 4,074,745**	**$ 30,484,713**	**312,600**	**153,520,000**	**2,111,100**	**$ 28,097,500**

* Line items for gas Schedule 201 Gas Water Heater Rebate, electric and gas schedules 209 Low Income Customers, and the Water Heater Control Pilot are not included in Rider and Tracker expenditures.

** Costs for Schedule 251 C/I New Construction are understated and costs for Schedule 250 C/I Energy Efficiency Services are overstated by $316,842 for the three year period due to a tracking error. A correction will be made in the first quarter of 2002.

Chart1 *MWh Savings, 1999 – 2001*

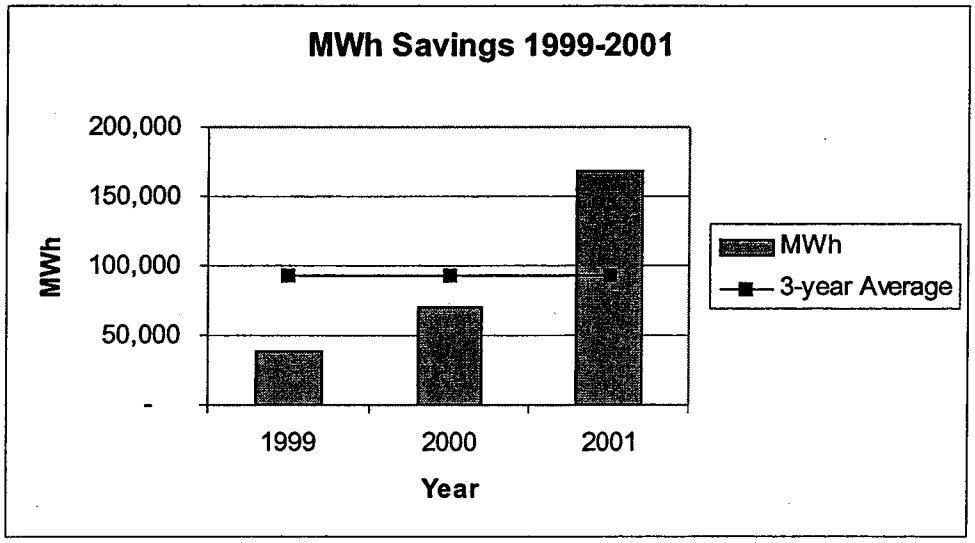

Chart2 *Therm Savings, 1999 – 2001*

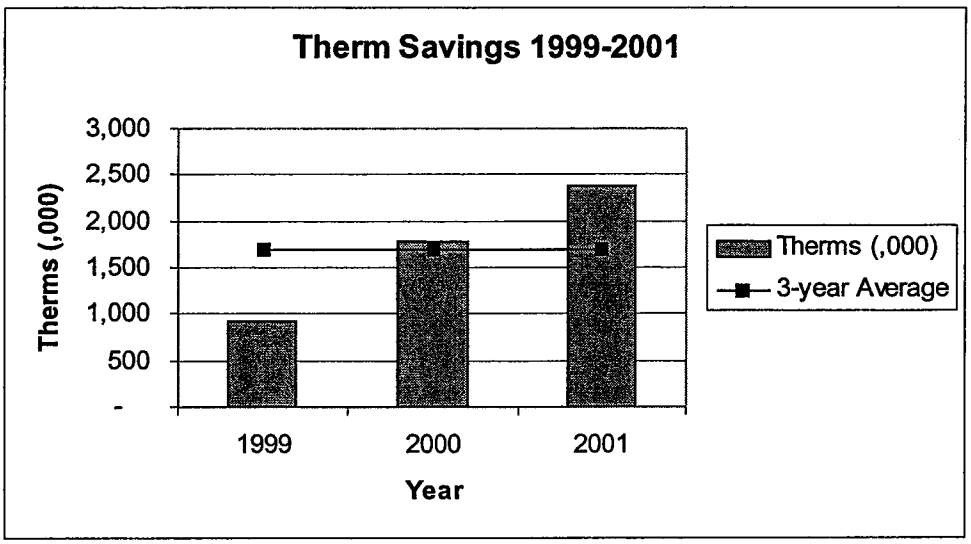

Chart3 *Total Costs, 1999 – 2001*