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STATE OF WASH.  
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March 10, 2003

Ms. Carole J. Washburn  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

RE: 2002 Demand Side Management (DSM) Programs Recovered Through the Electric Rider and Gas Tracker

Dear Ms. Washburn:

Enclosed is Puget Sound Energy's summary of accounting for the 2002 DSM rider and tracker programs through December 31, 2002. This summary is prepared in accordance with the accounting treatment and annual electric rider and gas tracker recovery mechanisms approved by the Commission in Dockets numbered UE-970686 and UG-950288 respectively.

The Company spent \$9,661,165 during calendar year 2002 on DSM programs which are to be recovered through its electric rider. The electric over-collection variance between actual expenditures and revenue collected through March 31, 2003 is estimated to be \$5,147,969.

The current electric conservation rider recovery rates were set in September 2002, in accordance with the Settlement Agreement approved by the Commission in Docket No. UE-011570, to recover the costs of the 16-month program that began in September 2002. Therefore, PSE is not requesting a change in the electric rates at this time.

The Company spent \$1,370,320 during calendar year 2002 on DSM programs which are to be recovered through its gas tracker. The gas recovery amounts associated with the 2002 program year plus the 2000 tracker recovery true-up is \$1,497,812.

This amount would support new gas conservation tracker recovery rates for the firm schedules of 0.184 cents per therm and for the interruptible schedules of 0.170 cents per therm. The current gas conservation tracker recovery rates are 0.184 cents per therm and 0.164 cents per therm for the firm and interruptible schedules, respectively. An increase in the interruptible rate from 0.164 cents per therm to 0.170 cents per therm would result in additional gas revenues of approximately \$5,200 dollars for the 12-month period from April 2003 through March 2004. Therefore, PSE is not requesting a change in the gas rates at this time.

Staff has been provided with supporting workpapers and has had the opportunity to review them.

Please direct any inquiry related to the accounting issues in this annual report to me at (425) 456-2797.

Sincerely,

Karl R. Karzmar  
Manager, Rates and Regulation

Enclosures  
cc: Simon J. ffitich