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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

March 1, 2004

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: 2003 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 2003 DSM rider and tracker programs through December 31, 2003, and through March 31, 2004. 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 \$16,477,366 during calendar year 2003 on DSM programs which are to be recovered through its electric rider. The electric over-collection variance between actual expenditures and revenue collected from September 1, 2002 through March 31, 2004 is estimated to be \$8,735,892. This over-collection will be allocated to the ratepayers in the 2004 program year.

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. PSE is requesting changes (decrease) in the electric rates. If PSE's request of rates changes is granted, the effective date for the new rates will be from April 1, 2004 through March 31, 2004.

The Company spent \$2,521,783 during calendar year 2003 on DSM programs which are to be recovered through its gas tracker. The gas recovery amounts associated with the 2003 program year plus the 2002 tracker recovery true-up is \$2,589,225.

This amount would support new gas conservation tracker recovery rates for the firm schedules of 0.325 cents per therm and for the interruptible schedules of 0.302 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 firm schedules from 0.184 cents per therm to 0.325 cents per therm would result in additional gas revenues of approximately \$1,083,324 dollars for the 12-month period from April 2004 through March 2005. An increase in the interruptible rate from 0.164 cents per therm to 0.302 cents per therm would result in additional gas revenues of approximately \$94,849 dollars for the 12-month period from April 2004 through March 2005.

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

Sincerely,

Karl R. Karzmar
Director, Regulatory Relations
Enclosures

cc: Simon J. ffitch; Joelle Steward; Paula Pyron

***Puget Sound Energy
Conservation Rider Report***

Program Expenditure: January 1, 2003 through December 31, 2003

<u>Order Number</u>	<u>Tariff Sch. No.</u>	<u>Description</u>	<u>Jan - Dec 2003 Expenditures *</u>
<i><u>RESIDENTIAL</u></i>			
18230128	150	Net Metering	\$ 20,490
18230601/18230602/ 18230603/18230604/18 230427/18230430	200	Residential Energy Efficiency Services	456,480
18230611	201	Low-Income Retrofit	986,765
18230621	202	In Concert with the Environment	489,538
18230631/18230633	203	Duct Systems Pilot	133,860
18230455	212	Targeted Fuel Choice Project	241,682
18230440/18230454	214	Energy Efficient Lighting Program	1,271,167
18230480	249	Energy Star New Constru Pilot -El (Resident)	93
18230605	307	Residential Time of Day	-
Summary of Residential Conservation Programs:			\$ 3,600,075
<i><u>COMMERCIAL/INDUSTRIAL</u></i>			
18230711/18230712	250	C/I Energy Efficiency Services	\$ 8,862,768
18230715	251	Non Residential Energy Code Program	213,065
18230719	252	Premium Efficiency Motors	-
18230150/18230723	253	Resource Conservation Manager	58,583
18230725/18230740	255	Small Business Energy Efficiency	720,280
18230429	260	Commercial Energy Efficiency Services	116,332
Summary of Commercial/Industrial Conservation Programs:			\$ 9,971,029
<i><u>REGIONAL MARKET TRANSFORMATION SUPPORT</u></i>			
18230641	205	CFL Conservation Pilot	\$ (24,633)
18230422/18230651	206	High Efficiency Clothes Washers Pilot	-
18230421	254	NW Energy Efficiency Alliance	2,063,210
18230726	256	Building Commissioning	254
18230728	257	LED Traffic Lights	118,963
18230729	258	High Voltage Pilot	301,065
18230730/18230809	270	Local Infrastructure/Market Transformation	447,404
Summary of Regional Market Transformation Support Programs:			\$ 2,906,262
Total Conservation Spending as of December 31, 2003			\$ 16,477,366
Less Prior Period Adjustment (Amounts Belong to 2002 C&RD & Gas Orders)			(345,735)
Adjusted Conservation Spending as of December 31, 2003			\$ 16,131,632

***Puget Sound Energy
Conservation Rider Report
Program Balance: September 1, 2002 to March 31, 2004***

Recoveries (Amounts in 18230621):	
Sept - December 2003 Actual	\$ 9,307,079
January - December 2003 Actual	26,474,643
January 2004 Actual	2,768,317
February - March 2004 Estimated	4,899,127
Total	\$ 43,449,166
Apply Conversion Factor to the Recoveries (= \$43,449,166 x .95786)	\$ 41,618,028
2001 & 2002 Program Undercollection Collected From 9/1/02-12/31/03	\$ 7,740,191
2001 & 2002 Program Undercollection Collected From 1/1/04-3/31/04(Estimate)	1,694,497
Total Recoveries From 9/1/02 to 3/31/04 (Estimated)	\$ 32,183,340
Expenditures (Amounts in 18230021):	
September - December 02	\$ 4,315,817
January - December 2003 Actual (Adjusted)	\$ 16,131,632
January 2004 Actual	985,588
February - March 2003 (Estimated=\$3M For The 1st Q 04 - Jan 04 Actual)	2,014,412
Total	\$ 23,447,449
Total Rider Balance (Over-Recoveries) From 9/1/02-3/31/04 (Estimated) (A)	\$ 8,735,892
Projected Expenditure For 2004 Program Year (B)	\$ 22,143,500
Total 2004 Program Year Amounts In Rates (4/1/04-3/31/05) (equals B - A)	\$ 13,407,608

PUGET SOUND ENERGY

Filing Date: March 1, 2004

Docket #: UG95-0288

Sheet 1 of 1

CALCULATION OF RATE CHANGE

DSM Costs to be Recovered			\$ 2,589,225
To be Recovered from Firm Schedules	92.40%	\$	2,390,218
To be Recovered from Interruptible Sales Schedules	7.60%	\$	199,007

Projected Sales Volumes in Therms, 12ME 3/31/05

Firm Sales Volumes	768,315,205
Interruptible Sales Volumes	68,731,221

TOTAL SALES VOLUMES	837,046,426
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Cents Per Therm to be Recovered:

Firm Schedules:	$\$2,390,218 / 768,315,205 * 100 =$	0.31110 cents/therm
Interruptible Schedules:	$\$199,007 / 68,731,221 * 100 =$	0.28954 cents/therm

Cents Per mantle for Schedule No. 16

1 mantle = 19 therms

(19 therms)(0.31110 cents) =

Round to nearest 5 cents per mantle =

5.911 cents/mantle

5.000 cents/mantle

Change in Rate:

Recovery Cents Per Therm times Conversion Factor

And rounded to nearest 1,000th of a cent

Firm Schedules:	(=0.31110 x 1.04400)	0.325	cents/therm
Interruptible Schedules:	(=0.28954 x 1.04400)	0.302	cents/therm

PUGET SOUND ENERGY

DOCKET NO.	UG-950288	
2003 Annual Report		
SCHEDULE NO.		
SHEET NO.	1	OF 2

2004 Annual Forecast of Therms and Gas Cost Recoveries

Line No.	Gas Cost Recovery Rates				4/04 - 3/05 Forecast Volumes (e) (in therms)	Total Forecast Gas Cost Recoveries (f)
	Rate (a)	Demand (b)	Commodity (c)	Total (d)		
1	11,16 \$	0.42243 \$	0.07691 \$	0.49934	-	\$ -
2	23,24 \$	0.42243 \$	0.10833 \$	0.53076	516,107,127	273,929,019
3	53 \$	1.60257 \$	0.26113 \$	1.86370	6,188	11,533
4	31,36,51 \$	0.42243 \$	0.09764 \$	0.52007	204,396,525	106,300,501
5	41 \$	0.42243 \$	0.05466 \$	0.47709	47,755,422	22,783,634
6	43 \$	- \$	- \$	-	-	-
7	50 \$	0.42243 \$	0.03508 \$	0.45751	49,943	22,849
8					<u>768,315,205</u>	<u>\$ 403,047,536</u>
9	85 \$	0.42243 \$	0.07523 \$	0.49766	14,104,187	\$ 7,019,089
10	86 \$	0.42243 \$	0.07523 \$	0.49766	18,963,948	9,437,598
11	87 \$	0.42243 \$	0.04526 \$	0.46769	35,663,086	16,679,269
12					<u>68,731,221</u>	<u>\$ 33,135,957</u>
13			TOTAL SALES VOLUMES		<u>837,046,426</u>	
14			FIRM SCHEDULES		<u>768,315,205</u>	91.79%
15			INT. SCHEDULES		<u>68,731,221</u>	8.21%
16			TOTAL GAS COST RECOVERIES			<u>\$ 436,183,493</u>
17			FIRM SCHEDULES			\$ 403,047,536 92.40%
18			INT. SCHEDULES			33,135,957 7.60%

DOCKET NO.	UG-950288	
2003 Annual Report		
SCHEDULE NO.		
SHEET NO.	2	OF 2

2004 Annual Forecast of Therms and Gas Cost Recoveries

Tracker Recovery Calculation

Line No.	(a)	(b)	(c)
1	April 2004 - Mar 2005 Budget Therms		
2	Firm	768,315,205	91.79%
3	Interruptible	68,731,221	8.21%
4	Total Sales Volumes	837,046,426	100.00%
5	2003 Program Costs		
		\$ 2,521,783	
6	2001 Tracker Recovery True-up		
7	Firm	\$ 60,010	88.98%
8	Interruptible	\$ 7,432	11.02%
9	Total Required True-Up	\$ 67,442	100.00%
10	Tracker Recovery Allocation - Including prior period recovery		
11	Firm	\$ 2,390,218	92.40%
12	Interruptible	\$ 199,007	7.60%
13	Tracker Recovery	\$ 2,589,225	100.00%
14	Tracker Recovery Cents per Therm (Excluding Revenue Sensitive Items)		
15	Firm (line 11 / line 2)	\$ 0.00311	92.40%
16	Interruptible (line 12 / line 3)	\$ 0.00290	7.60%
17	Total Required Recovery		100.00%