



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

March 1, 2006

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: 2005 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 2005 DSM rider and tracker programs through December 31, 2005, and through March 31, 2006. 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 \$20,884,423 during calendar year 2005 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, 2006 is estimated to be \$1,233,242. This over-collection will be allocated to the ratepayers in the 2006 program year. The projected rider expenditures for the 2006 program year are estimated to be \$28,338,050. The 2006 rider rates will be increased as result of these levels of spending.

The current electric conservation rider recovery rates were set in April 1, 2005, in accordance with the Settlement Agreement approved by the Commission in Docket No. UE-011570, to recover the costs of the 12-month program that began on April 1, 2005. PSE is requesting changes (increase) in the electric rates. If PSE's request of rate changes is granted, the effective date for the new rates will be from April 1, 2006 through March 31, 2007.

The Company spent \$3,709,526 during calendar year 2005 on DSM programs which are to be recovered through its gas tracker. The gas recovery amounts associated with the 2005 program year plus the 2003 tracker recovery true-up is \$4,029,596.

This amount would support new gas conservation tracker recovery rates for the firm schedules of 0.494 cents per therm and for the interruptible schedules of 0.478 cents per therm. The current gas conservation tracker recovery rates are 0.437 cents per therm and 0.406 cents per therm for the firm and interruptible schedules, respectively.

An increase in the firm schedules from 0.437 cents per therm to 0.494 cents per therm would result in additional gas revenues of approximately \$453,413 dollars for the 12-month period from April 2006 through March 2007. An increase in the interruptible rate from 0.406 cents per therm to 0.478 cents per therm would result in additional gas revenues of approximately \$44,615 dollars for the 12-month period from April 2006 through March 2007.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Karzmar', is written over a horizontal line.

Karl R. Karzmar
Director, Regulatory Relations
Enclosures

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

***Puget Sound Energy
Electric Conservation Rider Report
Program Expenditure: January 1, 2005 through December 31, 2005***

<u>Order Number</u>	<u>Tariff Sch. No.</u>	<u>Description</u>	<u>Jan - Dec 2005 Expenditures *</u>
<i>RESIDENTIAL</i>			
18230128	150	Net Metering	\$ 36,218
18230601/602/603/604/427/430/482/483	200	Residential Energy Efficiency Services	499,742
18230611	201	Low-Income Retrofit	863,430
18230621	202	In Concert with the Environment	270,964
18230631/18230633	203	Duct Systems Pilot	259,367
18230455	212	Targeted Fuel Choice Project	140
18230440/18230454	214	Energy Efficient Lighting Program	1,310,097
18230444/445/446/447/458/459/480	249	Energy Star New Constr Pilot -EI (Resident)	545,986
Summary of Residential Conservation Programs			\$ 3,785,945
<i>COMMERCIAL/INDUSTRIAL</i>			
18230430/431/711/712	250	C/I Energy Efficiency Services	\$ 7,894,608
18230715	251	Non Residential Energy Code Program	1,036,637
18230150/18230723	252	UCM/ICM	418,269
18230725/18230740	255	Small Business Energy Efficiency	1,416,681
18230429	260	Commercial Energy Efficiency Services	87,786
18230448/18230419	261	Energy Efficient Technology Eval.	33,614
18230449/18230457	262	Commercial Rebates- Electric	621,895
Summary of Commercial/Industrial Conservation Programs			\$ 11,509,490
<i>REGIONAL MARKET TRANSFORMATION SUPPORT</i>			
18230641	205	CFL Conservation Pilot	\$ -
18230422/18230651	206	High Efficiency Clothes Washers Pilot	-
18230421	254	NW Energy Efficiency Alliance	1,056,430
18230726	256	Building Commissioning	-
18230728	257	LED Traffic Lights	99,908
18230729	258	High Voltage Pilot	4,164,106
18230730/802/809	270	Local Infrastructure/Market Transformation	268,543
Summary of Regional Market Transformation Support Programs			\$ 5,588,988
Total Conservation Spending as of December 31, 2005			\$ 20,884,423

Puget Sound Energy
Electric Conservation Rider Report
Program Balance: September 1, 2002 to March 31, 2006

Recoveries (Amounts in 18230621):	
September 2002 - March 2006 Actual & Estimated	\$ 80,679,046
2000 & 2001 Program Under Recovery Authorized	(9,261,566)
Schedule 258 Recoveries That Allow Self-Direct (Sept 02 thru Mar 06)	(6,032,975)
Total Recoveries Without Schedule 258 & Without Prior Programs (A)	<u>\$ 65,384,505</u>
Expenditures (Amounts in 18230021):	
September 2002 - March 2006 Actual & Estimated	\$ 69,454,316
September 2002 - March 2006 Schedule 258 Expenditures	(5,303,053)
Total Expenditures Without Schedule 258 (B)	<u>\$ 64,151,263</u>
Total September 02 Through March 06 Over Collections In 2005 Program Year Rates (C=A-B)	\$ (1,233,242)
Attorney General Refund (D)	\$ 19,275
Projected 2006 Expenditures Without Schedule 258 (E)	<u>\$ 28,338,050</u>
Total Amounts in 2006 Program Year Rates (4/1/06-3/31/07) (=C+D+E)	<u><u>\$ 27,124,083</u></u>

Gas Rate Calculation

CALCULATION OF RATE CHANGE

DSM Costs to be Recovered			\$ 4,029,596
To be Recovered from Firm Schedules	93.06%	\$	3,748,012
To be Recovered from Interruptible Sales Schedules	6.94%	\$	281,584

Projected Sales Volumes in Therms, Calendar 2005	
Firm Sales Volumes	793,356,912
Interruptible Sales Volumes	61,556,327
TOTAL SALES VOLUMES	854,913,239

Cents Per Therm to be Recovered:			
Firm Schedules:	$\$3,748,012 / 793,356,912 * 100 =$		0.47242 cents/therm
Interruptible Schedules:	$\$281,584 / 61,556,327 * 100 =$		0.45744 cents/therm

Cents Per mantle for Schedule No. 16	
1 mantle = 19 therms	
(19 therms)(0.47242 cents) =	8.976 cents/mantle
Round to nearest 5 cents per mantle =	10.000 cents/mantle

Change in Rate:			
Recovery Cents Per Therm times Conversion Factor			
And rounded to nearest 1,000th of a cent			
Firm Schedules:	(=0.47242 x 1.04599)	0.494	cents/therm
Interruptible Schedules:	(=0.45744 x 1.04599)	0.478	cents/therm

Exhibit A

PUGET SOUND ENERGY

DOCKET NO.	UG-950288
EXHIBIT NO.	2005 Annual Report Exhibit A
SCHEDULE NO.	
SHEET NO.	OF 1 1

Line No.	Gas Cost Recovery Rates				4/06 - 3/07 Forecast Volumes (in therms)	Total Forecast Gas Cost Recoveries
	Rate (a)	Demand (b)	Commodity (c)	Total (d)		
1	11,16 \$	0.05842 \$	0.67526 \$	0.73368	-	\$ -
2	23,24 \$	0.08184 \$	0.67544 \$	0.75728	526,712,330	398,868,714
3	53 \$	1.60257 \$	0.26113 \$	1.86370	4,150	7,734
4	31,36,51 \$	0.07376 \$	0.67544 \$	0.74920	213,231,205	159,752,819
5	41 \$	0.04130 \$	0.67544 \$	0.71674	53,320,448	38,216,898
6	43 \$	- \$	- \$	-	-	-
7	50 \$	0.02650 \$	0.67544 \$	0.70194	88,779	62,318
8					<u>793,356,912</u>	<u>\$ 596,908,483</u>
9	85 \$	0.05683 \$	0.67544 \$	0.73227	20,283,921	\$ 14,853,307
10	86 \$	0.05683 \$	0.67544 \$	0.73227	15,064,138	11,031,017
11	87 \$	0.03420 \$	0.67544 \$	0.70964	26,208,268	18,598,435
12					<u>61,556,327</u>	<u>\$ 44,482,759</u>
13			TOTAL SALES VOLUMES		<u>854,913,239</u>	
14			FIRM SCHEDULES		793,356,912	92.80%
15			INT. SCHEDULES		<u>61,556,327</u>	7.20%
16			TOTAL GAS COST RECOVERIES			<u>\$ 641,391,242</u>
17			FIRM SCHEDULES			\$ 596,908,483 93.06%
18			INT. SCHEDULES			44,482,759 6.94%

Exhibit B

PUGET SOUND ENERGY

DOCKET NO.	UG-950288
EXHIBIT NO.	2005 Annual Report Exhibit B
SCHEDULE NO.	
SHEET NO.	1 OF 1

Tracker Recovery Calculation

Line
No.

	(a)	(b)	(c)
1	April 2006 - Mar 2007 Budget Therms		
2	Firm	793,356,912	92.80%
3	Interruptible	61,556,327	7.20%
4	Total Sales Volumes	<u>854,913,239</u>	<u>100.00%</u>
5	2005 Program Costs	<u>\$ 3,709,526</u>	
6	2003 Tracker Recovery True-up		
7	Firm	\$ 295,755	92.40%
8	Interruptible	\$ 24,315	7.60%
9	Total Required True-Up	<u>\$ 320,070</u>	<u>100.00%</u>
10	Tracker Recovery Allocation - Including prior period recovery		
11	Firm	\$ 3,748,012	93.06%
12	Interruptible	\$ 281,584	6.94%
13	Tracker Recovery	<u>\$ 4,029,596</u>	<u>100.00%</u>
14	Tracker Recovery Cents per Therm (Excluding Revenue Sensitive Items)		
15	Firm (line 11 / line 2)	\$ 0.00472	93.06%
16	Interruptible (line 12 / line 3)	\$ 0.00457	6.94%
17	Total Required Recovery		<u>100.00%</u>