



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

March 1, 2007

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

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RECORDS MANAGEMENT
07 MAR - 1 AM 9:29
STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

RE: 2006 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 2006 DSM rider and tracker programs through December 31, 2006, and through March 31, 2007. 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 \$27,106,339 during calendar year 2006 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, 2007 is estimated to be \$1,380,565. This over -collection will be allocated to the ratepayers in the 2007 program year. The projected rider expenditures for the 2007 program year are estimated to be \$37,381,200. The 2007 rider rates will be increased as a result of these levels of spending.

The current electric conservation rider recovery rates were set on April 1, 2006, 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, 2006. 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, 2007 through March 31, 2008.

The Company spent \$6,758,726 during calendar year 2006 on DSM programs which are to be recovered through its gas tracker. The gas recovery amounts associated with the 2006 program year plus the 2004 tracker recovery true-up is \$7,086,010.

This amount would support new gas conservation tracker recovery rates for the firm schedules of 0.792 cents per therm and for the interruptible schedules of 0.747 cents per therm. The current gas conservation tracker recovery rates are 0.494 cents per therm and 0.478 cents per therm for the firm and interruptible schedules, respectively.

An increase in the firm schedules from 0.494 cents per therm to 0.792 cents per therm would result in additional gas revenues of approximately \$2,549,507 dollars for the 12-month period from April 2007 through March 2008. An increase in the interruptible rate from 0.478 cents per therm to 0.747 cents per therm would result in additional gas revenues of approximately \$230,324 dollars for the 12-month period from April 2007 through March 2008.

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 Pylon

***Puget Sound Energy
Electric Conservation Rider Report
Program Expenditure: January 1, 2006 through December 31, 2006***

<u>Order Number</u>	<u>Tariff Sch. No.</u>	<u>Description</u>	<u>Jan - Dec 2006 Expenditures *</u>
<i>RESIDENTIAL</i>			
18230128	150	Net Metering	\$ 93,374
18230602/608/482/483	200	Residential Energy Efficiency Services	544,140
18230611	201	Low-Income Retrofit	405,511
18230621	202	In Concert with the Environment	226,577
18230633	203	Duct Systems Pilot	267,976
18230406/18230440	214	Energy Efficient Lighting Program	6,106,132
18230405	215	New Construction	738,862
18230407	217	Multi-Family Retrofit - (E217)-Elec	300,477
18230444/446/447/455	249	Energy Star New Constr Pilot	249,954
Summary of Residential Conservation Programs			\$ 8,933,002
<i>COMMERCIAL/INDUSTRIAL</i>			
18230431/711	250	C/I Energy Efficiency Services	\$ 9,692,584
18230715	251	Non Residential Energy Code Program	1,784,888
18230725/18230740	255	Small Business Energy Efficiency	1,835,679
18230429	260	Commercial Energy Efficiency Services	59,146
18230419/448/458/459	261	Energy Efficient Technology Eval.	56,728
18230449/457/712	262	Commercial Rebates- Electric	1,378,192
Summary of Commercial/Industrial Conservation Programs			\$ 14,807,218
<i>REGIONAL MARKET TRANSFORMATION SUPPORT</i>			
18230723	253	Elec Resource Conservation Mana	\$ 499,012
18230421	254	NW Energy Efficiency Alliance	1,669,162
18230728	257	LED Traffic Lights	33,905
18230729	258	High Voltage Pilot	367,384
18230730/802/809	270	Local Infrastructure/Market Transformation	796,657
Summary of Regional Market Transformation Support Programs			\$ 3,366,120
Total Conservation Spending as of December 31, 2006			\$ 27,106,339

***Puget Sound Energy
Electric Conservation Rider Report
Program Balance: September 1, 2002 to March 31, 2007***

Recoveries (Amounts in 18230621):	
September 2002 - March 2007 Actual & Estimated	\$ 110,283,534
2000 & 2001 Program Under Recovery Authorized	(9,261,566)
Schedule 258 Recoveries That Allow Self-Direct (Sept 02 thru Mar 07)	(7,896,487)
Total Recoveries Without Schedule 258 & Without Prior Programs (A)	\$ 93,125,481
Expenditures (Amounts in 18230021):	
September 2002 - March 2007 Actual & Estimated	\$ 97,587,349
September 2002 - March 2007 Schedule 258 Expenditures	(5,842,433)
Total Expenditures Without Schedule 258 (B)	\$ 91,744,916
Total September 02 Through March 07 Over Collections In 2006 Program Year Rates (C=B-A)	\$ (1,380,565)
SQI Penalty (D)	\$ (940,820)
Projected 2007 Expenditures Without Schedule 258 (E)	\$ 37,381,200
Total Amounts in 2007 Program Year Rates (4/1/07-3/31/08) (=C+D+E)	\$ 35,059,815

Gas Rate Calculation

CALCULATION OF RATE CHANGE

DSM Costs to be Recovered			\$ 7,086,010
To be Recovered from Firm Schedules	91.28%	\$	6,474,006
To be Recovered from Interruptible Sales Schedules	8.72%	\$	612,004

Projected Sales Volumes in Therms, 12ME March 2008	
Firm Sales Volumes	854,308,559
Interruptible Sales Volumes	85,698,929
TOTAL SALES VOLUMES	940,007,488

Cents Per Therm to be Recovered:		
Firm Schedules:	\$6,474,006 / 854,308,559 * 100 =	0.75781 cents/therm
Interruptible Schedules:	\$612,004 / 85,698,929 * 100 =	0.71413 cents/therm

Cents Per mantle for Schedule No. 16

1 mantle = 19 therms	
(19 therms)(0.75781 cents) =	14.398 cents/mantle
Round to nearest 5 cents per mantle =	15.000 cents/mantle

Change in Rate:

Recovery Cents Per Therm times Conversion Factor

And rounded to nearest 1,000th of a cent

Firm Schedules:	(=0.75781 x 1.0456880)	0.792 cents/therm
Interruptible Schedules:	(=0.71413 x 1.0456880)	0.747 cents/therm

Compare to old rates (.494 & .478):

additional revenue-firm	0.29843	2,549,507
additional revenue-interrupt.	0.26876	230,324

Exhibit A

PUGET SOUND ENERGY

DOCKET NO.	UG-950288	
EXHIBIT NO.	2006 Annual Report Exhibit A	
SCHEDULE NO.		
SHEET NO.	1	OF 1

Line No.	Gas Cost Recovery Rates				4/07 - 3/08	Total Forecast
	Rate	Demand	Commodity	Total	Forecast Volumes	Gas Cost Recoveries
	(a)	(b)	(c)	(d)	(e)	(f)
					(in therms)	
1	\$ 16	\$ 0.10579	\$ 0.74947	\$ 0.85526	-	\$ -
2	23,24	\$ 0.10583	\$ 0.74946	\$ 0.85529	572,050,136	489,268,761
3	53	\$ 2.67094	\$ 0.30039	\$ 2.97133	4,149	12,329
4	31,36,51	\$ 0.10119	\$ 0.74946	\$ 0.85065	225,491,179	191,814,071
5	41	\$ 0.03302	\$ 0.74946	\$ 0.78248	56,674,320	44,346,522
6	43	\$ -	\$ -	\$ -	-	-
7	50	\$ 0.06532	\$ 0.74946	\$ 0.81478	88,775	72,332
8					<u>854,308,559</u>	<u>\$ 725,514,015</u>
9	85	\$ 0.05900	\$ 0.74946	\$ 0.80846	19,633,075	\$ 15,872,556
10	86	\$ 0.06248	\$ 0.74946	\$ 0.81194	21,986,980	17,852,109
11	87	\$ 0.05761	\$ 0.74946	\$ 0.80707	44,078,874	35,574,737
12					<u>85,698,929</u>	<u>\$ 69,299,401</u>
13			TOTAL SALES VOLUMES		<u><u>940,007,488</u></u>	
14			FIRM SCHEDULES		<u>854,308,559</u>	90.88%
15			INT. SCHEDULES		<u>85,698,929</u>	9.12%
16			TOTAL GAS COST RECOVERIES			<u><u>\$ 794,813,416</u></u>
17			FIRM SCHEDULES			<u>\$ 725,514,015</u> 91.28%
18			INT. SCHEDULES			<u>69,299,401</u> 8.72%

Exhibit B

PUGET SOUND ENERGY

DOCKET NO.	UG-950288	
EXHIBIT NO.	2006 Annual Report Exhibit B	
SCHEDULE NO.		
SHEET NO.	1	OF 1

Tracker Recovery Calculation

Line No.	(a)	(b)	(c)
1	April 2007 - Mar 2008 Budget Therms		
2	Firm	854,308,559	90.88%
3	Interruptible	85,698,929	9.12%
4	Total Sales Volumes	<u>940,007,488</u>	<u>100.00%</u>
5	2006 Program Costs	<u>\$ 6,758,726</u>	
6	2004 Tracker Recovery True-up		
7	Firm	\$ 304,570	93.06%
8	Interruptible	\$ 22,713	6.94%
9	Total Required True-Up	<u>\$ 327,284</u>	<u>100.00%</u>
10	Tracker Recovery Allocation - Including prior period recovery		
11	Firm	\$ 6,474,006	91.28%
12	Interruptible	\$ 612,004	8.72%
13	Tracker Recovery	<u>\$ 7,086,010</u>	<u>100.00%</u>
14	Tracker Recovery Cents per Therm (Excluding Revenue Sensitive Items)		
15	Firm (line 11 / line 2)	\$ 0.00758	91.28%
16	Interruptible (line 12 / line 3)	\$ 0.00714	8.72%
17	Total Required Recovery		<u>100.00%</u>