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March 1, 2011 (Revised March 29, 2011)

Mr. David Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

**Re: Advice No. 2011-05
Electric Tariff Filing - Filed Electronically**

Dear Mr. Danner:

Puget Sound Energy, Inc. (the “Company” or “PSE”) hereby submits proposed revisions to its electric Schedule 258, Electricity Energy Efficiency Program, Large Power User Self-Directed Program. This filing, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, proposes revisions in the following electric tariff sheets.

WN U-60, Tariff G - (Electric Tariff):

Sixth Revision of Sheet No. 258-a - Large Power User Self-Directed Program (Continued)

On September 2, 2010, as part of Docket Number UE-100177, PSE and other parties to that docket agreed to certain conditions and modifications relating to electric conservation (“Settlement”) as provided for in the Settlement Terms for Conservation in Docket Number UE-011570. The Commission approved and adopted the Settlement on September 28, 2010.

Paragraph K(11)(c) of the Settlement provided an opportunity for the Conservation Resources Advisory Group (“CRAG”) to review the cost allocation methodology used to derive Schedule 120 rates prior to PSE’s 2011 electric Schedule 120 filing.¹ The CRAG reviewed the cost allocation at meetings held on January 27, 2011 and February 10, 2011, as well as a conference call on February 18, 2011. Ultimately the discussion at these meetings focused primarily on the recovery of costs from Schedule 258 customers. As a result of these and other discussions, PSE has agreed to propose the attached revisions to Schedule 258 as well as the other assurances described in this filing letter.

Schedule 258 provides funding for “self-directed” energy efficiency projects for large commercial and industrial electric customers taking service under Rate Schedules 40, 46, 49, 449 and 459. Schedule 258 has been offered since 1999 and provides for multi-year programs spanning multiple tariff funding cycles. Due to the structure of these programs and operational considerations for the effective operation of these multi-year programs, funding was held stable since 2005 over each four year term of the programs. During the above-described discussions with the CRAG, some CRAG members raised

¹ PSE’s 2011 Schedule 120 tariff revisions are being filed concurrently in a separate filing.

concerns that: (1) costs of electric conservation programs were not assigned to non-Schedule 449 customers of Schedule 258 consistent with the peak credit method; and (2) non-449 Schedule 258 customers were not paying their share of Northwest Energy Efficiency Alliance (“NEEA”) and administration costs.

This filing addresses, in part, the above described issues identified by the CRAG and makes changes to the existing Schedule 258 (Large Power User Self-Directed Program), in order to explicitly reflect in the tariff language certain provisions of the Settlement. These issues are further addressed in PSE’s Schedule 120 tariff revisions that were filed concurrently with this filing.

Specifically, this filing: (i) adds language that clarifies the use of the peak credit method of assigning the costs of electric conservation programs to non-Schedule 449 customers of Schedule 258, consistent with Section H, paragraph 16 of the Settlement; (ii) adds language that clarifies that non-449 Schedule 258 customers share in paying Northwest Energy Efficiency Alliance (“NEEA”) and administration costs as provided in Section F, paragraph 12 of the Settlement; and (iii) adds language that clarifies that the current program is a four-year conservation program, consistent with the Schedule 258 RFP, and the Schedule 258 Program Description.

In addition to the tariff revisions to clarify that non-449 Schedule 258 customers share in paying NEEA and administration costs as provided in Section F, paragraph 12 of the Settlement, PSE will deduct an additional one million dollars (\$1,000,000) for NEEA and administrative costs from the grant amounts available to non-449 Schedule 258 customers for the 2011 program year.

While PSE and the parties to the Settlement have agreed to continue the Schedule 258 programs as modified in this filing, PSE and the parties have also agreed to set a schedule to discuss possible future changes to the program. In furtherance of these discussions, PSE commits and proposes to schedule CRAG meetings on the following dates where Schedule 258 issues can be discussed:

March 31, 2011 May 19, 2011 July 21, 2011 August 18, 2011.

The Company also commits to work with the CRAG members to reach a possible consensus recommendation on changes to Schedule 258 by September 1, 2011. If the CRAG members cannot reach a consensus then the unresolved issue (or issues) can be brought up by dissenting member(s) during the Commission’s consideration of conservation program changes following the November 1, 2011 filing.

Additionally, PSE has committed to provide the following to CRAG members: Schedule 258 estimated savings contribution to the Biennial Target for 2012-13, by August 1, 2011; Schedule 258 draft program details, including a proposed 2012-13 budget, by September 1, 2011; and Schedule 258 draft program tariff changes, by October 1, 2011.

Consistent with Section K, Condition (3)(c), of the Settlement, the Company has provided Commission Staff and other members of the CRAG with the enclosed proposed tariff sheets on March 1, 2011 to allow them time to review the filing prior to the requested May 1, 2011 effective date.

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The tariff sheets described herein reflect an issue date of March 1, 2011, and an effective date of May 1, 2011. Posting of proposed tariff changes, as required by WAC 480-100-193, is being made by posting the proposed tariff sheets on the PSE web site immediately prior to or coincident with the date of this transmittal letter. Notice of proposed tariff changes, as required by law and the Commission's rules and regulations, will be given to the public at least thirty days before the originally stated effective date of the tariff change through web, telephone and mail access in accordance with WAC 480-100-195(3) by posting the proposal in accordance with WAC 480-100-193(1).

Please contact Mr. Lynn Logen at (425) 462-3872 for additional information about this filing. If you have any other questions please contact me at (425) 462-3495.

Very truly yours,



Tom DeBoer
Director, Federal & State Regulatory Affairs

Enclosure

cc: Simon J. ffitch, Public Counsel
Sheree Carson, Perkins Coie