

Exhibit No. ____ (JRS-7)
Docket Nos. UE-060266/UG-060267
Witness: Joelle R. Steward

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

DOCKET NO. UE-060266

DOCKET NO. UG-060267

EXHIBIT TO DIRECT TESTIMONY OF

JOELLE R. STEWARD

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Proposed Electric Energy Efficiency Incentive Mechanism

July 25, 2006
Revised August 9, 2006

Puget Sound Energy General Rate Case
Commission Staff Proposed Electric Efficiency Incentive Mechanism

| | A | B | C | D | E | F | G | H |
|-----------------------------|-------------|-------------------------|------------------|------------------|-----------------------------|------------------------------|------------------------------------------------|----------------------------|
| Incentive Range | aMW Saved | MWH Saved = A x 8760 | % of base target | \$/MWH Incentive | Shared Savings Incentive | Per MWH Incentive = B x D | Shared Savings Incentive* = B x 0.18 x E | Total Incentive = F + G |
| 140.0 - <150.0% | 26.54 | 232,447 | 145% | \$ 20 | 100% | \$ 3,045,852 | \$ 723,983 | \$ 3,769,835 |
| 130.0 - <140.0% | 24.71 | 216,416 | 135% | \$ 20 | 80% | \$ 2,725,236 | \$ 463,707 | \$ 3,188,943 |
| 120.0 - <130.0% | 22.88 | 200,385 | 125% | \$ 20 | 40% | \$ 2,404,620 | \$ 289,420 | \$ 2,694,040 |
| 110.0 - <120.0% | 21.05 | 184,354 | 115% | \$ 20 | 20% | \$ 2,084,004 | \$ 202,277 | \$ 2,286,281 |
| 100.0 - <110.0% | 19.22 | 168,323 | 105% | \$ 20 | 10% | \$ 1,763,388 | \$ 172,844 | \$ 1,936,232 |
| 100% Baseline Target | 18.3 | 160,308 | 100% | \$ 10 | 5% | \$1,603,080 | \$144,277 | \$1,747,357 |

| Penalty Range | aMW Saved | MWH Saved = A x 8760 | % of base target | \$/MWH Penalty | aMW Shortfall - A = base target - A | MWH Shortfall = E x 8760 | Total Penalty = D x F |
|----------------|-----------|-------------------------|------------------|----------------|----------------------------------------|-----------------------------|--------------------------|
| 90.0 - <100.0% | 17.39 | 152,293 | 95% | \$ 8,015 | 0.91 | \$ 8,015 | \$ - |
| 80.0 - <90.0% | 15.56 | 136,262 | 85% | \$ 75 | 2.75 | \$ 24,046 | \$ 1,803,465 |
| 70.0 - <80.0% | 13.73 | 120,231 | 75% | \$ 80 | 4.58 | \$ 40,077 | \$ 3,045,852 |
| 60.0 - <70.0% | 11.90 | 104,200 | 65% | \$ 85 | 6.41 | \$ 56,108 | \$ 4,368,393 |
| 50.0 - <60.0% | 10.07 | 88,169 | 55% | \$ 90 | 8.24 | \$ 72,139 | \$ 5,771,088 |
| <50.0% | 8.24 | 72,139 | 45% | \$ 95 | 10.07 | \$ 88,169 | \$ 7,253,937 |

Note: The calculations in Columns F and G are performed for the increment difference from the prior range.

| *Shared Savings Calculation (From PSE Exhibit (CES-5)) | |
|-----------------------------------------------------------|----------|
| Avoided Cost | \$ 0.059 |
| TRC Conservation | \$ 0.041 |
| Net Shared Incentive | \$ 0.018 |