



News Release

Puget Sound Energy Files Request to Update Energy-conservation Credit Program

BELLEVUE, Wash., Jul 16, 2001 (BUSINESS WIRE) -- Puget Sound Energy today asked state regulators to update the formula for calculating a bill credit the utility's customers can receive for conserving electricity.

PSE, a subsidiary of Puget Energy (NYSE: PSD), said the proposed change would increase the potential credit a customer could earn and better align the utility's 6-week-old "Conservation Incentive Credit" program with fluctuations in the wholesale power market. In addition, the kilowatt-hours eligible for a credit would be capped at an overall 20 percent cutback in a customer's power use.

Under today's filing with the Washington Utilities and Transportation Commission, the incentive credit's maximum rate would increase through September to 5.5 cents per kilowatt-hour saved, and then to a 6 cent ceiling for the remainder of 2001. The revised credit's specific rate would rise or fall in line with swings in the Northwest wholesale price of electricity.

"This proposal is designed to make the credit program mirror what's happening in the market," said Tim Hogan, PSE vice president of External Affairs. "We want customers' financial reward for conserving energy to rise as the cost of power goes up. At the same time, we need to make sure the program's costs don't exceed the overall benefits to all our customers when the wholesale price of power is low."

Currently, PSE residential and business customers earn a fixed, 5-cent credit for every kilowatt-hour of electricity they save in excess of a 10 percent cutback in their energy use. A customer's monthly power use is compared to the same month last year to determine credit eligibility.

Under the new proposal, the credit's rate would be recalculated each month. PSE's average retail price of electricity -- 5.5 cents per kWh -- would be subtracted from the latest month's average wholesale price of power. For example, if the average wholesale price was \$100 per megawatt hour (or 10 cents per kWh), that month's Conservation Incentive Credit would be 4.5 cents per kWh (the 10 cent per kWh wholesale price minus PSE's 5.5 cent per kWh retail price = a 4.5 cent per kWh incentive credit).

With the updated calculation sought by PSE, customers could earn an incentive credit of up to 6 cents per kilowatt-hour saved (October through December 2001), depending on the market price of power. That's a higher potential incentive rate, Hogan noted, than the flat 5-cent credit now available to customers. Under the revised calculation, the credit still triggers when a customer reduces energy usage more than 10 percent compared to the same month last year, and caps out at an overall 20 percent cutback. Data from the first month of the PSE program shows reductions above 20 percent typically result from stores going out of business or other non conservation-related circumstances.

"It's important that homes and businesses continue saving as much energy as possible and shifting as much power use as they can to the off-peak hours of the day," Hogan said. "The region still needs everyone to manage their energy consumption carefully."

In June -- the first full month of eligibility for PSE's Conservation Incentive Credit -- more than one-fourth of the utility's electric customers earned a credit on their power bill. The June credits, totaling nearly \$3.5 million, averaged \$13.15 per customer. The PSE credit program is scheduled to run through the end of 2001.

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