

**Exhibit C to
Settlement Stipulation**

***PSE GENERAL RATE CASE
DOCKET NOS. UE-011570 and UG-011571***

SETTLEMENT TERMS FOR ELECTRIC RATE SPREAD

A. Executing Parties

1. The following parties have participated in the Electric Rate Spread collaborative in Docket Nos. UE-011570 and UG-011571, and have reached consensus on the terms of settlement with respect to such issues, as set forth in this Agreement: Puget Sound Energy, Inc. ("PSE" or the "Company"); the Staff of the Washington Utilities and Transportation Commission; the Public Counsel Section of the Attorney General's Office; Intervenor Industrial Customers of Northwest Utilities; Intervenor the Kroger Co.; Intervenor AT&T Wireless Services, Inc.; Intervenor Microsoft Corporation, and Intervenor Federal Executive Agencies (hereinafter referred to collectively as "Executing Parties").

B. Cost of Service

2. For the purposes of settlement, the parties agreed to base rate class cost recovery upon the cost of service ("COS") methods approved by the Commission in Docket No. UE-920499. This methodology is demonstrated in the Company's Second Supplemental Response to Public Counsel Data Request No. 12, a copy of which is attached hereto as Appendix 1. The COS study is currently based upon a revenue deficiency of \$89,725,198. Since the COS study is only one factor considered in determining rate spread, the study did not require updating for the final rate spread proposal.

C. Rate Spread

3. Based on the cost of service study described above and in consideration of customer impacts and equity rate making standards, the Executing Parties have stipulated to the following rate spread:

	% Increase	% to Average Increase	\$ Increase
Res Svc	5.27%	107.9%	\$31,805,830
Sec Svc 24	5.10%	104.5%	\$8,136,251
Sec Svc 25	4.12%	84.3%	\$8,185,443
Sec Svc 26	3.20%	65.6%	\$3,510,309
Pri Svc	5.10%	104.5%	\$4,822,736
Retail Wheeling	4.12%	84.3%	\$266,536
High Voltage	5.10%	104.5%	\$994,787
Lighting Svc	5.10%	104.5%	\$573,223
Firm Resale	37.53%	768.7%	\$537,717
Total Allocation	4.88%	100.0%	\$58,832,832

D. Miscellaneous Provisions

4. **Binding on Parties:** The Executing Parties agree to support the terms and conditions of this Agreement, as described above. The Executing Parties understand that this Agreement is subject to Commission approval.

5. **Integrated Terms of Settlement:** The Executing Parties have negotiated this Agreement as an integrated document. Accordingly, the Executing Parties agree to recommend that the Commission adopt this Agreement in its entirety.

6. **Negotiated Agreement:** This Agreement represents a fully negotiated agreement. Each Executing Party has been afforded the opportunity, which it has exercised, to review the terms of the Agreement. Each Party has been afforded the opportunity, which it has exercised, to consult with legal counsel of its choice concerning such terms and their implications. The Agreement shall not be construed for or against any Executing Party based on the principle that ambiguities are construed against the drafter.

7. **Execution:** This Agreement may be executed by the Executing Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.

DATED this 3rd day of June, 2002.

PUGET SOUND ENERGY, INC.

By _____
Kimberly Harris
Vice President of Regulatory
Affairs

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION
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AT&T WIRELESS SERVICES, INC.

By _____
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FEDERAL EXECUTIVE AGENCIES

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By _____
Michael L. Kurtz
Attorney for Kroger Co.