

**Exhibit D to
Settlement Stipulation**

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

SETTLEMENT TERMS FOR ELECTRIC RATE DESIGN

A. Executing Parties

1. The following parties have participated in the Electric Rate Design 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 WorldCom, Inc.; Intervenor Microsoft Corporation; and Joint Intervenor NW Energy Coalition and Natural Resources Defense Council (hereinafter referred to collectively as "Executing Parties").

B. Rate Design Appendix

2. Specific details relating to rate design are presented in the attached Rate Design Appendix ("Appendix"). In addition, following are certain specific mechanics agreed to by the Executing Parties regarding particular rate design derivations.

C. "Small" Customers

3. Residential (Schedule 7): The single and three phase customer charges will be \$5.50 and \$13.60 respectively. The seasonal rate structure will be eliminated and the tail block rate will receive 150% of the average increase and any remaining increase will be spread to the first block.

4. Small General Service (Schedule 24): The single and three phase basic charge will be the same as Schedule 7. The summer winter rate differential will be decreased by 50% compared to current rates.

D. “Large” Customers

5. Monthly Customer Charge: The customer charges will be as outlined in the attached Appendix.

6. Demand Charges: The demand and kVar charges will be set at the levels identified in the Company’s filed rate proposal in Exhibit JAH-5, except that Schedule 35, 448, 449, 458, and 459 demand charges will be as shown in the attached Appendix.

7. Energy Charges:

- **Rate Schedule 25**: The remainder of the increase after adjusting the customer and demand charges shall be applied to the energy rates as follows. First, the winter first block will receive 1.5 times the average increase. Second, the summer first block will receive the average increase. Finally, the remainder of the energy revenue requirement will be collected in the second block and the seasonal energy charge for the second block will be eliminated.
- **Irrigation Rates (Schedules 29 and 35)**: The remainder of the increase to each of these rates, after adjusting the customer and demand charges, shall be applied to the current energy rate components. For Schedule 29, the winter tailblock remains unchanged, the summer tailblock will be increased 1.2%, the winter first block will be increased 3.63% and then the remainder of the increase will be applied to the summer first block. For Schedule 35, the seasonal energy rates will be eliminated.
- **Rate Schedules 26 (Secondary General Service) and 31 (Primary General Service)**: The remainder of the increase, after adjusting the customer and demand charges, shall be applied to the energy charge. Both schedules will have non-seasonal energy charges. Rates shall move towards cost-based differentials between Schedules 26 and 31, but this adjustment will be phased in over a three-year period. There will be three annual adjustments starting one year after the first day of the month that the settlement rate increase takes effect. On each of the three anniversaries, the Schedule 31 energy and demand charges will be increased by one percent. The proforma increase in revenues will be applied to Schedule 26 by first decreasing the demand charge by one percent and then applying the remainder of the decrease to the energy charge.
- **Internet Service Providers (“ISP”) (Special Contract Customers)**: The three ISP customers currently served under special contract will be served under Schedule 31 Primary Voltage Service. Based upon the line extension policy in effect as of the date below, the customers will receive a full refund of

payments made to the Company in association with constructing Company-owned facilities to establish service for those customers. The refunds will be made with interest at the same rate applied to customer deposits. Future incremental load and facilities requirements for these customers will be subject to the then effective line extension policies and provisions and /or other tariffs. Any of these three customers may, at any time, take service under any other PSE tariff for which it qualifies.

- **Rate Schedule 43:** The remainder of the increase, after adjusting the customer and demand charges shall be applied to the energy charge. The seasonal energy charge will be eliminated.
- **High Voltage Rate Schedules 46 and 49:** The remainder of the increase, after adjusting the customer and demand charges, shall be applied to the energy charge. The seasonal energy charge will be eliminated.
- **Retail Wheeling Rate Schedule 448, 458, 449 and 459:** The increase will be applied on a cost basis to the customer charge and the demand (distribution) charge. Based on test period pro forma units, these customers will be charged an additional \$3 million (on a kVA basis) for the period July 1, 2002 through June 30, 2003, through a separate surcharge, New Schedule 126. Simultaneously, and also based on test year pro forma units, New Schedule 127 will credit \$3 million to all other customers on an equal percent of revenue basis. No true-up will apply to either New Schedule 126 or 127.

E. Lighting Customers

8. The rate adjustment will start with the Company's filed rates and be proportionately adjusted downward based upon the ratio of the final class rate increase to the filed rate increase.

F. Miscellaneous Provisions

9. **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.

10. **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.

11. **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.

12. **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 5th day of June, 2002.

PUGET SOUND ENERGY, INC.

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