

**Exhibit G to
Settlement Stipulation**

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

SETTLEMENT TERMS FOR LOW INCOME

A. Executing Parties

1. The following parties have participated in the Low Income 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 Northwest Industrial Gas Users; Intervenor Seattle Steam Company; Joint Intervenors the NW Energy Coalition and Natural Resources Defense Council; and Joint Intervenors the Multi-Service Center, Opportunity Council, and Energy Project. All parties identified in this paragraph are hereinafter referred to collectively as "Executing Parties".

B. Summary of Low Income Tariff Structure

2. PSE's Low Income Program (LIP), which will be offered according to RCW 80.28.068, will be subject to an \$8.9 million annual revenue cap (\$8.6 million available for the LIP, adjusted for conversion factor). Revenue will be collected from and subsequently distributed to electric and gas customers according to the Four Factor Allocator included in the Company's annual Commission Basis Report filed with the Commission. This results in a 67.4% electric (\$6.0 million) and 32.6% gas (\$2.9 million) allocation.

3. LIP Cost Recovery Methodology. This methodology is agreed to for settlement purposes only and is not intended to establish any precedent for PSE or other investor-owned utility low income programs. It is further detailed below and in the attached gas and electric spreadsheets that are hereby incorporated by reference.

a.) Natural Gas.

Cost recovery for the LIP will be based upon the specific rates set forth in the attached spreadsheets.

b.) Electric

Cost recovery for the LIP will be based upon the rates methodology set forth in the attached spreadsheets. The attached spreadsheets use forecast revenues and load from an annual period of April 2002 through March 2003 which exclude any general rate impacts. The information will need to be adjusted after general rates are determined and updated for the rate year revenues and loads.

4. All electric customer classes will fund the LIP according to the rate spread methodology set forth in the attached spreadsheets.

5. All gas customer classes will fund the LIP according to the rate spread methodology set forth in the attached spreadsheets, except that no gas LIP allocations will be made to natural gas special contract customers.

6. The electric LIP will follow the Low Income Home Energy Assistance Program (LIHEAP) year which runs annually from October 1st to September 30th. For the first year, the natural gas LIP will begin its program year effective no sooner than the dates general revenue gas rates changes go into effect in Docket UG-011571. Thereafter, the gas LIP year will coincide with the electric LIP year. The program year designation shall not in any way alter the respective LIP annual revenue caps.

7. The LIP program is proposed without a termination date.

8. The program will be subject to an individual annual cap of \$750 per qualifying household which conforms to the LIHEAP cap in effect in May 2002. Should the LIHEAP cap be adjusted in the future, the PSE LIP cap will be adjusted an equivalent amount, but PSE will notify the Commission in writing prior to incorporating any adjustment in the individual cap. Further, any adjustment to the individual cap will not alter the LIP annual revenue cap (\$8.9 million).

9. The LIP shall be filed as a separate implementation schedule. However, the actual per block rates of the LIP shall be separately stated on the tariff pages of the base rate schedules. The costs of the LIP will be recovered in base rates. The implementation schedule will conform to the total Program annual cap. The cost recovery will be subject to an annual compliance filing, on the anniversary of the LIP implementation schedule effective date, to reflect changes in total billing determinants (true up to maintain conformity to the LIP annual revenue cap). The LIP will be budgeted on an annual basis. As such, full operation can commence once collection begins and Program expenditures may be greater or less than collections in any month,

so long as the total annual expenditures conform to the annual revenue cap. Until PSE's next general rate case, the cost allocation methodology applied to initial Program cost recovery as set forth in paragraph 3 and the attached spreadsheets shall also be applied in these annual compliance filings.

C. Specific components of PSE's LIP

10. Agencies administering the program (herein “Low Income Agencies” or “Agencies”) must meet the criteria for a “Qualifying Organization” as defined in RCW 82.16.0497: Credit—Light and Power Business, Gas Distribution Business. (This law gives tax credits to utilities for contributions to organizations that administer low-income energy assistance programs.)

11. Designated Agencies will ascertain whether specific PSE customer-households seeking assistance with their electric and/or gas bills qualify for the LIP.

12. The Agencies approved to administer the LIP will execute a separate contract with PSE which provides, among other things, that:

- The Agencies will be subject to periodic auditing
- There will be an annual administration evaluation of the Agencies

13. There will be a prescribed agency administrative fee structure based on actual costs to local contractors to operate the LIHEAP program in Washington State. Data on these costs are collated annually by the Washington Department of Community, Trade and Economic Development. Funding will be allocated in PSE’s service area proportionate to LIHEAP payments to PSE for gas and electricity in the most recent LIHEAP fiscal year.

14. The Agencies will determine whether a household meets the federal definition for LIHEAP qualification.

- If the LIHEAP qualification is met, the household will receive LIHEAP funds in lieu of the PSE LIP, until or unless LIHEAP funds have been exhausted.
- If the LIHEAP qualification is met but LIHEAP funds are exhausted, the household would meet the financial criteria for the PSE LIP.
- If the LIHEAP qualification is not met but the household falls under the income ceiling for the PSE LIP, the household will qualify for the LIP program. Paragraph 19 below explains these income eligibility criteria.

15. After a household qualifies to receive assistance under the LIP, the household will receive a benefit amount calculated through a predetermined formula that is based on the household's annual energy use for which the household receives service from PSE. The household benefit amount is subject to the annual cap as specified in paragraph 8 above and will be credited to the household's account with PSE.

16. A qualifying household may receive assistance through the PSE LIP once during a program year. Households must be requalified annually by one of the Agencies.

17. Agencies will provide qualifying households with education and referrals, as appropriate, on the following elements/programs:

- Low-income weatherization and energy efficiency
- Personal Energy Management Education / Time-of-Use Rate
- Deferred Payment Arrangements/Budget Billing
- Conservation (help avoid increased usage)

18. The education process that the Company will perform will include information to customers dealing with a delinquent utility bill on how to access low-income assistance.

19. Income Eligibility Criteria: With exceptions as noted, eligibility will be restricted to "very low-income households," as defined by the Washington Department of Community, Trade and Economic Development for purposes of affordable housing in RCW 43.63A.510. Currently, that definition identifies households with an income not to exceed 50% of area median income. For purposes of PSE's LIP, in areas where 50% of median income exceeds 150% of federal poverty guidelines, eligibility will be capped at 150% of federal poverty guidelines; and in areas where 50% of median income falls below 125% of federal poverty guidelines, eligibility will be capped at 125% of federal poverty guidelines. To summarize, the income-eligibility ceiling for the LIP program fluctuates in a range between 125% and 150% of federal poverty guidelines; within the range, the precise figure equals 50% of the median income of an area.

20. Program outcomes will be monitored and analyzed through an annual report the Company will submit to the Commission no later than May 31st of each year in a form to be developed by the Low Income Agencies, NW Energy Coalition, Commission Staff, Public Counsel, and PSE. Such reports will be used to modify the LIP where indicated. At a minimum, the annual report shall include: number of

participants, total amount of assistance paid, and average level of assistance per household.

21. Customers will be afforded quarterly notice regarding the LIP. PSE will create bill stuffers in English and other necessary languages and will provide copies to the Agencies to facilitate distribution of the LIP. First year program costs will include: a) billing system programming costs to enable LIP billing and tracking of program revenues; and b) development and copying of bill stuffers.

22. PSE will coordinate the creation of a working group that will advise the Company on low income issues. Any modifications to PSE's tariffs or schedules must be initiated by PSE and approved by the Commission.

23. Gas rate changes to fund the LIP shall be effectuated at the time the general revenue gas rate changes go into effect in PSE's General Rate case in Docket No. UG-011571. Electric rate changes to fund the LIP shall be effective July 1, 2002.

24. The Low Income and Senior Low Income Time-of-Use Discount program will be made available to 200 qualifying households through a separate tariff filing subject to Commission approval that will not be included as part of the annual compliance filing. Time-of-Use Discount rates will be discounted in the Mid-Day and Economy time periods.

D. Miscellaneous Provisions

25. **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.

26. **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.

27. **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.

28. **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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