

**Exhibit I to  
Settlement Stipulation**

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

**SETTLEMENT TERMS FOR  
RELOCATION AND UNDERGROUND CONVERSIONS (CITIES)**

**A. Executing Parties**

1. The following parties have participated in the Relocation and Underground Conversion (Cities) collaborative in Docket Nos. UE-011570 and UG-011571, and have reached consensus on the terms of settlement with respect to issues in dispute in this proceeding regarding electric Schedules 70, 71 and 72 and gas Rule 28, as set forth in this Agreement: Puget Sound Energy, Inc. ("PSE" or the "Company"); the Staff of the Washington Utilities and Transportation Commission ("WUTC Staff"); Intervenor King County ("King County"); Intervenor the Central Puget Sound Regional Transit Authority ("Sound Transit"); and Intervenors the Cities of Auburn, Bellevue, Bremerton, Burien, Maple Valley, Kent, Des Moines, Federal Way, Redmond, Renton, SeaTac and Tukwila (the "Cities") (hereinafter referred to collectively as "Executing Parties").

**B. Withdrawal of Electric Schedule 72 and Gas Rule 28**

2. Electric Schedule 72 and gas Rule 28 shall be withdrawn from PSE's general rate case filing in Docket Nos. UE-011570 and UG-011571, and shall have no force or effect.

3. In addition to complying with applicable statutory and regulatory notice requirements, PSE further agrees to notify the Cities, Sound Transit and King County through their chief executive officers in writing thirty (30) days prior to making any filing at the Commission that would have substantially the same effect as Electric Schedule 72 or gas Rule 28, for a period of five (5) years from the date of execution of this Agreement.

**C. Substitution of Agreed Electric Schedules 70 and 71**

4. The versions of Electric Schedules 70 and 71 that were filed by PSE in its general rate case filing in Docket Nos. UE-011570 and UG-011571 shall be withdrawn

and replaced by the versions of Electric Schedules 70 and 71 that are attached hereto as Appendix 1 and Appendix 2, respectively.

**D. Future Changes or Challenges to New Schedule 71**

5. PSE agrees that it will not seek to revise, change or amend Sections 1, 2.a. or 3 or the definition of any terms contained therein, of the Schedule 71 that is attached hereto as Appendix 2 by filing any proposed revisions to such schedule or by making any other filing that would have the effect of revising, changing or amending such sections of the schedule, unless PSE has obtained the express, written approval of the Cities for such a filing, for a period of five (5) years from the date of execution of this Agreement.

6. In addition to complying with applicable statutory and regulatory notice requirements, PSE further agrees to notify the Cities, Sound Transit and King County through their chief executive officers in writing thirty (30) days prior to any filing at the Commission that would revise, change or amend the provisions of the Schedule 71 that is attached hereto as Appendix 2 or have the effect of revising, changing or amending such schedule, for a period of five (5) years from the date of execution of this Agreement.

7. The Cities agree that they will not file or join in any complaint claiming that the provisions of the Schedule 71 that is attached hereto as Appendix 2 are not fair, just, or reasonable, or that otherwise challenges or seeks to revise, change or amend the provisions of the Schedule 71 that is attached hereto as Appendix 2 for a period of five (5) years from the date of execution of this Agreement; *provided that* nothing in this Agreement shall preclude the Cities from filing a complaint claiming that any other Executing Party has or is failing to comply with the provisions of the Schedule 71 that is attached hereto as Appendix 2.

**E. Resolution of Pending Appeal of Commission's Third Supplemental Order Regarding Schedule 71**

8. The Executing Parties agree and stipulate that the Commission's Third Supplemental Order: Declaratory Order on Motions for Summary Determination, *City of Kent v. Puget Sound Energy, Inc.; City of Auburn et al. v. Puget Sound Energy, Inc.*, Dockets Nos. UE-010778 and UE-010911 ("Schedule 71 Third Supplemental Order") was based on stipulated facts and interpreted and applied PSE's tariff Schedule 71 – Conversion to Underground Service in Commercial Areas (Effective Date April 11, 1997).

9. The Cities of Auburn, Bremerton, Des Moines, Federal Way, Kent, Lakewood, Redmond, Renton, SeaTac, and Tukwila ("Appeal Cities") have petitioned for

judicial review of the Schedule 71 Third Supplemental Order in *Cities of Auburn et al. v. Washington Utilities and Transportation Commission* (Thurston Co. No. 02-2-00341-6) and *City of Kent v. Washington Utilities and Transportation Commission* (Thurston Co. No. 02-2-00774-8) (“Appeal”). Following Commission approval and acceptance of the Schedule 71 that is attached hereto as Appendix 2 in its entirety, without material alteration, and following expiration of all reconsideration and appeal time periods of the Commission order granting such approval, the Appeal Cities agree to dismiss the Appeal with prejudice. The Appeal Cities shall determine materiality and shall do so in good faith. Such dismissal shall be without waiver of or prejudice to the Appeal Cities' rights with respect to any future proceedings.

**F. Settlement of Disputes Regarding Pending City Of SeaTac (“SeaTac”) Conversion and Related Interim Agreement**

10. The Company and SeaTac entered into an Interim Undergrounding Agreement dated February 25, 2002 ("SeaTac Agreement"), for the underground conversion of certain overhead PSE facilities on International Boulevard from South 160th Street to South 170th Street specifically identified on PSE work order No. 101009635 (the "SeaTac Project"). The SeaTac Agreement reserved the parties' rights with respect to numerous issues pending the final outcome of the Appeal, and construction on the SeaTac Project is currently underway. As part of the dismissal of the Appeal described above and settlement of disputes related to application of the former Schedule 71 or the new, agreed Schedule 71 to this pending project, the SeaTac Agreement will be amended to reflect the following:

- a. PSE shall pay 60% and SeaTac shall pay 40% of the actual conversion costs.
- b. PSE shall notify SeaTac if the actual conversion costs begin to track higher than the \$552,678.62 estimate of actual conversion costs that was provided in the SeaTac Agreement.
- c. No transfer of operating rights for the SeaTac Project shall occur, so that SeaTac will continue to hold any utility easements that are in SeaTac's name in SeaTac's name, and PSE shall continue to hold any easements that are in PSE's name. No reimbursement for such operating rights shall occur, except that PSE shall pay SeaTac for SeaTac's costs for the agent SeaTac hired to negotiate PSE's easements, up to a maximum payment amount of \$15,000.

- d. The provisions of Sections 3.c and 3.d of Appendix 2 shall govern the relocation of the Company's facilities installed pursuant to the SeaTac Agreement.
- e. The schedule for exchange of itemization of costs and payment deadlines for the SeaTac Project shall be consistent with Section 7 of the Project Construction Agreement attached to Appendix 2. Nothing in this Section 9.e. or application of Section 7 of the Project Construction Agreement attached to Appendix 2 shall modify Sections 10.a – 10.d, above.

#### **G. Miscellaneous Provisions**

11. **Binding on Parties:** The Executing Parties understand that this Agreement, including Appendix 1 and 2, is subject to Commission approval. The Executing Parties agree to support the terms and conditions of this Agreement, including Appendix 1 and 2, as described above. The Agreement, including Appendix 1 and 2, and all of the terms and provisions hereof shall be binding upon and inure to the benefit of the respective successors, assigns, purchasers, and transferees of the Executing Parties, including but not limited to, any entity to which the rights or obligations of an Executing Party are assigned, delegated, or transferred in any corporate reorganization, change of organization, or purchase or transfer of assets by or to another corporation, partnership, association, or other business organization or division thereof.

12. **Integrated Terms of Settlement:** The Executing Parties have negotiated this Agreement, including Appendix 1 and 2, as an integrated document. Accordingly, the Executing Parties agree to recommend that the Commission adopt this Agreement, including Appendix 1 and 2, in its entirety.

13. **Negotiated Agreement:** This Agreement, including Appendix 1 and 2, represents a fully negotiated agreement. Each Executing Party has been afforded the opportunity, which it has exercised, to review the terms of the Agreement, including Appendix 1 and 2. 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, including Appendix 1 and 2, shall not be construed for or against any Executing Party based on the principle that ambiguities are construed against the drafter.

14. **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.**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION  
STAFF**

By \_\_\_\_\_  
Kimberly Harris  
Vice President of Regulatory  
Affairs

By \_\_\_\_\_  
Robert Cedarbaum  
Shannon Smith  
Assistant Attorneys General

**SOUND TRANSIT**

**KING COUNTY**

By \_\_\_\_\_  
Elizabeth Thomas  
Claire Jackson  
**Preston Gates Ellis LLP**  
Counsel for Sound Transit

By \_\_\_\_\_  
Its \_\_\_\_\_

**CITY OF TUKWILA**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:  
\_\_\_\_\_

**CITY OF KENT**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:  
\_\_\_\_\_

**CITY OF AUBURN**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:  
\_\_\_\_\_

**CITY OF BELLEVUE**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:  
\_\_\_\_\_

**CITY OF SEA TAC**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:  
\_\_\_\_\_

**CITY OF BURIEN**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:  
\_\_\_\_\_

**CITY OF RENTON**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:  
\_\_\_\_\_

**CITY OF DES MOINES**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:  
\_\_\_\_\_

**CITY OF FEDERAL WAY**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:

\_\_\_\_\_

**CITY OF REDMOND**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:

\_\_\_\_\_

**CITY OF BREMERTON**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:

\_\_\_\_\_

**CITY OF MAPLE VALLEY**

By \_\_\_\_\_  
Its \_\_\_\_\_

Approved as to form:

\_\_\_\_\_

**Appendix 1**  
**New Schedule 70**



**Appendix 2**  
**New Schedule 71**