

**Exhibit J to
Settlement Stipulation**

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

SETTLEMENT TERMS FOR SERVICE QUALITY INDEX (SQI)

A. Executing Parties

1. The following parties have participated in the Service Quality Index (SQI) 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; and Joint Intervenors the Multi-Service Center, Opportunity Council, and Energy Project (hereinafter referred to collectively as "Executing Parties").

B. Continuation of Service Quality Program

2. The Executing Parties have agreed to the continuation of the service quality program (with modifications as described below and in Appendix 2, attached hereto) as originally implemented under Docket No. UE-960195 (the merger docket) until such time as directed otherwise by the Commission. Any Executing Party may bring a request to terminate the service quality program to the Commission at any time, but no sooner than 5 years from the implementation date directed under Docket Nos. UE-011570 and UG-011571.

3. The service quality program includes both a Customer Service Guarantee and a Service Quality Index, as described below.

C. Customer Service Guarantee (Missed Appointment Credit)

4. PSE will continue to provide specific compensation to individual customers. The general terms of the Guarantee are set forth in the Company's tariff Schedule 130 Customer Service Guarantee for both electric and natural gas service, attached hereto as Appendix 1. Compensation will continue to be provided to customers automatically with a credit to customers' bills. PSE agrees to take specific actions to

promote customer awareness of the Customer Service Guarantee, as set forth in Appendix 2 to this agreement.

D. Service Quality Index

5. The quality of service which PSE provides to its customers will be measured by a Service Quality Index composed of the following eleven individual indices:

- (1) Overall Customer Satisfaction
- (2) WUTC Complaint Ratio
- (3) SAIDI (System Average Interruption Duration Index)
- (4) SAIFI (System Average Interruption Frequency Index)
- (5) Customer Access Center Answering Performance
- (6) Customer Access Center Transaction Satisfaction
- (7) Gas Safety Response Time
- (8) Field Service Operations Transactions Customer Satisfaction
- (9) Disconnection Ratio
- (10) Missed Appointments
- (11) Electric Safety Response Time

6. Methodology: The specific terms of the Service Quality Index, benchmarks, and calculation methodology are set forth in attached Appendix 2 to this Agreement.

7. Financial Penalties: As detailed in Appendix 2 to this Agreement, PSE shall be assessed a financial penalty if any service quality index, other than index No. 1, Overall Customer Satisfaction, falls below its benchmark, as follows:

- For each full point below a benchmark for index numbers 2, 3, 4, 7, 9 and 11, a penalty of \$225,000 shall be applied, not to exceed \$1,000,000 per index.
- For each full point below a benchmark for index number 5, a penalty of \$36,000 shall be applied, not to exceed \$1,000,000.

- For each full point below a benchmark for index number 6 and 8, a penalty of \$57,000 shall be applied, not to exceed \$1,000,000.
- The maximum annual aggregate penalty for all ten indices is \$10 million.
- Any amounts paid by PSE under the Customer Service Guarantee (Missed Appointment Credit) shall reduce any financial penalties imposed and otherwise payable under this section for index number 10 Missed Appointments.
- In its report to the Commission filed February 15 of each year, described below, PSE shall include the calculation of a penalty, if any, as provided herein in Appendix 2.
- For each full point below a benchmark for index number 10, a penalty of \$4,700 shall be applied, but in no event shall the total cumulative penalty exceed \$1,000,000.

8. Mitigation: PSE's February 15 report to the Commission may include a mitigation petition for relief from a financial penalty. The standard to be applied for such petition is that the penalty is due to unusual or exceptional circumstances for which PSE's level of preparedness and response was reasonable. PSE will not file a mitigation petition unless it believes, in good faith, that it meets this mitigation standard. The Executing Parties contemplate that, following a procedure to be established by the Commission, a Commission order will issue assessing any penalties and resolving any mitigation petition. Any penalties imposed by such Commission order will be allocated between gas and electric operations as set forth in Appendix 2. Such penalty amounts shall be implemented as an offset to costs to be recovered in rates through the Schedule 120 Electricity Conservation Service Tracker and the Schedule 120 Gas Conservation Service Tracker, respectively.

E. Service Quality Commission Reports

9. PSE will report its results to the Commission and the Parties twice each year: (1) a semi-annual report on or about July 15 (for the January to June time period); and (2) an annual report on February 15 (for January through December). The report will include a discussion of changes in service quality that have occurred since the preceding report. In addition, in the SQI Commission report, the Company will also provide annual statistics for the time duration from first arrival to control of gas emergencies, for incidents subject to reporting under WAC 480-93-200 and WAC 480-93-210. For the three-month period ending December 2002, the Company shall file a report of its performance on February 15, 2003. Benchmarks have not been established

for this interim period and there will be no penalty calculation or customer notice (customer report card) required for this period.

F. Customer Notice (Customer Report Card)

10. At least once per year, typically beginning mid-May, PSE will report the annual results for all items in the Service Quality Index and Service Guarantee to all of its customers. The customer notice (customer report card) will be distributed to customers only after adequate consultation with Staff and Public Counsel, but no later than 90 days after the Company files its February 15 annual report. If there is any penalty imposed as a result of its performance, PSE shall identify the specific indice(s) for which performance was below the baseline, the dollar amount of any penalty and the total amount of penalty at risk. The customer report card or other customer notice to customers shall include the following statement, if applicable: "For this reporting period, the Company was at risk for a total of \$10,000,000 in penalties and was assessed a total of \$_____ in penalties, including: SQI No. ___ -- \$_____, SQI No. ___ -- \$_____, and SQI No. ___ -- \$_____."

G. Other Related Matters

11. The Company will also provide Commission Staff and Public Counsel with semi-annual and annual reports regarding the performance of PSE's contractors tracked against relevant service quality benchmarks.

12. In the February 15 annual report, PSE will include annual statistics for Gas Control Time performance, for incidents subject to reporting under WAC 480-93-200 and WAC 480-93-210. A party may propose the inclusion of Gas Control Time as a component of the SQI in the future if the party believes there has been a significant deterioration of the Company's performance in this area. PSE will also provide regular updates to Staff, no less than twice a year, on the progress of the Company's development of gas emergency response plans for outlying areas and the Company's consultation with the affected communities (city councils and first responder agencies) for such emergency response plans.

H. Miscellaneous Provisions

13. **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.

14. **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.

15. **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.

16. **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.

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