

**Exhibit K to
Settlement Stipulation**

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

**SETTLEMENT TERMS FOR
BACKUP DISTRIBUTION SERVICE**

A. Executing Parties

1. The following parties have participated in the Backup Distribution Service 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 458 and 459, as set forth in this Agreement: Puget Sound Energy, Inc. ("PSE" or the "Company"); the Staff of the Washington Utilities and Transportation Commission; Intervenor Industrial Customers of Northwest Utilities ("ICNU", on behalf of its member entities taking service under Schedules 448 and 449), and non-party Bellingham Cold Storage("BCS") (hereinafter referred to collectively as "Executing Parties"). ICNU members and BCS comprise the entire group of PSE customers taking backup distribution service under the current Schedules 458 and 459 and those eligible to taking service under Schedules 458 and 459 as non-core customers of PSE taking electric distribution service under Schedules 448 and 449 pursuant to the Commission Docket UE-001952 (April 5, 2001).

B. Substitution of Agreed Electric Schedules 458 and 459

2. The versions of Electric Schedules 458 and 459 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 UE-011570 and UG-011571 shall be withdrawn and replaced by the versions of Electric Schedules 458 and 459 that is attached hereto as Appendix 1 and 2, respectively.

C. Miscellaneous Provisions

3. **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.

4. **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.

5. **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.

6. **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

**INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES**

BELLINGHAM COLD STORAGE

By _____
Bradley Van Cleve
Attorney for ICNU

By _____
Its _____

Appendix 1
New Schedule 458

Appendix 1
New Schedule 459