

June 7, 2002

NOTICE OF PREHEARING CONFERENCE
(Tuesday, June 11, 2002, at 9:30 a.m.)

**NOTICE OF EVIDENTIARY HEARING ON PROPOSED
SETTLEMENT**
(Thursday, June 13, 2002, at 9:30 a.m.)

**NOTICE OF PUBLIC COMMENT HEARING ON PROPOSED
SETTLEMENT**
(Thursday, June 13, 2002, at 6:30 p.m.)

**NOTICE OF HEARING TO CONSIDER MODIFICATION OF
NINTH SUPPLEMENTAL ORDER RE INTERIM RATES**
(Friday, June 14, 2002, at 1:30 p.m.)

RE: *WUTC v. Puget Sound Energy*
Docket Nos. UE-011570/UG-011571

TO ALL PARTIES OF RECORD:

On June 6, 2002, at approximately 4:00 p.m., Puget Sound Energy filed a Settlement Stipulation for Electric and Common Issues and Application for Commission Approval of Settlement (“Settlement Stipulation”). This is a so-called “umbrella” stipulation that covers eleven “Issue Agreements” that offer proposals to resolve most of the issues pending in these dockets. The Issue Agreements are attached to the Settlement Stipulation and are incorporated into it by reference.

The settlement package is impressive, including more than sixty pages of substantive provisions proposed to resolve issues of significant complexity and importance, including a proposed Power Cost Adjustment mechanism, revenue requirements, cost allocation, overall rate of return, electric rate spread, electric rate design, time-of-use rates, conservation, low income discounts, electric line extensions, tariff schedules to govern relocation and underground conversion, service quality indices and enforcement, and

backup distribution service. The filing also includes a number of detailed exhibits and attachments that must be analyzed and considered in connection with the substantive settlement terms included in several of the Issue Agreements. In addition, the Settlement Stipulation provides that “[t]he Participating Parties that executed each Issue Agreement shall also cooperate in preparing and filing testimony in support of that Issue Agreement.” Some of this testimony was filed on June 7, 2002. Additional testimony may yet be filed, as well as memoranda or comments in support that Parties may elect to make, consistent with the terms of the Settlement Stipulation.

Thus, we already have before us a very significant amount of information, and we anticipate that even more information will be filed, all of which must be reviewed and analyzed, heard on the record, and considered in the Commission’s deliberative process. Following that deliberative process, the Commission’s decisions must be memorialized and announced via entry of a formal order. There is, in short, a great deal of work to be done in connection with this filing.

The umbrella Stipulation calls for Commission approval, without material condition, by a date that will permit the proposed rates and other proposed tariff changes to become effective by July 1, 2002. That proposed implementation date is an artifact of the settlement agreement approved and adopted by our Ninth Supplemental Order in this proceeding to resolve PSE’s request for interim rates. Our Ninth Supplemental Order, among other things, endorsed a process that contemplated a series of collaboratives among the Parties that was scheduled to be completed no later than May 31, 2002.

The Commission made contingency plans to conduct hearing proceedings in anticipation that any settlement agreement would be filed within a day or two of that date. That did not occur. Time that had been reserved for prehearing review and analysis of any settlement that might be filed, and any supporting memoranda, comments, pre-filed testimony and exhibits, has been lost. Such preliminary review and analysis are essential to the Commission’s consideration of any settlement. Proposed settlements must be carefully evaluated under the public interest standard and other statutory imperatives that govern the conduct of the Commission’s business. The sheer bulk and complexity of the proposed settlement make the loss of several days’ time a critical loss.

Considering the short time-frame in which Commission action is requested on this comprehensive and complex proposed settlement of a general rate proceeding concerning both electric and gas rates, and the unprecedented amount of other pressing business currently on the Commission’s calendar, it may be impossible to accommodate the Parties’ request for final action by the end of June. Nevertheless, the Commission will do what it can, consistent with due process requirements and the Commission’s statutory duties, to expedite consideration of this matter.

We will go forward with the settlement prehearing and hearing process immediately. It is necessary, however, that we consider what options are available to meet both the Parties’ and the Commission’s needs. This will be a topic for discussion at our prehearing conference. One option is to modify our Ninth Supplemental Order by extending an

interim rate beyond June 30, 2002. To preserve that option, we issue notice today of hearing proceedings on June 14, 2002, to consider what modification to our Ninth Supplemental Order, if any, might be appropriate.

PLEASE TAKE NOTICE that a prehearing conference will be held on Tuesday, June 11, 2002, beginning at 9:30 a.m., in Room 206, Chandler Plaza Building, 1300 S. Evergreen Park Drive SW, Olympia, Washington. The principal purpose of the prehearing conference will be to discuss process and scheduling options, to mark for identification such documentary evidence as the parties propose to introduce in support of the proposed settlement, to identify witnesses, to discuss other procedural issues, and to conduct such other business as may be appropriate to promote an efficient hearing process.

PLEASE TAKE FURTHER NOTICE that a hearing on the proposed settlement will be held on Thursday, June 13, 2002, beginning at 9:30 a.m. The hearing will be held in Room 206, Chandler Plaza Building, 1300 S. Evergreen Park Drive SW, Olympia, Washington.

All signatory parties are required to make available for examination one or more witnesses familiar with the proposed settlement and its factual underpinnings. Counsel will be expected to respond to the Commission's inquiries concerning legal issues raised by the Stipulation.

PLEASE TAKE FURTHER NOTICE that a public-comment hearing on the proposed settlement will be held on Thursday, June 13, 2002, beginning at 6:30 p.m. The public-comment hearing will be held in Room 206, Chandler Plaza Building, 1300 S. Evergreen Park Drive SW, Olympia, Washington.

PLEASE TAKE FURTHER NOTICE that a hearing to address whether there should be any modification to the Commission's Ninth Supplemental Order concerning interim rates will be held on June 14, 2002, beginning at 1:30 p.m., in Room 206, Chandler Plaza Building, 1300 S. Evergreen Park Drive SW, Olympia, Washington.

Sincerely,

DENNIS J. MOSS
Presiding Administrative Law Judge