

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	DOCKET NO. UE-072300
	)	
Complainant,	)	DOCKET NO. UG-072301
	)	<i>(consolidated)</i>
v.	)	
	)	
PUGET SOUND ENERGY, INC.,	)	MULTIPARTY SETTLEMENT RE:
	)	NATURAL GAS RATE SPREAD AND
Respondent.	)	INDUSTRIAL NATURAL GAS RATE
	)	DESIGN
	)	

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**I. INTRODUCTION**

This Multiparty Settlement is entered into pursuant to WAC 480-07-730(3) in order to compromise and settle all issues concerning natural gas rate spread and industrial natural gas rate design for Schedules 57, 85 and 87 that have been raised in this consolidated proceeding between the settling parties. This Multiparty Settlement sets forth both the rate spread that the parties agree should be applied to any natural gas revenue requirement the Commission determines at the conclusion of litigation on contested revenue requirement issues and the industrial natural gas rate design that will be applied to Schedules 57, 85 and 87 in order to produce the total revenue requirement.

**II. PARTIES**

This Multiparty Settlement is entered into by: The Staff of the Washington Utilities and Transportation Commission ("Staff"); the Public Counsel Section of the Attorney General's Office ("Public Counsel"); Northwest Industrial Gas Users ("NWIGU"); Seattle Steam Company ("Seattle Steam"); Nucor Steel Seattle, Inc.

("Nucor"); and The Energy Project (collectively referred to hereinafter as the "Joint Parties").<sup>1</sup>

### III. BACKGROUND

On December 3, 2007, Puget Sound Energy, Inc. ("PSE") filed with the Washington Utilities and Transportation Commission ("Commission") revisions to its currently effective Tariff WA U-60, Tariff G, Electric Service, Advice No. 2007-34 and Tariff WN U-2, Gas Service, Advice No. 2007-35. The proposed revisions would implement a general rate increase of \$174.5 million, or 9.50 percent, for electric service and \$56.8 million, or 5.31 percent, for gas service. On December 12, 2007, the Commission suspended and consolidated the filings (collectively referred to hereinafter as the "General Rate Case"). PSE subsequently amended its General Rate Case filing on April 14, 2008, revising its electric revenue requirement to \$179.7 million and its gas revenue requirement to \$58.1 million.

A prehearing conference in the General Rate Case was held on January 14, 2008. The Commission granted petitions to intervene in the gas rate docket of NWIGU, Seattle Steam Company, NUCOR, and The Energy Project.

The Joint Parties have reached a Multiparty Settlement pursuant to WAC 480-07-730(3) and now wish to present their agreement for Commission approval. In the interests of expediting the orderly disposition of the General Rate Case, the Joint Parties therefore adopt the following Multiparty Settlement which is entered into by the Joint Parties voluntarily to resolve matters in dispute among them regarding natural gas rate spread and industrial natural gas rate design.

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<sup>1</sup> Other Intervenors in the electric rate docket who are not parties to this Multiparty Settlement are the Industrial Customers of Northwest Utilities, Kroger Co. and the Federal Executive Agencies.

The Joint Parties understand that only subsections 1-5 of Section IV of this Multiparty Settlement are subject to Commission approval and hereby respectfully request that the Commission issue an order approving those subsections of this Multiparty Settlement. The Joint Parties request that the Commission hear evidence concerning their settlement of natural gas rate spread and natural gas industrial rate design for Schedules 85, 87 and 57 as part of the hearings scheduled to commence before the Commission on August 25, 2008. The Joint Parties are also filing joint testimony in support of the Multiparty Settlement, pursuant to WAC 480-07-740(2).

#### IV. AGREEMENT

##### 1. Natural Gas Rate Spread

This section describes how the total natural gas revenue requirement increase determined by the Commission will be applied to each class of natural gas customers at the conclusion of the General Rate Case:

- a. Residential Schedule (Schedule 7): 98.46% of system average margin increase.<sup>2</sup>
- b. Commercial and Industrial Sales (Schedules 31, 36, 51, 61): 142.40% of system average margin increase.
- c. Large Volume Sales (Schedule 41): 12.50% of system average margin increase.
- d. Interruptible (Schedule 85): 12.50% of system average margin increase.

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<sup>2</sup> As used herein, "system average margin increase" is the percentage increase in revenue from all classes, not including the cost of gas, that is ultimately awarded by the Commission.

- e. Limited Interruptible (Schedule 86): 0.00% of system average margin increase.
- f. Non-Exclusive Interruptible (Schedule 87): 50.00% of system average margin increase.
- g. Special Contracts: 50.00% of system average margin increase. The increase to special contracts is an imputation and represents the assignment of an actual revenue responsibility to this class. The actual changes in any special contracts are determined by their terms.
- h. Compressed Natural Gas: 0% of system average margin increase.
- i. Rentals: 125.00% of system average margin increase.
- j. True-up: A true-up will be made on Commercial and Industrial Sales Schedules 31, 61, 51, 61 to the extent needed to meet the full revenue requirement increase ordered by the Commission

2. Natural Gas Rate Design for Schedules 85 and 87

- a. Demand charge: The percentage of margin increase resulting to Schedule 87 shall be applied to increase the demand charge by the same percentage for Schedules 87 and 85 (for example, if the resulting increase is 5%, then the current demand charge of \$1.02 is increased by the same 5% for Schedules 87 and 85).
- b. Customer charge: The same percentage of margin increase resulting to Schedule 87 shall be applied to increase the customer charge for Schedules 87 and 85 (currently \$800 for transportation and \$500 for sales).

c. Procurement charge: The procurement charge for Schedules 85 and 87 sales service shall remain the same as current (*i.e.*, \$0.00650 for Schedule 85 and \$0.00500 for Schedule 87).

d. Gas balancing service: The gas balancing service charge for transportation service shall be set at \$0.00070 as proposed by PSE in its filing (See Exhibit No. \_\_ (JKP-13) at 35 and 43).

e. Volumetric charge: The remaining revenue requirements for Schedules 85 and 87 will be recovered by increasing the volumetric charges for the respective rate schedules. Within each rate schedule, the same percentage increase will be applied to each volumetric rate block.

### 3. Operating Terms of Schedules 85T and 87T

The operating terms of Schedule 57 are incorporated into Schedules 87T and 85T. Expressly, Schedules 87T and 85T shall have no exclusive fuel requirement, no back up fuel requirement, and no monthly minimum charge, but will have an annual minimum charge. Sales Schedules 87 and 85 will have no exclusive fuel requirement and no back up fuel requirement.

### 4. Schedule 57

Schedule 57 will be eliminated once the General Rate Case is completed. With the elimination of the schedule, all Schedule 57 customers will be placed on the particular transportation schedule that is most economically advantageous to their historic usage with the same service characteristics unless the customer makes a different election.

5. Natural Gas Collaborative

The Commission should order a collaborative on natural gas cost of service, rate spread and rate design in advance of PSE's next general rate case. PSE should be ordered to hire an independent outside expert on natural gas cost of service for that collaborative and will provide that expert with all filings made in this case on the topic of gas cost of service, rate design and rate spread. PSE should also be ordered to seek input from the collaborative participants with respect to selection of the outside expert.

It is the Joint Parties' intention that the natural gas collaborative will be completed prior to the filing of PSE's next general rate case. Any agreements reached by the participants in the collaborative will be presented to the Commission for approval in PSE's next general rate case, and any issues on which agreement has not been reached may be presented to the Commission for its consideration by any of the participants in PSE's next general rate case.

Use of the independent consultant will not limit any party's right to select an expert witness in the next general rate case.

6. Miscellaneous Provisions.

a. The Joint Parties agree to support the terms and conditions of this Multiparty Settlement as a settlement of all contested issues between them in the above-captioned consolidated proceedings regarding natural gas rate spread and industrial natural gas rate design.

b. This Multiparty Settlement represents an integrated resolution of natural gas rate spread and industrial natural gas rate design issues. Accordingly, the Joint

Parties recommend that the Commission adopt and approve subsections 1-5 of Section IV of this Multiparty Settlement in their entirety.

c. The Joint Parties shall cooperate in submitting this Multiparty Settlement promptly to the Commission for approval of subsections 1-5 of Section IV above, and shall cooperate in developing supporting testimony as required in WAC 480-07-740(2)(b). The Joint Parties agree to support the Multiparty Settlement throughout this proceeding, provide witnesses to sponsor such Multiparty Settlement at a Commission hearing, and recommend that the Commission issue an order adopting the Multiparty Settlement in its entirety.

d. In the event the Commission rejects subsections 1-5 of Section IV of the Multiparty Settlement, the provisions of WAC 480-07-750(2)(b) shall apply. In the event the Commission accepts those subsections of the Multiparty Settlement upon conditions not proposed herein, each Joint Party reserves the right, upon written notice to the Commission and all other parties to this proceeding within five (5) days of the Commission order, to state its rejection of the conditions. In such event, the Joint Parties immediately will request that hearings be held on the appropriateness of the conditions or upon other natural gas rate spread or rate design proposals of the Joint Parties. In any further proceedings triggered by this paragraph, the Joint Parties agree to cooperate in development of a hearing schedule that concludes such proceeding at the earliest possible date. Any further proceedings triggered by this paragraph shall not delay any compliance filing of PSE ordered by the Commission and such compliance filing shall remain in effect pending any further proceeding.

e. The Joint Parties enter into this Multiparty Settlement to avoid further expense, uncertainty, and delay. By executing this Multiparty Settlement, no Joint Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Multiparty Settlement and except to the extent expressly set forth in this Multiparty Settlement, no Joint Party shall be deemed to have agreed that this Multiparty Settlement is appropriate for resolving any issues in any other proceeding. No Joint Party shall represent that any of the facts, principles, methods, or theories employed by any Joint Party in arriving at the terms of this Multiparty Settlement are precedents in any other proceeding.

f. This Multiparty Settlement may be executed in counterparts, through original and/or facsimile signature, and each signed counterpart shall constitute an original document.

g. Each Joint Party agrees:

1. to provide all other Joint Parties the right to review in advance of publication any and all announcements or news releases the Joint Party intends to make about the Multiparty Settlement. This right of advance review includes a reasonable opportunity for a Joint Party to request changes to the text of such announcements. However, no Joint Party is required to make any change requested by another Joint Party; and
2. to include in any news release or announcement a statement that Staff's recommendation to approve the settlement is not binding on

the Commission itself. This subsection does not apply to any news release or announcement that makes no reference to Staff.

DATED this 3rd day of July, 2008.

Respectfully submitted,

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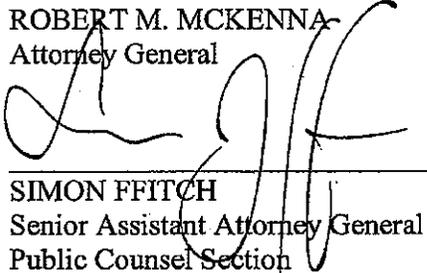
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