

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UG-101644

SETTLEMENT AGREEMENT

I. INTRODUCTION

1 This Settlement Agreement is entered into in order to compromise and settle all
issues in this proceeding. It is a "Full Settlement" pursuant to WAC 480-07-730(1).

II. PARTIES

2 This Settlement Agreement is entered into by: Puget Sound Energy, Inc. ("PSE" or
"the Company"); 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");
The Energy Project; and Nucor Steel Seattle, Inc. ("Nucor Steel") (collectively referred to
hereinafter as the "Parties" and each individually referred to as a "Party").

III. BACKGROUND

3 On October 1, 2010, PSE filed revisions to its currently effective Tariff WN U-2,
Natural Gas Service. The filing requested an increase in charges and rates for service of
\$24,384,451, which equated to a 2.3 percent increase in overall revenues, to reflect

increased costs over the test year ending June 30, 2010. PSE submitted prefiled testimony and exhibits in support of its tariff filing.

4 The Commission suspended the filing on October 28, 2010. A prehearing conference was held in the proceeding on November 19, 2010, at which time the Commission granted petitions to intervene filed by NWIGU, Seattle Steam, The Energy Project and Nucor Steel. Staff, Public Counsel, NWIGU, The Energy Project, and Seattle Steam conducted discovery on the Company's prefiled direct testimony and tariff filing.

5 The Parties undertook settlement discussions on January 14, 2011, for purposes of resolving contested issues in this proceeding. The Parties have reached a mutually agreed upon settlement and now wish to present their agreement for the Commission's consideration. The Parties therefore adopt the following Settlement Agreement, which is entered into by the Parties voluntarily to resolve matters that were in dispute. This Settlement Agreement is filed in the interest of expediting the orderly disposition of this proceeding. This Settlement Agreement is being filed with the Commission as a "Full Settlement" pursuant to WAC 480-07-730(1).

6 The Parties understand that this Settlement Agreement is subject to Commission approval, and hereby respectfully request that the Commission issue an order approving this Settlement Agreement in its entirety. This Settlement Agreement requests new natural gas tariff rates to go into effect on April 1, 2011. Thus, the Parties request that the Commission hold a hearing on this Settlement Agreement on or about March 1, 2011, and reschedule the public comment hearing in this docket for that date.

IV. AGREEMENT

A. Revenue Requirement

7 The Parties agree to a revenue requirement increase of \$19,000,000, which constitutes a 1.8 percent increase in overall revenues, with the resulting rate increase to become effective on April 1, 2011. The Parties have not allocated the increase in revenue requirement to specific ratemaking adjustments. However, the settlement is a compromise among the Parties to resolve operating expense, interest expense, and other issues raised during review of the filing. The Parties agree that the \$19,000,000 revenue requirement increase will result in rates for natural gas service that are just, fair, reasonable and sufficient, given the evidence filed by the Parties, the discovery undertaken in this case, and the revenue allocation and rate design agreed to by the Parties in the next section of this Settlement Agreement.

B. Revenue Allocation and Rate Design

8 Attachment A hereto shows the revenue requirement allocation among rate schedules and the rate design to be effective April 1, 2011, under the terms of this Settlement Agreement. Attachment B includes the specific tariff schedules necessary to implement the agreed upon revenue allocation and rate design.

 The rate spread agreed to by the Parties is the same rate spread for natural gas customers that was agreed to and approved by the Commission in PSE's 2009 general rate case, Docket UG-090705. The rate design agreed to by the Parties in this proceeding is the same rate design PSE proposed in this case, except that the monthly residential customer charge will remain at \$10.

C. Transportation Tariff: Monthly Balancing and Related Penalty Provisions

9 PSE agrees to modify its transportation tariff provisions to mirror Northwest Pipeline's monthly balancing and related penalty provisions. Such modification will take place in a separate filing, which PSE agrees to file within thirty days of a Commission order adopting and approving this Settlement Agreement.

D. Depreciation for Water Heaters

10 The Parties agree to the lower depreciation rates for gas water heaters proposed in the Company's initial filing, as set forth in the Prefiled Direct Testimony of John H. Story Exhibit No. ___ (JHS-1T), pages 16 through 18, and Exhibit No. ___ (JHS-4), page 4.11. The Parties request that the Commission approve these new depreciation rates that will remain in effect until the Company's next depreciation study results are presented and accepted by the Commission.

E. Natural Gas Tariff Evaluation: Firm and Interruptible Customers

11 PSE is in the process of reviewing, and agrees to continue its review of, its natural gas tariffs as they relate to recovery of costs from firm and interruptible customers on Schedule 85, 86, 87, 85T, 86T and 87T. Prior to filing its next general rate case, PSE agrees to meet with Staff, Seattle Steam, NWIGU, Nucor Steel, and other interested Parties to inform them of the progress of its review of these natural gas rate schedules and preliminary findings.

F. Low Income Assistance

12 The Parties agree to support an increase in the annual level of low-income natural gas bill assistance funding when PSE files its low income tariff (Schedule 129) for the next

program year—but not later than October 1, 2011. The Parties agree to support an increase in an amount that corresponds to the percentage total revenue increase the Commission approves in this proceeding for the residential class of natural gas customers.

G. Subsequent Rate Case

13 PSE's next natural gas rate case will be a “general rate proceeding” that meets at least one of the criteria set forth in WAC 480-07-505(1).

H. Miscellaneous Provisions

14 a. The Parties agree to support the terms and conditions of this Settlement Agreement as a settlement of all contested issues in the above-captioned proceeding. The Parties understand that this Settlement Agreement is subject to Commission approval.

15 b. This Settlement Agreement represents an integrated resolution of the matters at issue in this case. Accordingly, the Parties recommend that the Commission adopt this Settlement Agreement in its entirety.

16 c. The Parties will cooperate in submitting this Settlement Agreement promptly to the Commission for approval, and will cooperate in developing supporting materials as required in WAC 480-07-740(2)(a). The Parties agree to support the Settlement Agreement throughout this proceeding, provide witnesses to sponsor such Settlement Agreement at a Commission hearing, and recommend that the Commission issue an order adopting the Settlement Agreement in its entirety.

17 d. In the event the Commission rejects this Settlement Agreement, the provision of WAC 480-07-750(2) shall apply. In the event the Commission accepts the Settlement Agreement upon conditions not proposed herein, or approves resolution of PSE’s natural gas tariff increase filing through provisions which are different than recommended in this

Settlement Agreement, each Party reserves the right, upon written notice to the Commission and all Parties to this proceeding within ten (10) days of the Commission's order, to state its rejection of the conditions or differing provisions. In such event, the provisions of WAC 480-07-750(2)(a) will apply and the Parties agree to cooperate in the development of a schedule that concludes the proceeding on the earliest possible date.

18 e. The Parties enter into this Settlement Agreement to avoid further expense, uncertainty, and delay. By executing this Settlement Agreement, no 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 Settlement Agreement, and except to the extent expressly set forth in this Settlement Agreement, no Party shall be deemed to have agreed that this Settlement Agreement is appropriate for resolving any issues in any other proceeding. Nor shall the facts, principles, methods, or theories employed in arriving at the terms of this Settlement Agreement be deemed to have any precedential effect in any subsequent proceeding.

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

20 g. In support of this Settlement Agreement, the Parties further stipulate that the testimony and exhibits that were prefiled by PSE on October 1, 2010, and the testimony of the Parties filed in support of this Settlement Agreement, should be admitted into evidence in the record of this proceeding.

DATED: January 27, 2011

PUGET SOUND ENERGY, INC.

By Tom DeBoer
Tom DeBoer
Director Federal & State Regulatory
Affairs

**PUBLIC COUNSEL SECTION,
OFFICE OF THE ATTORNEY
GENERAL OF THE STATE OF
WASHINGTON**

By _____
Simon ffitch
Senior Assistant Attorney General
Public Counsel Section Chief

SEATTLE STEAM

By _____
Elaine L. Spencer
Attorney for Seattle Steam

NUCOR STEEL

By _____
Damon E. Xenopoulos
Attorney for Nucor Steel

**WASHINGTON UTILITIES AND
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STAFF**

By _____
Robert Cedarbaum
Assistant Attorney General

**NORTHWEST INDUSTRIAL GAS
USERS**

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Tommy A. Brooks
Attorney for NWIGU

THE ENERGY PROJECT

By _____
Ronald L. Roseman
Attorney for The Energy Project

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Tommy A. Brooks
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*Per e-mail
at 1/27/11*

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Elaine L. Spencer
Attorney for Seattle Steam

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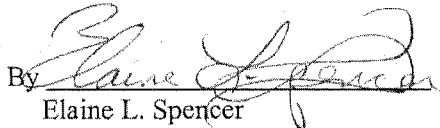
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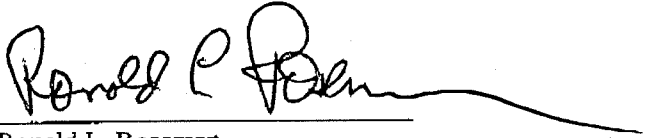
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ATTACHMENT A

**ILLUSTRATION OF THE RATE SPREAD AND
RATE DESIGN EFFECTIVE UNDER
THE TERMS OF THIS SETTLEMENT AGREEMENT**

Puget Sound Energy
 October 2010 Gas Tariff Increase - Settlement
 Test Year Ended June 2010
 Allocation of Revenue Deficiency to Rate Classes

Rate Class	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
	Pro forma Revenue at Existing Rates	Pro forma Gas Revenue at Existing Rates (1)	Pro forma Margin at Existing Rates	Volume (Therms)	Percent of Total Margin Less Contracts	Percent of Uniform Increase	Proposed Margin Increase Contracts	Calculated Margin Revenue	Pro forma Gas Revenue at Existing Rates (1)	Calculated Total Revenue	Calculated Change in Margin	Percent Total (2) Increase	Over Target Spread		
Residential (16,23,53)	\$ 687,124,251	\$ 412,059,312	\$ 275,064,939	547,214,122	69%	100.0%	\$ 13,541,863	\$ 288,608,488	\$ 412,059,312	\$ 700,667,800	\$ 13,543,549	2.0%	\$ 1,686		
Commercial & industrial (31,61)	226,666,969	147,137,281	79,529,687	196,768,099	20%	100.0%	3,915,367	83,443,408	147,137,281	230,580,689	3,913,720	1.7%	\$ (1,647)		
Large volume (41,41T)	74,953,002	55,891,185	19,061,817	80,167,287	5%	75.0%	703,832	19,765,174	55,891,185	75,656,359	703,357	0.9%	\$ (475)		
Interruptible (65, 85T)	20,734,486	11,935,717	8,798,769	82,509,251	2%	50.0%	216,588	9,015,378	11,935,717	20,951,096	216,610	1.0%	\$ 21		
Limited interruptible (86)	13,124,062	10,122,048	3,002,014	14,201,718	1%	50.0%	73,897	3,075,958	10,122,048	13,198,006	73,944	0.6%	\$ 47		
Non exclusive interruptible (87, 87T)	26,470,544	20,725,737	5,744,807	133,171,782	1%	50.0%	141,413	5,886,544	20,725,737	26,612,281	141,737	0.5%	\$ 324		
Rentals	7,923,242	-	7,923,242	0	2%	100.0%	390,073	8,312,745	-	8,312,745	389,502	4.9%	\$ (571)		
Contracts	1,635,888	-	1,635,888	36,150,597	-	-	-	1,652,855	-	1,652,855	16,967	1.0%	\$ (613)		
Subtotal revenue from rates	\$ 1,058,632,444	\$ 657,871,281	\$ 400,761,162	1,090,182,856	100%		\$ 18,983,033	\$ 419,760,549	\$ 657,871,281	\$ 1,077,631,830	\$ 18,999,387	1.8%	\$ (613)		
Other revenue	7,186,116	-	7,186,116	-	-	-	-	7,186,116	-	7,186,116	-	0.0%	-		
Total	\$ 1,065,818,560	\$ 657,871,281	\$ 407,947,279	1,090,182,856			\$ 18,983,033	\$ 426,946,665	\$ 657,871,281	\$ 1,084,817,947	\$ 18,999,387	1.8%	\$ (613)		
Proposed total increase							\$ 19,000,000								
Average increase on margin (includes rentals, excludes contracts)							4.76%								
Average increase on total (includes rentals, excludes contracts)							1.80%								
Average increase on margin after contracts							4.76%								
Adjustment to increase for unequal allocation of increase							1.035								
Rounding error															\$ (613)

(1) Pro forma gas revenue at rates (2009 PGA) in place at the time of filing (October 1, 2010).

(2) Calculated margin increase (column M) divided by pro forma revenue at existing rates (column B).

ATTACHMENT B

TARIFF SCHEDULE

WN U-2

Ninth Revision of Sheet No. 116-A
Canceling
Eighth Revision of Sheet No. 116-A

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 16 (Continued)
General Gas Lighting and Street Lighting Service (Optional)

Section 4: Rate

1. Flat delivery charge per approved gas light mantle not more than three inches in height, or double mantles with orifice(s) sized to limit input to 3,000 Btu's per hour.
All mantles @ \$9.92 each per month as specified above (l)
2. Gas Cost – per mantle per month, equal to the sum of the rates as shown on Supplemental Schedule No. 101 (Sheet No. 1101) and Supplemental Schedule No. 106.
3. The rates named herein are subject to adjustments as set forth in Schedule No. 1 and other supplemental schedules, when applicable.
4. The charge for this service shall not be subject to cancellation or reduction for seasonal or temporary periods.

Section 5: Payment

Bills are issued net, are due and payable when rendered, and become past due after fifteen days from date of bill.

Issued: _____

Effective: April 1, 2011

Advice No.: 2011-__

By Authority of the Washington Utilities and Transportation Commission in Docket No. UG-101644

Issued By Puget Sound Energy

By: Tom DeBoer Tom DeBoer

Title: Director, Federal & State Regulatory Affairs

WN U-2

Fifty-Third Revision of Sheet No. 123
Canceling
Fifty-Second Revision of Sheet No. 123

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 23
Residential General Service

Section 1: Availability

Throughout territory served to any residential Customer. Service under this schedule is provided on an annual basis

Section 2: General Rules and Regulations

Service under this schedule is subject to the rules and regulations contained in Company's tariff.

Section 3: Rate

1. For purposes of this rate, the measurement of service shall be expressed in therms, each equivalent to 100,000 British thermal units.
 - a. Basic Charge per month: \$10.00
 - b. Delivery Charge: 37.372¢ All therms per month (l)
 - c. Gas Cost: All therms per month multiplied by the sum of the rates in ¢ per therm as shown on Supplemental Schedule No. 101 (Sheet No. 1101) and Supplemental Schedule No. 106.
2. The minimum bill per month shall be the basic charge. The minimum bill for this service shall not be subject to cancellation or reduction for seasonal or temporary periods.
3. The rates named herein are subject to adjustments as set forth in Schedule No. 1 and other supplemental schedules, when applicable.

Section 4: Payment

Bills are issued net, are due and payable when rendered, and become past due after fifteen days from date of bill.

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Title: Director, Federal & State Regulatory Affairs

WN U-2

Forty-Ninth Revision of Sheet No. 131
Canceling
Forty-Eighth Revision of Sheet No. 131

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 31
Commercial and Industrial General Service

Section 1: Availability

Throughout territory served for commercial or industrial Customers. Service under this schedule is provided on an annual basis.

Section 2: General Rules and Regulations

Service under this schedule is subject to the rules and regulations contained in Company's tariff.

Section 3: Rate

1. For purposes of this rate, the measurement of service shall be expressed in therms, each equivalent to 100,000 British thermal units.
 - a. Basic Charge per month: \$32.32 (l)
 - b. Delivery Charge: 31.527¢ All therms per month (l)
 - c. Gas Cost: All therms per month multiplied by the sum of the rates in ¢ per therm as shown on Supplemental Schedule No. 101 (Sheet No. 1101) and Supplemental Schedule No. 106.
2. Minimum bill per month shall be the basic charge. The minimum bill for this service shall not be subject to cancellation or reduction for seasonal or temporary periods.
3. The rates named herein are subject to adjustments as set forth in Schedule No. 1 and other supplemental schedules, when applicable.

Section 4: Payment

Bills are issued net, are due and payable when rendered, and become past due after fifteen days from date of bill.

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By Authority of the Washington Utilities and Transportation Commission in Docket No. UG-101644

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By: Tom DeBoer Tom DeBoer

Title: Director, Federal & State Regulatory Affairs

WN U-2

Third Revision of Sheet No. 131T
Canceling
Second Revision of Sheet No. 131T

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 31T
Distribution System Transportation Service (Firm-Commercial and Industrial)

Section 1: Availability

This distribution system transportation service is available throughout the territory served by the Company to non-residential Customers who have executed the service agreement for transportation service under this schedule. Service under this schedule is provided on an annual basis.

Section 2: Terms of Service

Service under this schedule is subject to Rule 29, Terms of Distribution System Transportation Service.

Section 3: Rates and Charges

1. For purposes of this rate, the measurement of service shall be expressed in therms, each equivalent to 100,000 British thermal units.
2. Basic charge per month: \$355.50 (l)
3. The total transportation service commodity charge shall be the sum of a. and b. below:
 - a. Transportation Service Commodity Charge: 31.527¢ Per month per therm (l)
 - b. Gas Procurement Credit: (0.520¢) Per month per therm (l)
4. Balancing service charge of 0.070¢ per therm for all therms delivered, for the allocated cost of storage facilities included in the sales portfolio (which shall be credited to FERC Account 191 monthly.).
5. Transportation costs as set forth in the service agreement will be billed to the Customer's account.
6. The minimum monthly charge hereunder shall be the sum of the basic charge and amounts otherwise due under this schedule. The minimum monthly charge shall not be subject to cancellation or reduction for seasonal or temporary periods.

Issued: _____

Effective: April 1, 2011

Advice No.: 2011-__

By Authority of the Washington Utilities and Transportation Commission in Docket No. UG-101644

Issued By Puget Sound Energy

By:

Tom DeBoer

Tom DeBoer

Title: Director, Federal & State Regulatory Affairs

WN U-2

Fifty-Fifth Revision of Sheet No. 141
Canceling
Fifty-Fourth Revision of Sheet No. 141

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 41
Large Volume High Load Factor Gas Service (Optional)

Section 1: Availability

Throughout territory served for large volume use where, in the Company's opinion, its facilities and gas supply are adequate to render the required service.

Section 2: General Rules and Regulations

Service under this schedule is subject to the rules and regulations contained in Company's tariff.

Section 3: Rate

1. For purposes of this rate, the measurement of service shall be expressed in therms, each equivalent to 100,000 British thermal units.
 - a. Basic charge per month: \$111.92 (I)
 - b. Delivery demand charge: \$1.14 per therm per month as described in item 3. (I)
 - c. Gas supply demand charge in rates per therm per month as shown on Supplemental Schedule No. 101 (Sheet No. 1101-B) and as described in item 3.
 - d. Delivery Charge:
 - 14.354¢ Per month per therm for first 5,000 therms (I)
 - 11.714¢ Per month per therm for all over 5,000 therms (I)
 - e. Gas Cost: All therms per month multiplied by the sum of the rates in ¢ per therm as shown on Supplemental Schedule No. 101(Sheet No. 1101) and Supplemental Schedule No. 106.

2. The minimum bill per month shall be equal to the sum of \$129.19 of delivery charge, the basic charge, the delivery demand charge, the gas supply demand charge, and the Customer's consumption related gas costs. The minimum bill for this service shall not be subject to cancellation or reduction for seasonal or temporary periods. (I)

(Continued on Sheet No. 141-A)

Issued: _____

Effective: April 1, 2011

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Issued By Puget Sound Energy

By:

Tom DeBoer

Tom DeBoer

Title: Director, Federal & State Regulatory Affairs

WN U-2

Third Revision of Sheet No. 141T
Canceling
Second Revision of Sheet No. 141T

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 41T
Distribution System Transportation Service (Firm-Large Volume High Load Factor)

Section 1: Availability

This distribution system transportation service is available throughout the territory served by the Company for Customers with large volume use where, in the Company's opinion, its facilities are adequate to render the required service and when the Customer has executed the service agreement for transportation service under this schedule.

Section 2: Terms of Service

Service under this schedule is subject to Rule 29, Terms of Distribution System Transportation Service

Section 3: Rates and Charges

1. For purposes of this rate, the measurement of service shall be expressed in therms, each equivalent to 100,000 British thermal units.
2. Basic charge per month: \$431.69 (l)
3. Transportation delivery demand charge: \$1.14 per therm per month as described in item 8. (l)
4. The total transportation service commodity charge shall be the sum of a. and b. below:
 - a. Transportation Service Commodity Charge:
 - 14.354¢ Per month per therm for first 5,000 therms (l)
 - 11.714¢ Per month per therm for all over 5,000 therms (l)
 - b. Gas Procurement Credit:
 - (0.520¢) Per month per therm (l)
5. Balancing service charge of 0.070¢ per therm for all therms delivered, for the allocated cost of storage facilities included in the sales portfolio (which shall be credited to FERC Account 191 monthly.).
6. Transportation costs as set forth in the service agreement will be billed to the Customer's account.

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Effective: April 1, 2011

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By Authority of the Washington Utilities and Transportation Commission in Docket No. UG-101644

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By: Tom DeBoer Tom DeBoer

Title: Director, Federal & State Regulatory Affairs

WN U-2

Third Revision of Sheet No. 141T-A
Canceling
Second Revision of Sheet No. 141T-A

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 41T
Distribution System Transportation Service (Firm-Large Volume High Load Factor)
(Continued)

7. The minimum monthly charge hereunder shall be the sum of the basic charge, the demand charge, \$129.19 of transportation service commodity charge, and amounts otherwise due under this schedule. The minimum monthly charge shall not be subject to cancellation or reduction for seasonal or temporary periods. (1)
8. Transportation delivery demand charge:
- a. The charge will be assessed monthly based on the Customer's demand usage volume, which shall be the Customer's highest daily usage in therms per day from the month in which occurs the Company's coincident peak day, from the most recent November 1 through March 31 winter period. The demand usage volume may be based on average daily consumption for the one-month period or, when available, may be based upon a 24-hour actual measured usage from such month. Changes in individual Customer demand usage volume shall become effective for the billing period starting on or after June 1 of each year.
 - b. For a Customer location which has not established a demand usage volume, the Company, in its sole discretion, based upon information supplied by the Customer, will establish a demand usage volume for monthly billing purposes until such time as it is superseded by an actual demand usage volume established pursuant to 8.a. above.

Section 4: Adjustments

Rates in this schedule are subject to conditions and adjustments as set forth in Schedule No. 1 and to adjustment by Supplemental Schedule Nos. 112, 119, 129 and 132 in this tariff and other adjusting and supplemental schedules, when applicable.

Section 5: Payment

Bills are issued net, are due and payable when rendered, and become past due after fifteen days from date of bill.

Section 6: General Rules and Regulations

Service under this schedule is subject to the rules and regulations contained in this tariff.

Issued: _____
Advice No.: 2011-__

Effective: April 1, 2011

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Issued By Puget Sound Energy

By:

Tom DeBoer

Tom DeBoer

Title: Director, Federal & State Regulatory Affairs

WN U-2

Ninth Revision of Sheet No. 153-B
Canceling
Eighth Revision of Sheet No. 153-B

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 53
Propane Service (Continued)

Section 5: Rate

1. For purposes of this rate, the measurement of service shall be expressed in therms, each equivalent to 100,000 British thermal units.
 - a. Basic charge per month: \$10.00
 - b. Delivery Charge: 37.372¢ All therms per month
 - c. Current quarterly average cost of propane fuel set forth in Supplemental Schedule No. 101 (Sheet No. 1101-A). (I)
2. Included in the rate stated in paragraph 1.b above is a facilities extension incremental revenue rate, to be applied toward the cost justification of providing the natural gas line extension to the area when deemed feasible by the Company in accordance with Section 4 above. The incremental revenue rate is: \$0.06898 per therm.
3. The minimum bill per month shall be the basic charge. The minimum bill for this service shall not be subject to cancellation or reduction for seasonal or temporary periods.
4. The rates named herein are subject to adjustments as set forth in Schedule No. 1 and other supplemental schedules, when applicable.

Section 6: Payment

Bills are issued net, are due and payable when rendered, and become past due after fifteen days from date of bill.

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Twenty-Second Revision of Sheet No. 171
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Twenty-First Revision of Sheet No. 171

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 71
Residential Water Heater Rental Service

Section 1: Availability; Closed to New Accounts

1. Throughout territory served, at the option of the Company, for residential use in single- or multiple-dwelling units where the Customer qualifies for and has entered into an agreement with the Company for the rental of water heater(s) owned and maintained by the Company.
2. Rental service is restricted for all models of water heaters with energy factors less than .60 as indicated in Section 3 below.

Section 2: General Rules and Regulations

Service under this schedule is subject to the rules and regulations contained in Company's tariff.

Section 3: Rates

1. Monthly rental charge for water heaters of not over fifty-five gallon storage capacity or 60,000 Btu input:

a.	Standard Models	\$7.88*	(l)
b.	Conservation Models	\$12.64**	
c.	Direct Vent Models	\$17.74**	
d.	High Recovery Models	\$17.37**	
e.	High Efficiency Standard (Energy Factor \geq .60) ¹	\$6.34***	
f.	High Efficiency Direct Vent (Energy Factor \geq .60) ¹	\$11.11***	(l)

¹ As listed in the current Gas Appliance Manufacturers Association publication, "Consumers' Directory of Certified Energy Ratings."
 * Limited to those existing installations where tank is owned and maintained by the Company and was being served under this schedule as of May 21, 1986.
 ** Limited to those existing installations where tank is owned and maintained by the Company and was being served under this schedule as of October 9, 1993.
 *** Limited to those existing installations where tank is owned and maintained by the Company and was being served under this schedule as of June 18, 2000.

(Continued on Sheet No. 171-A)

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PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 72
Large Volume Water Heater Rental Service

Section 1: Availability; Closed to New Accounts

1. Throughout the territory served, at the option of the Company, to commercial or industrial Customers who qualify for and have entered into an agreement with the Company for the rental of large volume gas water heaters or boilers owned and maintained by the Company.
2. Rental service is restricted for all sizes and types of water heaters as listed in Section 3, paragraph 1 below.

Section 2: General Rules and Regulations

Service under this schedule is subject to the rules and regulations contained in the Company's tariff.

Section 3: Rates

1. Size & Type of Water Heater	BTU Input		Monthly Rental Charge	
25 - 40 gallon storage	30,000 to	50,000	\$15.47 ****	(1)
45 - 55 gallon storage	70,000 to	79,000	\$20.21 ***	
45 - 55 gallon storage	51,000 to	75,000	\$20.21 ****	
50 - 65 gallon storage	60,000 to	69,000	\$31.66 ****	
60 - 84 gallon storage	70,000 to	129,000	\$41.30 ****	
75 - 90 gallon storage	130,000 to	169,000	\$55.14 ****	
75 -100 gallon storage	170,000 to	200,000	\$64.06 ****	(1)

*** Limited to those existing installations where tank is owned and maintained by the Company and was being served under this schedule as of May 21, 1986.
 **** Limited to those existing installations where tank is owned and maintained by the Company and was being served under this schedule as of June 18, 2000.

(Continued on Sheet No. 172-A)

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Sixteenth Revision of Sheet No. 174

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 74
Gas Conversion Burner Rental Service

Section 1: Availability; Closed to New Accounts

1. Throughout territory served, at the option of the Company, to only those residential Customers on Rate Schedule No. 23 and commercial Customers on Rate Schedules No. 31 or 41 whose premises are adjacent to any street, alley, or lane in which the Company's mains with adequate capacity to serve the load are located, who qualify for and have entered into an agreement with the Company for the rental of gas conversion burners owned and maintained by the Company.
2. The availability of this schedule is limited to those existing installations where the equipment is owned and maintained by the Company and was being served under this schedule as of October 9, 1993.

Section 2: General Rules and Regulations

Service under this schedule is subject to the rules and regulations contained in the Company's tariff.

Section 3: Rates

1. Monthly rental charge for residential and commercial conversion burners:

Burner Input Btu's Per Hour		Standard Models	Conservation Models	
45,000 to	400,000	\$10.70	\$16.10	(I)(I)
401,000 to	700,000	\$28.39		
701,000 to	1,300,000	\$38.34		(I)

2. The rates named herein are subject to subsequent tariff revisions and to additions as set forth in Schedule No. 1.

Section 4: Payment

The rental charge will be billed as such and is payable monthly in accordance with the Company's regular billing schedule for gas service.

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Sixteenth Revision of Sheet No. 185-C
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PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 85 (Continued)
Interruptible Gas Service with Firm Option

Section 6: Unauthorized Use of Gas

If the Customer fails to comply with the Company's request to partially or totally curtail use of gas in accordance with the conditions set forth in Section 5 of this schedule and in Rule 23 of this tariff, penalties described in Rule 23 will be assessed to the Customer.

Section 7: Rates

1. For purposes of this rate, the measurement of service shall be expressed in therms, one therm being the equivalent of 100,000 British thermal units.
2. Basic charge per month, \$558.68 (I)
3. The total interruptible gas rate shall be the sum of the total interruptible delivery charges and the gas cost charge.
 - a. Total Interruptible Delivery Charge - the sum of i., ii. and iii. below:
 - i. Interruptible Delivery Charge -

10.491¢	Per month per therm for first 25,000 therms	(I)
5.378¢	Per month per therm for next 25,000 therms	
5.162¢	Per month per therm for all over 50,000 therms	
 - ii. Gas Procurement Charge - 0.676¢ per therm for all therms delivered per month. (I)
 - iii. Low Income Charge - The low income program rates shown on Schedule 129 per therm for all therms delivered per month.
 - b. Gas Cost Charge – Interruptible gas cost is: All therms per month multiplied by the sum of the rates in ¢ per therm as shown on Supplemental Schedule No. 101 (Sheet No. 1101) and Supplemental Schedule No. 106.

(Continued on Sheet No. 185-D)

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PUGET SOUND ENERGY
 NATURAL GAS SCHEDULE NO. 85 (Continued)
 Interruptible Gas Service with Firm Option

4. The total firm gas rate shall be the sum of the demand charges and commodity charge as defined below:
- a. Delivery demand charge: \$1.14 per therm per month multiplied by the maximum daily delivery of firm use gas as set forth in the service agreement. (I)
 - b. Gas supply demand charge: a rate per therm per month as shown on Supplemental Schedule No. 101 (Sheet No. 1101-B) multiplied by the maximum daily delivery of firm use gas as set forth in the service agreement.
 - c. Commodity charge: All firm gas shall be combined with the Customer's interruptible gas and billed at the interruptible gas rates for delivery and gas costs in part 3 herein.
5. Annual minimum load charge: The annual minimum load charge will be charged every year on the anniversary of the effective date of service agreement with the Customer. The annual minimum load charge will be prorated for periods of less than one full year, such as when a Customer changes schedule, starts service, discontinues service, to adjust the annual minimum charge to the billing cycle that includes the anniversary of the effective date of the service agreement with the Customer, or for Curtailment days in excess of sixty days during the year.
- a. Minimum Annual Therms for the purpose of calculating the annual charge shall be:
- | Through Oct. 31, 2010, the greater of: | Beginning Nov. 1, 2010: |
|---|-------------------------|
| (1) fifty percent of the Customer's highest monthly volume in the last twelve months multiplied by 12; or | 180,000 therms |
| (2) 180,000 therms | |
- b. The annual minimum load charge shall be calculated as follows:
- (1) If the actual total annual therms delivered to the Customer in the last year are less than the Minimum Annual Therms (calculated in 5.a above), the Minimum Annual Therms less the actual total annual therms delivered multiplied by the initial block of the total interruptible delivery charge (Section 7, item 3.a.) is the annual minimum load charge.
 - (2) If the actual total annual therms delivered are greater than the Minimum Annual Therms the annual minimum load charge is \$0.
6. The rates named herein are subject to adjustments as set forth in Schedule No. 1 and other supplemental schedules, when applicable.

Section 8: Payment of Bills

Bills are issued net, are due and payable when rendered, and become past due after fifteen days from date of bill.

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PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 85T
Distribution System Transportation Service (Interruptible with Firm Option)

Section 1: Availability; Term of Agreement

1. This distribution system transportation service is available throughout the territory served by the Company to non-residential Customers outside of Kittitas County or any nonresidential Customers in Kittitas County that take no gas service at all during the months of October through March and have executed the service agreement for transportation service under this schedule and where, in the Company's opinion, its facilities are adequate to render the required service.
2. Any increase in existing firm or interruptible contract volume is subject to the Company's determination of facilities and gas supply being adequate.
3. The term of the agreement between the Company and the Customer shall be set forth in the service agreement.

Section 2: Terms of Service

Service under this schedule is subject the provisions of this Schedule and to Rule 29, Terms of Distribution System Transportation Service.

Section 3: Rates and Charges

1. For purposes of this rate, the measurement of service shall be expressed in therms, each equivalent to 100,000 British thermal units.
2. Basic charge per month: \$893.87 (l)
3. The total transportation service commodity charge (for all therms delivered) is the sum of a. and b. below:
 - a. Transportation Service Commodity Charge -

10.491¢	Per month per therm for first 25,000 therms	(l)
5.378¢	Per month per therm for next 25,000 therms	
5.162¢	Per month per therm for all over 50,000 therms	(l)
 - b. Low Income Charge - The low income program rates shown on Schedule 129 per therm for all therms delivered per month.
4. The total firm gas rate shall be the sum of the demand charges and commodity charges as defined below:
 - a. Transportation firm contract delivery demand charge: \$1.14 per therm of daily contract demand per billing period. (l)
 - b. Commodity charge: All firm gas shall be combined with the Customer's interruptible gas and billed at the interruptible gas rates for delivery in part 3 above.
5. Balancing service charge of 0.070¢ per therm for all therms delivered, for the allocated cost of storage facilities included in the sales portfolio (which shall be credited to FERC Account 191 monthly).

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PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 86 (Continued)
Limited Interruptible Gas Service with Firm Option (Optional)

Section 6: Unauthorized Use of Gas

If the Customer fails to comply with the Company's request to partially or totally curtail use of gas in accordance with the conditions set forth in Section 5 of this schedule and in Rule 23 of this tariff, penalties described in Rule 23 will be assessed to the Customer.

Section 7: Rates

1. For purposes of this rate, the measurement of service shall be expressed in therms, one therm being the equivalent of 100,000 British thermal units.
2. Basic charge per month, \$142.79 (I)
3. The total interruptible gas rate shall be the sum of the total interruptible delivery charges and the gas cost charge.
 - a. Total Interruptible Delivery Charge - the sum of i., ii. and iii. below:
 - i. Interruptible Delivery Charge -

20.306¢	Per month per therm for first 1,000 therms	(I)
14.559¢	Per month per therm for all over 1,000 therms	
 - ii. Gas Procurement Charge - 0.675¢ per therm for all therms delivered per month. (I)
 - iii. Low Income Charge - The low income program rates shown on Schedule 129 per therm for all therms delivered per month.
 - b. Gas Cost Charge – Interruptible gas cost is: All therms per month multiplied by the sum of the rates in ¢ per therm as shown on Supplemental Schedule No. 101 (Sheet No. 1101) and Supplemental Schedule No. 106.

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PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 86 (Continued)
Limited Interruptible Gas Service with Firm Option (Optional)

4. The total firm gas rate shall be the sum of the demand charges and commodity charge as defined below:
 - a. Delivery demand charge: \$1.14 per therm per month multiplied by maximum daily delivery of firm use gas as set forth in the service agreement. (1)
 - b. Gas supply demand charge: a rate per therm per month as shown on Supplemental Schedule No. 101 (Sheet No. 1101-B) multiplied by the maximum daily delivery of firm use gas as set forth in the service agreement.
 - c. Commodity charge: All firm gas shall be combined with Customer's interruptible gas and billed at the interruptible gas rates in part 3 herein.

5. Minimum annual load charge:
 - a. If the actual total annual therms delivered to the Customer in the last year are less than 10,000 therms, the minimum annual load charge shall be the difference between the minimum annual purchase obligation of 10,000 therms multiplied by the Company's initial block total interruptible delivery charge (Section 7, item 3.a.) and the actual total annual therms multiplied by the Company's initial block total interruptible delivery charge (Section 7, item 3.a.). The minimum annual load charge shall be prorated for partial years of gas service or for the number of days that service was available without curtailment.
 - b. Any payments for gas used in excess of curtailment requests, as set forth in Rule No. 23, shall not be credited to minimum annual charge.
 - c. The annual period for purposes of determining minimum annual billing charges shall be the twelve-month period ending with the September billing cycle. Minimum annual billing charges, if applicable, will be added to the September billing.
 - d. If the actual total annual therms delivered to the Customer in the last year are greater than 10,000 therms, the minimum annual load charge is equal to \$0.

6. The rates named herein are subject to adjustments as set forth in Schedule No. 1 and other supplemental schedules, when applicable.

Section 8: Payment of Bills

Bills are issued net, are due and payable when rendered, and become past due after fifteen days from date of bill.

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PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 86T
Distribution System Transportation Service (Interruptible with Firm Option)

Section 1: Availability

1. This distribution system transportation service is available throughout the territory served by the Company to any non-residential Customers outside of Kittitas County or nonresidential Customers in Kittitas County that take no gas service at all during the months of October through March, who have executed the service agreement for transportation service under this schedule for natural gas service to:
 - a. Steam and hot water boilers; or
 - b. Gas engines or gas turbines; or
 - c. Student-occupied building(s) of a school district; or
 - d. Student-occupied building(s) of a school that is educational in nature and operates on any graded level between the first and twelfth grades inclusive; or
 - e. Student-occupied building(s) of an accredited educational school or college of higher education;and where, in the Company's opinion, its facilities are adequate to render the required service.
2. This schedule is available to those interruptible Customers whose current or anticipated requirement is at least 10,000 therms per year.
3. Any increase in existing firm or interruptible contract volume is subject to the Company's determination of facilities being adequate.
4. The term of the agreement between the Company and the Customer shall be set forth in the service agreement.

Section 2: Terms of Service

Service under this schedule is subject to Rule 29, Terms of Distribution System Transportation.

Section 3: Rates and Charges

1. For purposes of this rate, the measurement of service shall be expressed in therms, each equivalent to 100,000 British thermal units.
2. Basic charge per month: \$454.33 (I)
3. The total firm gas rate shall be the sum of the demand charges and commodity charges as defined below:
 - a. Transportation firm contract delivery demand charge: \$1.14 per therm of daily contract demand per billing period. (I)
 - b. Commodity charge: All firm gas shall be combined with the Customer's interruptible gas and billed at the interruptible gas rates for delivery in part 4 below.

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PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 86T
Distribution System Transportation Service (Interruptible with Firm Option)
(Continued)

4. The total transportation service commodity charge (for all therms delivered) is the sum of a. and b. below:
 - a. Transportation Service Commodity Charge -
20.306¢ Per month per therm for first 1,000 therms (1)
14.559¢ Per month per therm for all over 1,000 therms (1)
 - b. Low Income Charge – The low income program rates shown on Schedule 129 per therm for all therms delivered per month
5. Balancing service charge of 0.070¢ per therm for all therms delivered, for the allocated cost of storage facilities included in the sales portfolio (which shall be credited to FERC Account 191 monthly).
6. Transportation costs as set forth in the service agreement will be billed to the Customer's account.
7. Minimum annual load charge:
 - a. If the actual total annual therms delivered to the Customer in the last year are less than 10,000 therms, the minimum annual load charge shall be the difference between the minimum annual purchase obligation of 10,000 therms multiplied by the Company's initial block total interruptible delivery charge (Section 3, item 4.) and the actual total annual therms multiplied by the Company's initial block total interruptible delivery charge (Section 3, item 4.). The minimum annual load charge shall be prorated for partial years of gas service or for the number of days that service was available without curtailment.
 - b. Any payments for gas used in excess of curtailment requests, as set forth in Rule No. 23, shall not be credited to minimum annual charge.
 - c. The annual period for purposes of determining minimum annual billing charges shall be the twelve-month period ending with the September billing cycle. Minimum annual billing charges, if applicable, will be added to the September billing.
 - d. If the actual total annual therms delivered to the Customer in the last year are greater than 10,000 therms, the minimum annual load charge is equal to \$0.

Section 4: Adjustments

Rates in this schedule are subject to conditions and adjustments as set forth in Schedule No. 1 and to adjustment by Supplemental Schedule Nos. 112, 119, 129 and 132 in this tariff and other adjusting and supplemental schedules, when applicable.

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Sixteenth Revision of Sheet No. 187-D

PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 87 (Continued)
Non-Exclusive Interruptible Gas Service with Firm Option (Optional)

Section 7: Rates

1. For purposes of this rate, the measurement of service shall be expressed in therms, one therm being the equivalent of 100,000 British thermal units.
2. Basic charge per month, \$558.42 (I)
3. The contract volume charge rate shall be the tailblock of the total interruptible delivery charge per therm identified in item 4.a. below.
4. The total monthly interruptible gas rate shall be the sum of the total interruptible delivery charges and the gas cost charge.
 - a. Total Interruptible Delivery Charge - the sum of i., ii. and iii. below:
 - i. Interruptible Delivery Charge -

14.158¢	Per month per therm for first 25,000 therms	(I)
8.644¢	Per month per therm for next 25,000 therms	
5.581¢	Per month per therm for next 50,000 therms	
3.659¢	Per month per therm for next 100,000 therms	
2.695¢	Per month per therm for next 300,000 therms	
2.129¢	Per month per therm for all over 500,000 therms	(I)
 - ii. Gas Procurement Charge - 0.520¢ per therm for all therms delivered per month. (I)
 - iii. Low Income Charge - The low income program rates shown on Schedule 129 per therm for all therms delivered per month.
 - b. Gas Cost Charge – Interruptible gas cost is: All therms per month multiplied by the sum of the rates in ¢ per therm as shown on Supplemental Schedule No. 101 (Sheet No. 1101) and Supplemental Schedule No. 106.
5. The total firm use gas rate shall be the sum of the demand charges and commodity charge as defined below:
 - a. Delivery demand charge: \$1.14 per therm per month multiplied by the maximum daily delivery of firm use gas as set forth in the service agreement. (I)
 - b. Gas supply demand charge: a rate per therm per month as shown on Supplemental Schedule No. 101 (Sheet No. 1101-B) multiplied by the maximum daily delivery of firm use gas as set forth in the service agreement.
 - c. Commodity charge: All firm use gas shall be combined with Customer's interruptible gas and billed at the interruptible gas rates in part 4. herein.

(Continued on Sheet No. 187-E)

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PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 87T
Distribution System Transportation Service (Non-Exclusive Interruptible with Firm Option)

Section 1: Availability

1. This distribution system transportation service is available throughout the territory served by the Company to any nonresidential Customers outside of Kittitas County or nonresidential Customers in Kittitas County that take no gas service at all during the months of October through March and have executed the service agreement for transportation service under this schedule and where, in the Company's opinion, its facilities are adequate to render the required service.
2. This schedule is limited to those interruptible Customers whose current or anticipated requirement is in excess of 1,000,000 therms per year.
3. Any increase in existing firm or interruptible contract volume is subject to the Company's determination of facilities and gas supply being adequate.
4. The term of the agreement between the Company and the Customer shall be set forth in the service agreement. For purpose of the annual contract volume, the contract year shall be the twelve-month period starting with the billing cycle that includes the effective date of the service agreement with the Customer.

Section 2: Terms of Service

Service under this schedule is subject to Rule 29, Terms of Distribution System Transportation Service

Section 3: Rates and Charges

1. For purposes of this rate, the measurement of service shall be expressed in therms, each equivalent to 100,000 British thermal units.
2. Basic charge per month: \$893.47 (I)
3. The total firm gas rate shall be the sum of the demand charges and commodity charges as defined below:
 - a. Transportation firm contract delivery demand charge: \$1.14 per therm of daily contract demand per billing period. (I)
 - b. Commodity charge: All firm gas shall be combined with the Customer's interruptible gas and billed at the interruptible gas rates for delivery in part 4 below.

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PUGET SOUND ENERGY
NATURAL GAS SCHEDULE NO. 87T
Distribution System Transportation Service (Non-Exclusive Interruptible with Firm Option)
(Continued)

4. The total transportation service commodity charge (for all therms delivered) is the sum of a. and b. below:

a. Transportation Service
Commodity Charge -

14.158¢	Per month per therm for first 25,000 therms
8.644¢	Per month per therm for next 25,000 therms
5.581¢	Per month per therm for next 50,000 therms
3.659¢	Per month per therm for next 100,000 therms
2.695¢	Per month per therm for next 300,000 therms
2.129¢	Per month per therm for all over 500,000 therms

(1)
-
-
-
-
-
-
(1)

b. Low Income Charge – The low income program rates shown on Schedule 129 per therm for all therms delivered per month.

5. Balancing service charge of 0.070¢ per therm for all therms delivered, for the allocated cost of storage facilities included in the sales portfolio (which shall be credited to FERC Account 191 monthly).

6. Transportation costs as set forth in the service agreement will be billed to the Customer's account.

7. Annual minimum load charge: The annual minimum load charge will be charged every year on the anniversary of the effective date of the service agreement with the Customer. The annual minimum load charge will be prorated for periods of less than one full year, such as when a Customer changes schedule, starts service, discontinues service, to adjust the annual minimum load charge to the billing cycle that includes the anniversary of the effective date of the service agreement with the Customer, or for Curtailment days in excess of sixty days during the year.

The annual minimum load charge shall apply when the actual total interruptible therms delivered to the Customer in the last year are less than the annual contract volume. The deficiency volume shall be the greater of zero or the actual total interruptible therms delivered subtracted from the annual contract volume. The amount of the annual minimum load charge shall be equal to the deficiency volume multiplied by the contract volume charge rate which is equal to the tailblock of the total transportation service commodity charge, per therm, identified in item 4. above.

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