

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKET UE-072300
TRANSPORTATION COMMISSION,)	DOCKET UG-072301
)	<i>(consolidated)</i>
Complainant,)	
v.)	
)	MULTIPARTY SETTLEMENT RE:
PUGET SOUND ENERGY, INC.,)	ELECTRIC RATE SPREAD AND
)	ELECTRIC RATE DESIGN
Respondent.)	
)	
)	

I. INTRODUCTION

1 This Multiparty Settlement is entered into pursuant to WAC 480-07-730(3) in order to compromise and settle all issues concerning electric rate spread and rate design that have been raised in this consolidated proceeding between the settling parties. This Multiparty Settlement sets forth the rate spread and rate design that the parties agree should be applied to any electric revenue requirement the Commission determines at the conclusion of litigation on contested revenue requirement issues.

II. PARTIES

2 This Multiparty Settlement is entered into by: Puget Sound Energy, Inc. ("PSE"); The Staff of the Washington Utilities and Transportation Commission ("Staff"); the Public Counsel Section of the Attorney General's Office ("Public Counsel"); the Industrial Customers of Northwest Utilities ("ICNU"); The Energy Project; and The Kroger Co. ("Kroger") (collectively referred to hereinafter as the "Parties" and each individually as a "Party").

III. BACKGROUND

3 On December 3, 2007, 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 natural 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 natural gas revenue requirement to \$58.1 million. In rebuttal testimony filed July 3, 2008, PSE further revised its electric revenue requirement to \$165.1 million and its natural gas revenue requirement to \$55.5 million.

4 A prehearing conference in the General Rate Case was held on January 14, 2008. The Commission granted petitions to intervene in the electric rate docket of ICNU, Kroger, and The Energy Project.¹

5 The settling 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 Parties therefore adopt the following Multiparty Settlement which is entered into by the Parties voluntarily to resolve matters in dispute among them regarding electric rate spread and rate design.

¹ Other interveners that are not parties to this Multiparty Settlement are the Federal Executive Agencies ("FEA"), the Northwest Industrial Gas Users, Nucor Steel Seattle, Inc., and Seattle Steam Company. FEA has authorized the Parties to represent that it does not oppose our agreement. The Northwest Industrial Gas Users, Nucor and Seattle Steam Company are parties to a separate multiparty settlement on natural gas rate spread and industrial natural gas rate design, filed with the Commission on July 3, 2008.

6 The Parties understand that only Sections IV and V of this Multiparty Settlement are subject to Commission approval and hereby respectfully request that the Commission issue an order approving Sections IV and V of this Multiparty Settlement. The Parties request that the Commission hear evidence concerning their stipulation of electric rate spread and rate design as part of the hearings scheduled to commence before the Commission on September 2, 2008. The Parties to this Multiparty Settlement are also filing Joint Testimony in support of their agreement, pursuant to WAC 480-07-740(2).

IV. **AGREEMENT – ELECTRIC RATE SPREAD**

7 This section describes how the total electric revenue requirement increase determined by the Commission will be applied to each class of electricity customers at the conclusion of the General Rate Case. For illustrative purposes, page 1 of the Attachment to this Multiparty Settlement shows the Parties' agreed rate spread associated with a hypothetical final revenue requirement increase of \$130 million.

8 Schedule 449 will receive no change in rates.

9 Schedule 40 rates will be determined in accordance with the calculated rate methodology as proposed by the Company in its direct case in which Schedule 40 rates for power supply (generation and transmission) are set equal to Schedule 49 High Voltage charges (adjusted for power factor and losses). In addition, delivery-related charges are derived based upon customer specific costs of PSE distribution facilities used to directly provide delivery services to the Schedule 40 customers.

10 The revenue requirement for all other rate schedules will be equal to the Revenue Allocation Factors shown in column I of the Attachment, page 1 multiplied by the final Revenue Requirement excluding revenues attributable to Schedules 40 and 449, as approved

by the Commission in this proceeding. The Revenue Allocation Factors represent each affected rate schedule's respective percentage share of the total revenue requirement, exclusive of revenues attributable to Schedules 40 and 449.

11 The Revenue Allocation Factors in the Attachment, page 1 are calculated using PSE's proposed revenue requirement of \$165.1 million as requested in PSE's rebuttal filing, which shall be termed the Baseline Case.

12 In deriving the Revenue Allocation Factors for the Baseline Case, the Parties agree to the following rate spread metrics:

- Schedules 7, 24, 31, 35, 43, 46, 49, 50-59, and Firm Resale receive a uniform percentage increase; and
- Schedules 25, 26 and 29 receive a percentage increase equal to 50 percent of the uniform increase assigned to the other rates schedules above.

13 For the purpose of preparing the Attachment, page 1, no rate change is applied to Schedule 449 and an estimated increase for Schedule 40 is used as a placeholder. (However, these assumptions do not impact the determination of Revenue Allocation Factors for the remaining rate schedules.)

V. AGREEMENT – ELECTRIC RATE DESIGN

14 This section describes how electric rates will be designed at the conclusion of the General Rate Case. The Joint Parties' rate design follows the methods proposed by PSE and detailed in PSE's direct testimony at Exhibit No. __ (DWH-5), except for the basic charges. The rate design agreement is detailed in the Attachment and summarized in the Attachment, page 2. Under the agreement, non-residential basic charges are increased by approximately one-half of the amount proposed by PSE. The residential one phase basic charge is set at \$7.00.

VI. MISCELLANEOUS PROVISIONS

- 15 1. The 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 electric rate spread and rate design.
- 16 2. This Multiparty Settlement represents an integrated resolution of electric rate spread and rate design. Accordingly, the Parties recommend that the Commission adopt and approve Sections IV and V of this Multiparty Settlement in their entirety, including the Attachment.
- 17 3. The Parties shall cooperate in submitting this Multiparty Settlement promptly to the Commission for approval of Sections IV and V above, and shall cooperate in developing supporting testimony as required in WAC 480-07-740(2)(b). The 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.
- 18 4. In the event the Commission rejects Section IV or V of the Multiparty Settlement, the provisions of WAC 480-07-750(2)(b) shall apply. In the event the Commission accepts Section IV or V of the Multiparty Settlement upon conditions not proposed herein, each 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 Parties immediately will request that hearings be held on the appropriateness of the conditions or upon other electric rate spread proposals of the Parties. In any further proceedings triggered by this paragraph, the 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.

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

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

21 7. All Parties agree:

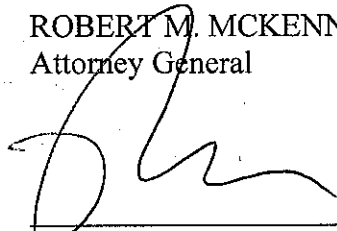
- i. to provide all other Parties the right to review in advance of publication any and all announcements or news releases that any other Party intends to make about the Multiparty Settlement. This right of advance review includes a reasonable opportunity for a Party to request changes to the text of such announcements. However, no Party is required to make any change requested by another Party; and

- ii. 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 otherwise makes no reference to Staff.

DATED this 12th day of August, 2008.

Respectfully submitted,

ROBERT M. MCKENNA
Attorney General



ROBERT D. CEDARBAUM
Senior Counsel
Counsel for Washington Utilities and
Transportation Commission

DAVISON VAN CLEVE

S BRADLEY VAN CLEVE
Counsel for ICNU

PERKINS COIE

BOEHM KURTZ & LOWRY

SHEREE CARSON
Counsel for Puget Sound Energy, Inc.

KURT BOEHM
Counsel for The Kroger Co.

ROBERT M. MCKENNA
Attorney General

SIMON FFITCH
Senior Assistant Attorney General
Public Counsel Section

RONALD ROSEMAN
Counsel for The Energy Project

- ii. 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 otherwise makes no reference to Staff.

DATED this 12th day of August, 2008.

Respectfully submitted,

ROBERT M. MCKENNA
Attorney General


DAVISON VAN CLEVE

ROBERT D. CEDARBAUM
Senior Counsel
Counsel for Washington Utilities and
Transportation Commission

S BRADLEY VAN CLEVE
Counsel for ICNU

PERKINS COIE

BOEHM KURTZ & LOWRY



SHEREE CARSON
Counsel for Puget Sound Energy, Inc.

KURT BOEHM
Counsel for The Kroger Co.

ROBERT M. MCKENNA
Attorney General

SIMON FFITCH
Senior Assistant Attorney General
Public Counsel Section

RONALD ROSEMAN
Counsel for The Energy Project

- ii. 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 otherwise makes no reference to Staff.

DATED this 12th day of August, 2008.

Respectfully submitted,

ROBERT M. MCKENNA
Attorney General

DAVISON VAN CLEVE

ROBERT D. CEDARBAUM
Senior Counsel
Counsel for Washington Utilities and
Transportation Commission

S BRADLEY VAN CLEVE
Counsel for ICNU

PERKINS COIE

BOEHM KURTZ & LOWRY

SHEREE CARSON
Counsel for Puget Sound Energy, Inc.

KURT BOEHM
Counsel for The Kroger Co.

ROBERT M. MCKENNA
Attorney General

SIMON FITCH
Senior Assistant Attorney General
Public Counsel Section

RONALD ROSEMAN
Counsel for The Energy Project

- ii. 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 otherwise makes no reference to Staff.

DATED this 12th day of August, 2008.

Respectfully submitted,

ROBERT M. MCKENNA
Attorney General

DAVISON VAN CLEVE

ROBERT D. CEDARBAUM
Senior Counsel
Counsel for Washington Utilities and
Transportation Commission

S BRADLEY VAN CLEVE
Counsel for ICNU

PERKINS COIE

BOEHM KURTZ & LOWRY

SHEREE CARSON
Counsel for Puget Sound Energy, Inc.



KURT BOEHM
Counsel for The Kroger Co.

ROBERT M. MCKENNA
Attorney General

SIMON FITCH
Senior Assistant Attorney General
Public Counsel Section

RONALD ROSEMAN
Counsel for The Energy Project

- ii. 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 otherwise makes no reference to Staff.


DATED this 12th day of August, 2008.

Respectfully submitted,

ROBERT M. MCKENNA
Attorney General

DAVISON VAN CLEVE

ROBERT D. CEDARBAUM
Senior Counsel
Counsel for Washington Utilities and
Transportation Commission



S BRADLEY VAN CLEVE
Counsel for ICNU

PERKINS COIE

BOEHM KURTZ & LOWRY

SHEREE CARSON
Counsel for Puget Sound Energy, Inc.

KURT BOEHM
Counsel for The Kroger Co.

ROBERT M. MCKENNA
Attorney General

SIMON FFITCH
Senior Assistant Attorney General
Public Counsel Section

RONALD ROSEMAN
Counsel for The Energy Project

- ii. 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 otherwise makes no reference to Staff.

DATED this 12th day of August, 2008.

Respectfully submitted,

ROBERT M. MCKENNA
Attorney General

DAVISON VAN CLEVE

ROBERT D. CEDARBAUM
Senior Counsel
Counsel for Washington Utilities and
Transportation Commission

S BRADLEY VAN CLEVE
Counsel for ICNU

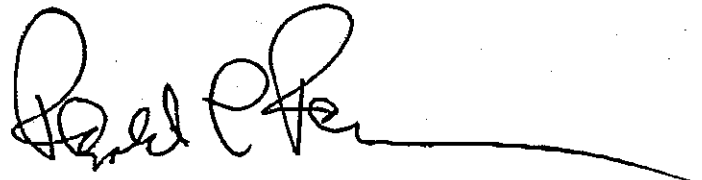
PERKINS COIE

BOEIM KURTZ & LOWRY

SHEREE CARSON
Counsel for Puget Sound Energy, Inc.

KURT BOEHM
Counsel for The Kroger Co.

ROBERT M. MCKENNA
Attorney General



SIMON FITCH
Senior Assistant Attorney General
Public Counsel Section

RONALD ROSEMAN
Counsel for The Energy Project