

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	DOCKET UE-111048
)	DOCKET UG-111049
Complainant,)	<i>(consolidated)</i>
v.)	
)	MULTIPARTY SETTLEMENT RE:
PUGET SOUND ENERGY, INC.,)	NATURAL GAS RATE SPREAD
)	AND NATURAL GAS RATE DESIGN
Respondent.)	
)	
)	
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A. INTRODUCTION

1 This Multiparty Settlement is entered into pursuant to WAC 480-07-730(3) to compromise and settle all issues concerning natural gas 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 Settling Parties agree should be applied to any natural gas revenue requirement the Commission determines at the conclusion of litigation on contested revenue requirement issues.

B. SETTLING 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 Northwest

Industrial Gas Users (“NWIGU”), and Nucor Steel Seattle, Inc. (“Nucor”), (collectively referred to hereinafter as the “Settling Parties” and each individually as a “Settling Party”).

C. BACKGROUND

3 On June 13, 2011, PSE filed with the Washington Utilities and Transportation
Commission (“Commission”) certain tariff revisions designed to effect a general rate
increase in its rates for electric service (Docket UE-111048) and gas service (Docket UG-
111049) to customers in Washington. The proposed revisions provide for a general rate
increase of \$31.8 million (3.0 percent) for the gas tariffs. The Commission suspended
operation of the tariffs and consolidated the proceedings by Order 02, entered on June 30,
2011, following an open meeting that same day. The consolidated dockets are hereinafter
collectively referred to as the “General Rate Case”.

4 A prehearing conference in the General Rate Case was held on July 20, 2011. The
Commission granted petitions to intervene of NWIGU and Nucor.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 Settling Parties therefore
adopt the following Multiparty Settlement, which is entered into by the Settling Parties
voluntarily to resolve matters in dispute among them regarding natural gas rate spread and
rate design.

¹ Other interveners that are not parties to this Multiparty Settlement are Industrial Customers of Northwest Utilities (“ICNU”), The Kroger Co. (“Kroger”), the Federal Executive Agencies (“FEA”), the Energy Project (“Energy Project”), Cost Management Services, Inc. (“Cost Management Services”), Sierra Club, and Northwest Energy Coalition (“NWEC”). Each of ICNU, Kroger, FEA, Energy Project, Cost Management Services, NWEC and Sierra Club has authorized the Settling Parties to represent that it does not oppose this Multiparty Settlement.

6 The Settling Parties understand that only Sections D and E of this Multiparty Settlement are subject to Commission approval and hereby respectfully request that the Commission issue an order approving Sections D and E of this Multiparty Settlement. The Settling Parties request that the Commission hear evidence concerning their stipulation of natural gas rate spread and rate design as part of the hearings scheduled to commence before the Commission on February 14, 2012. The Settling Parties to this Multiparty Settlement are also filing Joint Testimony in support of their agreement, pursuant to WAC 480-07-740(2).

D. AGREEMENT – NATURAL GAS RATE SPREAD

7 This Section D 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. The Attachment to this Multiparty Settlement shows the Settling Parties’ agreed rate spread expressed as a proportion of the percentage increase in total system margin. For example, if the total system increase is 5 percent of margin revenues, classes assigned 100 percent of the system increase would receive an increase of 5 percent of margin. Classes assigned 50 percent of the system increase would receive an increase of 2.5 percent of margin. The increase for special contract customers will be based on the terms of their contracts.

8 In deriving the Proposed Revenue Increase for the Baseline Case, the Settling Parties agree to the following rate spread metrics:

- Schedules 16, 23, 53, 31, 31T, 61, 87 and 87T shall each receive a uniform percentage increase equal to the overall percentage increase to margin;

- Schedules 41 and 41T shall each receive a percentage increase equal to 50 percent of the uniform percentage increase assigned to Schedules 16, 23, 53, 31, 31T, 61, 87 and 87T;
- Schedules 85, 85T, 86, 86T, 71, 72 and 74 shall each receive a percentage increase equal to 25 percent of the uniform percentage increase assigned to Schedules 16, 23, 53, 31, 31T, 61, 87 and 87T.

E. AGREEMENT – NATURAL GAS RATE DESIGN

9 This Section E describes how natural gas rates will be designed at the conclusion of the General Rate Case. The Settling Parties' rate design follows the methods proposed by PSE and detailed in PSE's direct testimony at Exhibit No. ___(JKP-1T) and supporting exhibits, with the following two exceptions.

10 The basic charge for residential service under Schedules 23 and 53 shall be limited to \$10.50 per month. If application of the uniform percentage increase to Schedules 23 and 53 results in a monthly basic charge equal to or greater than \$10.50, the monthly basic charge shall be \$10.50 and the volumetric delivery charge shall be adjusted upward to collect the remainder of the assigned revenue for the residential class in total. If application of the uniform percentage increase to Schedules 23 and 53 results in a monthly basic charge less than \$10.50, the monthly basic charge shall be the amount calculated based on the uniform percentage increase.

11 The demand charge for Schedules 41, 41T, 85, 85T, 86, 86T, 87 and 87T shall be calculated based on the percentage increase to Schedules 85 and 85T, instead of based on the percentage increase to Schedules 87 and 87T as originally proposed by PSE. The demand

charge shall be the same for all of these schedules. For each of these schedules, the percentage increase to the basic charge and volumetric rates will be adjusted to ensure the assigned revenue is recovered for the schedule in total.

12 The rate design agreement includes minimum volume requirements for Schedules 41, 41T, 85 and 85T consistent with those proposed by PSE in its prefiled direct testimony, which no party opposed.

13 The rate design agreement is also summarized in the Attachment.

F. MISCELLANEOUS PROVISIONS

14 The Settling 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 rate design.

15 This Multiparty Settlement represents an integrated resolution of natural gas rate spread and rate design. Accordingly, the Settling Parties recommend that the Commission adopt and approve Sections D and E of this Multiparty Settlement in their entirety, including the Attachment.

16 The Settling Parties shall cooperate in submitting this Multiparty Settlement promptly to the Commission for approval of Sections D and E above, and shall cooperate in developing supporting testimony as required in WAC 480-07-740(2)(b). The Settling 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.

17 In the event the Commission rejects Section D or E of the Multiparty Settlement, the provisions of WAC 480-07-750(2)(a) shall apply. In the event the Commission accepts

Section D or E of the Multiparty Settlement, subject to conditions not proposed herein, each Party reserves the right, upon written notice to the Commission and all other Settling Parties to this proceeding within ten (10) days of the Commission order, to state its rejection of the conditions. In such event, the Settling Parties immediately will request that hearings be held on the appropriateness of the conditions or upon other natural gas rate spread proposals of the Settling Parties. In any further proceedings triggered by this paragraph, the Settling 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.

18 The Settling Parties agree to the admission into evidence of all pre-filed written testimony and exhibits of PSE, filed June 13, 2011, and Staff, Public Counsel, NWIGU and Nucor, filed December 7, 2011, to the extent all such documents pertain to natural gas cost of service, rate spread and rate design.

19 The Settling 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 or as to any matter remaining in dispute in this proceeding.

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

21 All Settling Parties agree:

- i. to provide all other Settling 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 17th day of January, 2012.

PUGET SOUND ENERGY, INC.

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Tom DeBoer

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Multiparty Settlement Re:
Natural Gas Rate Spread And
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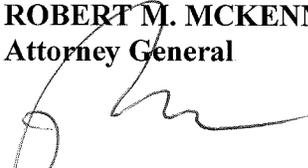
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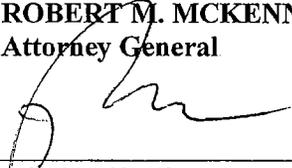
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DATED this 16th day of January, 2012.

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Puget Sound Energy
Summary of Natural Gas Rate Spread and Rate Design Settlement
Docket Nos. UE-111048 and UG-111049

Line	Rate Schedule	Tariff	Percent of System Increase	Basic Charge	Demand Charge	Delivery Charges
1	Residential	23/53	100%	Lesser of class increase or \$10.50	n/a	Note 1
2	Gas Lights	16	100%	Class increase	n/a	Class increase
3	General Service Commercial & Industrial	31/31T	100%	Class increase	n/a	Class increase
4	Standby & Auxiliary Heating	61	100%	n/a	Class increase	n/a
5	Large Volume High Load Factor (2)	41/41T	50%	Class increase	Equal to 85/85T rate	Note 1
6	Interruptible (3)	85/85T	25%	Class increase	Class increase	Class increase
7	Limited Interruptible	86/86T	25%	Class increase	Equal to 85/85T rate	Note 1
8	Non-Exclusive Interruptible	87/87T	100%	Class increase	Equal to 85/85T rate	Note 1
9	Rentals	71/72/74	25%	n/a	n/a	n/a
10	Special Contracts	n/a	Based on contracts	Based on contracts	Based on contracts	Based on contracts

Note 1: If changes to basic or demand charges prevent equal percentage increases to the volumetric delivery rates for the class, the volumetric rates will increase by the amount necessary to recover the allocated revenue requirement. For classes with block rates, all blocks will change by an equal percent.

Note 2: Schedules 41 and 41T include eligibility requirement of 12,000 therms minimum annual volume as presented on pages 8 and 10 of Exhibit No. JKP-13.

Note 3: Schedules 85 and 85T include eligibility requirement of 150,000 therms minimum annual volume as presented on pages 14 and 18 of Exhibit No. JKP-13.