

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of)	
)	
PUGET SOUND ENERGY, INC.)	DOCKET UE-121373
)	
Petition for Approval of a Power Purchase)	
Agreement for Acquisition of Coal)	
Transition Power, as Defined in)	
RCW 80.80.010, and the Recovery of)	
Related Acquisition Costs)	
_____)	
In the Matter of the Petition of)	DOCKET UE-121697
)	DOCKET UG-121705
)	
PUGET SOUND ENERGY, INC.)	
and NW ENERGY COALITION)	
)	
For an Order Authorizing PSE To)	
Implement Electric and Natural Gas)	
Decoupling Mechanisms and To Record)	
Accounting Entries Associated With the)	
Mechanisms)	
_____)	
In the Matter of)	DOCKET UE-130137
)	DOCKET UG-130138
)	
PUGET SOUND ENERGY, INC.'S)	
)	
Expedited Rate Filing)	MULTIPARTY SETTLEMENT RE:
)	COAL TRANSITION PPA AND
)	OTHER PENDING DOCKETS
_____)	

I. INTRODUCTION

1 This Multiparty Settlement Agreement ("Multiparty Settlement" or "Agreement") is entered into pursuant to WAC 480-07-730(3). It is a global settlement intended to compromise and settle all issues concerning PSE's Petition for Reconsideration and Motion to Reopen the Record filed on January 22, 2013 ("Petition For Reconsideration") in response to the Final Order entered by the Washington Utilities and Transportation Commission ("Commission" or "WUTC") in Docket UE-121373¹ and several open dockets currently pending before the Commission involving Puget Sound Energy, Inc. ("PSE"), including:

- Joint petition for decoupling, Dockets UE-121697 and UG-121705;² and
- PSE's Expedited Rate Filing in Dockets UE-130137 and UG-130138 (the "ERF").³

The ERF and decoupling dockets are referred to jointly as "Other Pending Dockets."

2 In addition to the agreements related to the pending dockets listed above, and as a part of this settlement, PSE agrees to a rate plan in which it will not file a general rate case before April 1, 2015, as set forth in more detail below, provided that the Commission approve (i) the rate increases included in the ERF tariffs, (ii) the decoupling mechanisms and tariffs set forth in the Amended Decoupling Petition, and (iii) annual rate increases for customer groups not

¹ *In re PSE's Petition for Approval of a Power Purchase Agreement for Acquisition of Coal Transition Power, as Defined in RCW 80.80.010, and the Recovery of Related Acquisition Costs*, Docket UE-121373, Final Order (January 9, 2013).

² *In re the Petition of PSE and NW Energy Coalition For an Order Authorizing PSE To Implement Electric and Natural Gas Decoupling Mechanisms and To Record Accounting Entries Associated with the Mechanisms*, Dockets UE-121697 and UG-121705.

³ *In re Puget Sound Energy, Inc.'s Expedited Rate Filing*, Dockets UE-130137 and UG-130138.

included in the decoupling mechanisms commensurate with the increases that would be applied to customers included in the decoupling mechanisms.

3 Further, as part of this global settlement, the parties to this settlement have agreed to waive the requirement in paragraph 10 of the Settlement Terms For the Power Cost Adjustment Mechanism ("PCA")⁴ requiring PSE to file a general rate case within three months of the effective date of any rate increase resulting from a power cost only rate case ("PCORC")⁵ through April 1, 2016, and to further allow PSE to file consecutive PCORCs during this time period without filing a general rate case.

4 This Agreement is entered into by the parties, in part, as a response to the Commission's direction in PSE's most recently completed general rate case in Dockets UE-111048 and UG-111049. In that case, the Commission encouraged PSE, Commission Staff, and other parties to enter into a broader discussion and "bring forward for consideration specific proposals that may satisfy a range of both common and diverse interests. In this connection, the Commission would be particularly interested in proposals that might break the current pattern of almost continuous rate cases."⁶

II. SETTLING PARTIES

5 This Multiparty Settlement is entered into by: Puget Sound Energy, Inc. ("PSE"), the Staff of the Washington Utilities and Transportation Commission ("Commission Staff"), and the NW Energy Coalition (hereafter the "Settling Parties"). The Settling Parties have reached a Multiparty Settlement pursuant to WAC 480-07-730(3) and now wish to present their

⁴ Settlement Terms for the Power Cost Adjustment Mechanism (PCA), Exhibit A to Settlement Stipulation for Electric and Common Issues and Application for Commission Approval of Settlement in Docket UE-111048.

⁵ *Id.* at ¶ 10.

⁶ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-111048 and UG-111049, Order 08, ¶507 (May 7, 2012).

agreement for Commission approval. In the interests of expediting the orderly disposition of the Petition for Reconsideration in Docket UE-121373 and the Other Pending Dockets, the Settling Parties voluntarily adopt the following Multiparty Settlement to resolve matters in dispute among them.

III. BACKGROUND

A. PSE's Petition for Reconsideration of Final Order in Docket UE-121373

6 On August 20, 2012, PSE filed with the Commission a Petition for Approval of a Power Purchase Agreement for Acquisition of Coal Transition Power as Defined in RCW 80.80.010 and the Recovery of Related Acquisition Costs. The Commission held an evidentiary hearing on December 12, 2012, heard oral argument on December 20, 2012, and issued a Final Order on January 9, 2013. PSE filed a Petition for Reconsideration and Motion to Reopen the Record on January 22, 2013. The Commission issued a notice extending the time for responding to PSE's Petition for Reconsideration until March 27, 2013.

B. Amended Decoupling Petition, Dockets UE-121697 and UG-121705

7 On October 13, 2012, PSE and NW Energy Coalition filed with the Commission a petition seeking approval of revenue decoupling mechanisms and deferred accounting associated with the mechanisms in Dockets UE-121697 and UG-121705. The petition was filed in response to the Commission's statement in the final order in PSE's recently completed general rate case that "[t]he Commission remains open to proposals for a full decoupling mechanism, even to one that may vary somewhat from what is described in our Policy

Statement."⁷ The Commission and interested stakeholders participated in technical conferences on November 6, 2012, and January 15, 2013, to review the joint filing. As a result of issues raised in the technical conferences and further discussions with Commission Staff and the Coalition, PSE and the Coalition filed an amended decoupling petition on March 1, 2013. Stakeholders and interested parties have undertaken formal and informal discovery relating to the proposed decoupling mechanisms. Commission Staff and the Coalition filed testimony in support of the amended petition. On March 14, 2013, the Commission set for hearing the amended decoupling petition.

C. PSE's ERF Tariffs in Dockets UE-130137 and UG-130138

8 On February 1, 2013, PSE filed tariffs and testimony supporting the ERF in Dockets UE-130137 and UG-130138. PSE requested that the ERF tariffs be allowed to go into effect on April 1, 2013. PSE made the filing as a result of the expedited rate case proposed by Commission Staff in PSE's recently completed general rate case. In the Final Order in that case, the Commission expressed interest in such a proposal and stated it would give such a proposal "fair consideration." The ERF tariff filings propose a 1.6 percent increase in electric rates and a 0.1 percent decrease for natural gas rates. As part of this filing, PSE also submitted a property tax tracker as directed by the Commission in the GRC Final Order.⁸ On March 14, 2013, the Commission suspended the tariffs.

⁷ GRC 2012 Final Order n. 617.

⁸ PSE 2012 GRC Final Order ¶143 (finding merit in PSE's proposal for a pass through of property taxes in a rider and encouraging PSE to work with Commission Staff and other interested parties to bring forth an agreed mechanism). PSE and Commission Staff discussed this property tax rider prior to PSE's filing.

IV. RESOLUTION OF ISSUES

9 In exchange for the mutual agreements set forth in this Agreement, the Settling Parties agree as follows:

A. Resolution of Amended Decoupling Petition, Including Rate Plan

10 The Settling Parties agree to support approval of the Amended Decoupling Petition and associated tariffs as filed by PSE and the Coalition on March 1, 2013. The Settling Parties agree to support the rate plan set forth in the Amended Decoupling Petition and associated tariffs. The Settling Parties further agree to support an effective date of May 1, 2013, for the rate plan, decoupling tariffs and mechanisms.

B. Resolution of ERF Tariffs

11 The Settling Parties agree to support approval of the ERF tariffs and the property tax tracker filed by PSE on February 1, 2013. The Settling Parties further agree to support an effective date of May 1, 2013, for the ERF and to support the property tax tariff as filed on February 1, 2012.

C. PCORC, Rate Plan, General Rate Case Stay Out and Waiver of PCA Term

12 As set forth in more detail below, PSE agrees to forego filing a general rate case until at least April 1, 2015. The terms of this stay out are set forth below. In addition, the Settling Parties have discussed possible additional changes to PSE's low income bill assistance program and budget, and reserve the right to negotiate a timely addendum to this settlement to reflect those discussions and rate adjustments.

1. General Rate Case Stay Out Period

13 The Settling Parties agree that PSE will file a general rate case no earlier than April 1, 2015, and no later than April 1, 2016, unless otherwise agreed to by the parties in PSE's last

general rate case. Notwithstanding the foregoing, PSE may file a general rate case prior to April 1, 2015, as a result of circumstances beyond PSE's control including: changes in federal income tax rates or state tax rates; force majeure occurrences such as an earthquake; or circumstances justifying interim rate relief under the standard set forth in *WUTC v. Pacific Northwest Bell Telephone Co.*, Cause No. U-72-30, Second Supp. Order (Oct. 1972). The general rate case stay out period does not alter PSE's right to continue all approved deferrals, including but not limited to its storm deferrals, or to seek other deferrals as needed and allowed by law. PSE retains the right to seek rate increases through existing riders and trackers and other commission approved mechanisms including but not limited to the PCORC and filings authorized by the PCA mechanism, PGA and the pending property tax rider that PSE proposed as part of the ERF. Further, the Settling Parties anticipate that PSE will make filings related to the culmination of the sale of PSE's service territory to Jefferson County Public Utility District No. 1, and nothing in this Agreement shall preclude such filings or shall preclude PSE from recovering gains from the sale during the general rate case stay out period. Further, PSE is not precluded from seeking a cost recovery mechanism as set forth in the Commission Policy on Accelerated Replacement of Pipeline Facilities with Elevated Risk, Docket UG-120715.

2. Power Cost Only Rate Case

14 The Settling Parties anticipate that PSE will file a PCORC on or before May 1, 2013, with rates effective six months after the date of the filing. The Settling Parties agree that the Commission should waive the requirement in paragraph 10 of the PCA Settlement that a general rate case must be filed within three months of the effective date of any rate increase resulting from a PCORC. In recognition of the potential future volatility of power costs and

the potential need for new resources during this stay out period, the Settling Parties agree that PSE may file additional PCORCs during the general rate case stay out period to true up the power cost rate or to add new resources to the power cost rate.

D. Resolution of Petition for Reconsideration and Motion to Reopen the Record in Docket UE-121373

15 PSE addressed three issues in its Petition for Reconsideration and Motion to Reopen the Record in Docket UE-121373: (1) the ongoing approval authority retained by the Commission;⁹ (2) the Commission's decision not to authorize a deferral;¹⁰ and (3) the insufficiency of the Commission-authorized equity component.¹¹ The Settling Parties have reached the following agreement on these three components of PSE's Request for Reconsideration in consideration of the mutual agreements set forth in this Agreement:

1. Ongoing Approval (Prudence) Authority Retained by the Commission

16 The Settling Parties agree that the contract amendment between PSE and TransAlta Centralia, as filed with the Commission in conjunction with PSE's Petition for Reconsideration, remedies the prudence concerns raised by the Commission in its Final Order. As such, the Settling Parties ask the Commission to reopen the record and allow into evidence the Affidavit of Roger Garratt and the amendment to the Coal Transition PPA.

17 With respect to the petitions for concurrence contemplated by sections 17.3 and 17.4 of the amendment to the Coal Transition PPA, the Settling Parties agree that the Commission may condition any order concurring with or disapproving of a petition for concurrence, including but not limited to the recovery of cost and equity under the Coal Transition PPA,

⁹ Petition for Reconsideration and Motion to Reopen the Record, ¶¶ 13-23, 27-37.

¹⁰ Petition for Reconsideration, ¶¶ 24-26.

¹¹ Petition for Reconsideration, ¶¶ 7-12.

and that any such condition would be binding on PSE if PSE were to continue making purchases under the Coal Transition PPA. The Settling Parties further agree that any such condition should be prospective only and should not affect purchases made by PSE under the Coal Transition PPA prior to the issuance of the Commission order.

2. Authorization of a Deferral

18 The Settling Parties agree that recovery of the cost of the contract power and the equity adder should be accomplished through 1) a PCORC; 2) a compliance filing made 60 days before December 1, 2014, December 1, 2015, and December 1, 2016; or 3) a combination of a PCORC and compliance filing.¹² PSE has the option to elect whichever of these methodologies is most appropriate each year. If implemented by a compliance filing, increases in volumes and rates will be built into base rates and the cost basis of the PCA, by including the cost increases from the contract. This cost will be offset by market price power from the most recent power cost update that is currently included in rates. Once the power delivery reaches 380 megawatts, annual price increases will run through PCA filings.

3. Equity Component

19 In exchange for (1) and (2) above, and upon approval of the amended decoupling petition and ERF and the other terms set forth in this Agreement, PSE agrees to withdraw its request for reconsideration of the equity component of the Coal Transition PPA and will agree to the \$1.49 equity component as set forth in the Final Order in Docket UE-121373. PSE agrees to withdraw its claim that the authorized equity component is insufficient and fails to provide the incentive set forth in the Coal Transition Energy Bill, as set forth in

¹² If a PCORC picks up a partial year of a contract change, then a compliance filing may be made to pick up the remainder of the contract year.

paragraphs 7-12 of PSE's Petition for Reconsideration. PSE will agree to the equity component authorized by the Commission in its Final Order in Docket UE-121373.

V. MISCELLANEOUS PROVISIONS

20 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 proceedings.

21 This Multiparty Settlement represents an integrated resolution of several pending dockets currently before the Commission. Accordingly, the Settling Parties recommend that the Commission adopt and approve Section IV of this Multiparty Settlement in its entirety.

22 The Settling Parties shall cooperate in submitting this Multiparty Settlement promptly to the Commission for approval, 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.

23 In the event the Commission rejects any part of Section IV of the Multiparty Settlement, the provisions of WAC 480-07-750(2)(a) shall apply. In the event the Commission accepts Section IV 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 the Decoupling Petition and ERF dockets. 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.

24 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.

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

26 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 Commission 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 Commission Staff.

DATED this 22 day of March, 2013.

Respectfully submitted,

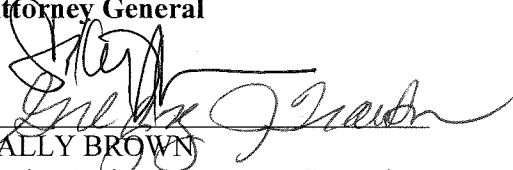
PUGET SOUND ENERGY, INC.

KEN S. JOHNSON
Director, State Regulatory Affairs

NW ENERGY COALITION

NANCY HIRSH
Policy Director

ROBERT W. FERGUSON
Attorney General

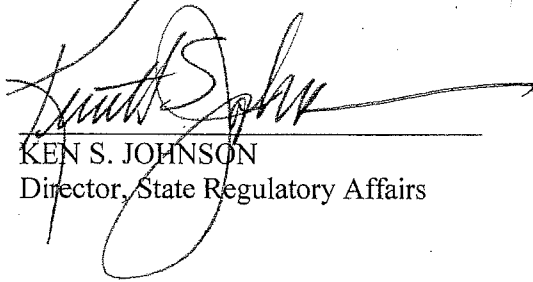


SALLY BROWN
Senior Assistant Attorney General
GREGORY J. TRAUTMAN
Assistant Attorney General
Counsel for Washington Utilities and
Transportation Commission Staff

DATED this ____ day of _____, 2013.

Respectfully submitted,

PUGET SOUND ENERGY, INC.

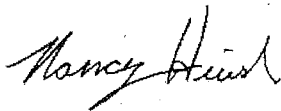


KEN S. JOHNSON
Director, State Regulatory Affairs

ROBERT W. FERGUSON
Attorney General

SALLY BROWN
Senior Assistant Attorney General
GREGORY J. TRAUTMAN
Assistant Attorney General
Counsel for Washington Utilities and
Transportation Commission Staff

NW ENERGY COALITION



NANCY HIRSH
Policy Director