

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	DOCKET UE-090704
)	DOCKET UG-090705
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”), Seattle Steam Company (“Seattle Steam”), 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 May 8, 2009, 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-090704) and gas service (Docket UG-
090705) to customers in Washington. The proposed revisions provide for a general rate
increase of \$27.2 million (2.2 percent) for the gas tariffs. The Commission suspended
operation of the tariffs by Order 01 entered in these dockets following the open meeting on
May 28, 2009. The Commission consolidated these dockets by Order 02, entered on June 8,
2009 (collectively referred to hereinafter as the “General Rate Case”).

4 A prehearing conference in the General Rate Case was held on June 22, 2009. The
Commission granted petitions to intervene of NWIGU, Seattle Steam, and Nucor.¹

5 On August 3, 2009, PSE filed a Motion for Leave to File Supplemental Testimony.
These supplemental direct testimony and exhibits increased the proposed natural gas revenue
deficiency from \$27.2 million to \$30.4 million. The Commission granted PSE’s Motion for
Leave to File Supplemental Testimony by Order 06, entered on August 12, 2009.

6 On December 17, 2009, PSE filed rebuttal testimony and exhibits. These rebuttal
testimony and exhibits decreased the proposed natural gas revenue deficiency from
\$30.4 million to \$28.5 million.

¹ Other interveners that are not parties to this Multiparty Settlement are Industrial Customers of Northwest Utilities, The Kroger Co., the Federal Executive Agencies, the Energy Project, Cost Management Services, Inc., and Northwest Energy Coalition.

7 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.

8 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 January 19, 2010. 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

9 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. For illustrative purposes only, page 1 of the Attachment to this Multiparty Settlement shows the Settling Parties’ agreed rate spread associated with a hypothetical final natural gas revenue requirement increase of \$28 million, which shall be termed the Baseline Case.

10 The revenue requirement increase for all rate schedules except special contracts will be equal to the Proposed Revenue Increase shown in column H of the Attachment, page 1

multiplied by the Pro Forma Margin at Existing Rates shown in column D. The increase for special contract customers will be based on the terms of their contracts.

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

- Schedules 16, 23, 31, 61, 53, 71, 72, and 74 shall each receive a uniform percentage increase based on the overall increase to margin;
- Schedules 41 and 41T shall each receive a percentage increase equal to 75 percent of the uniform percentage increase assigned to Schedules 16, 23, 31, 61, 53, 71, 72, and 74; and
- Schedules 85, 85T, 86, 86T, 87, and 87T shall each receive a percentage increase equal to 50 percent of the uniform percentage increase assigned to Schedules 16, 23, 31, 61, 53, 71, 72, and 74.

E. AGREEMENT – NATURAL GAS RATE DESIGN

12 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, except for the basic charge for residential service under Schedules 23 and 53. Under the agreement, the basic charge for residential service under Schedules 23 and 53 shall remain at \$10.00 per month. The rate design agreement is summarized in the Attachment, page 2.

F. MISCELLANEOUS PROVISIONS

13 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.

14 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.

15 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.

16 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 five (5) 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.

17 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.

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

19 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.

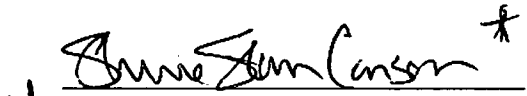
DATED this 15th day of January, 2010.

Respectfully submitted,

PERKINS COIE LLP

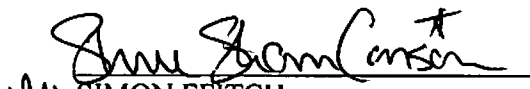

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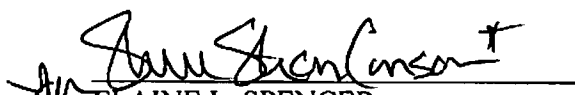
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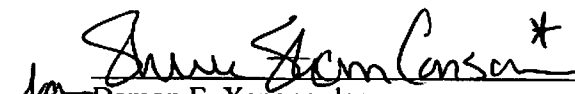
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Attachment

Puget Sound Energy
Docket Nos. UE-090704 and UG-090705
Test Year Ended December 2008
Allocation of Revenue Deficiency to Rate Classes - Settlement Baseline

Rate Class	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 Revenue Increase	Proposed Margin Increase Less Contracts	Calculated Margin Revenue	Pro forma Gas Revenue at Existing Rates (1)	Calculated Total Revenue	Calculated Change in Margin	Percent Margin Increase	Percent Total (2) Increase
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Residential (16,23,53)	\$ 782,383,313	\$ 511,902,119	\$ 270,481,194	558,157,184	69%	100.0%	7.4%	\$ 19,919,272	\$ 290,401,850	\$ 511,902,119	\$ 802,303,969	\$ 19,920,656	7.4%	2.5%
Commercial & industrial (31,61)	260,905,538	182,484,807	78,420,730	200,125,906	20%	100.0%	7.4%	5,775,203	84,196,275	182,484,807	266,681,083	5,775,545	7.4%	2.2%
Large volume (41,41T)	89,565,838	71,523,420	18,042,418	81,348,859	5%	75.0%	5.5%	996,535	19,038,749	71,523,420	90,562,169	996,331	5.5%	1.1%
Interruptible (85, 85T)	23,775,690	15,059,735	8,715,955	89,211,172	2%	50.0%	3.7%	320,938	9,037,095	15,059,735	24,096,830	321,140	3.7%	1.4%
Limited interruptible (86)	17,008,749	13,730,206	3,278,543	15,667,418	1%	50.0%	3.7%	120,722	3,399,276	13,730,206	17,129,482	120,733	3.7%	0.7%
Non exclusive interruptible (87,87T)	33,423,407	27,063,096	6,360,311	138,749,582	2%	50.0%	3.7%	234,199	6,594,484	27,063,096	33,657,580	234,173	3.7%	0.7%
Rentals	8,255,997	-	8,255,997	0	2%	100.0%	7.4%	608,003	8,862,285	-	8,862,285	606,288	7.3%	7.3%
Contracts	1,627,949	-	1,627,949	34,962,623				-	1,653,076	-	1,653,076	25,127	1.5%	1.5%
Subtotal revenue from rates	\$ 1,216,946,480	\$ 821,763,382	\$ 395,183,098	1,118,222,744	100%			\$ 27,974,873	\$ 423,183,090	\$ 821,763,382	\$ 1,244,946,472	\$ 27,999,992	7.1%	2.3%
Other revenue	8,335,038		8,335,038						8,335,038		8,335,038		0.0%	0.0%
Total	\$ 1,225,281,518	\$ 821,763,382	\$ 403,518,135	1,118,222,744				\$ 27,974,873	\$ 431,518,127	\$ 821,763,382	\$ 1,253,281,510	\$ 27,999,992	6.9%	2.3%

Proposed total increase	\$ 28,000,000
Average increase on margin (includes rentals, excludes contracts)	7.11%
Average increase on total (includes rentals, excludes contracts)	2.30%
Average increase on margin after contracts	7.11%
Adjustment to increase for unequal allocation of increase	1.04
Rounding error	

\$ (8)

(1) Pro forma gas revenue at rates in existence at the time of the filing (May 2009).

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

Puget Sound Energy
Docket Nos. UE-090704 and UG-090705
Summary of Natural Gas Rate Design - Settlement

Line No.	Rate Schedule	Tariff	Rate Spread	Customer Charge	Demand Charge	Energy Charge
1	Residential	23 / 53	100% of system average	\$10.00	n/a	Full increase
2	Gas Lights	16	100% of system average	Class average increase	n/a	n/a
3	Small General Service - Sales	31	100% of system average	Class average increase	n/a	Class average increase
4	Small General Service - Transport	31T	n/a	Class average increase	n/a	Class average increase
5	Large General Service - Sales	41	75% of system average	Class average increase	Same as Schedule 87	Residual equal % to each block
6	Large General Service - Transport	41T	75% of system average	Class average increase	Same as Schedule 87	Same as Schedule 41
7	Interruptible - Sales	85	50% of system average	Class average increase	Same as Schedule 87	Residual equal % to each block
8	Interruptible - Transport	85T	50% of system average	Class average increase	Same as Schedule 87	Same as Schedule 85
9	Limited Interruptible - Sales	86	50% of system average	Class average increase	Same as Schedule 87	Residual equal % to each block
10	Limited Interruptible - Transport	86T	n/a	Class average increase	Same as Schedule 87	Same as Schedule 86
11	Non-Exclusive Interruptible - Sales	87	50% of system average	Class average increase	Class average increase	Class average increase
12	Non-Exclusive Interruptible - Transport	87T	50% of system average	Class average increase	Class average increase	Class average increase
13	Contracts		Based on contracts	Based on contracts	Based on contracts	Based on contracts
14	Water Heater Rentals	71 / 72 / 74	100% of system average	Class average increase	n/a	n/a