

**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.,)	ELECTRIC RATE SPREAD AND
)	ELECTRIC RATE DESIGN
Respondent.)	
)	
)	
)	

A. INTRODUCTION

1 This Multiparty Settlement is entered into pursuant to WAC 480-07-730(3) 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 Settling Parties agree should be applied to any electric 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 Industrial Customers of Northwest Utilities (“ICNU”), and The Kroger Co., on behalf of its Fred Meyer

Stores and Quality Food Centers divisions (“Kroger”) (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 \$148.4 million (7.4 percent) for the electric 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 ICNU and Kroger¹

5 On September 28, 2009, PSE filed a Motion for Leave to File Supplemental
Testimony. These supplemental direct testimony and exhibits increased the proposed electric
revenue deficiency from \$148.4 million to \$153.9 million. The Commission granted PSE’s
Motion for Leave to File Supplemental Testimony by Order 08, entered on October 20, 2009.

6 On December 17, 2009, PSE filed rebuttal testimony and exhibits. These rebuttal
testimony and exhibits decreased the proposed electric revenue deficiency from
\$153.9 million to \$113.5 million.

¹ Other interveners that are not parties to this Multiparty Settlement are Northwest Industrial Gas Users, Seattle Steam Company, Nucor Steel Seattle, Inc., 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 electric 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 electric 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 – ELECTRIC RATE SPREAD

9 This Section D describes how the total electric revenue requirement increase determined by the Commission will be applied to each class of electric 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 electric revenue requirement increase of \$113 million.

10 Schedule 40 rates shall be determined in accordance with the calculated rate methodology, in which Schedule 40 rates for power supply (generation and transmission) are set equal to Schedule 49 charges (adjusted for power factor and losses). In addition,

delivery-related charges shall be derived based on customer specific costs of PSE distribution facilities used to provide delivery services directly to each Schedule 40 customer.

11 The revenue requirement increase for all other rate schedules will be equal to the Proposed Revenue Increase Percent shown in column F of the Attachment, page 1, multiplied by the Pro forma Revenue shown in column B of the Attachment, page 1.

12 In deriving the Proposed Revenue Increase Percent, the Settling Parties agree to the following rate spread metrics:

- Schedules 5, 7, 24, 26, 31, 35, 43, 46, 49, 50-59, 448, and 449 shall each receive a uniform percentage increase; and
- Schedules 25 and 29 shall each receive a percentage increase equal to 75 percent of the uniform percentage increase assigned to the other rates schedules above.

13 For the purpose of preparing the Attachment, page 1, an estimated increase for Schedule 40 assuming the \$113 million hypothetical revenue increase used in this Multiparty Settlement is used as a placeholder.

14 Nothing in this Multiparty Settlement shall limit the ability of any Settling Party to advocate any methodology with respect to the use of revenue received by PSE from the sale of Renewable Energy Credits (“RECs”) and Carbon Financial Instruments (“CFIs”) in any other proceeding. This Multiparty Settlement does not establish any principle or precedent regarding the methodology with respect to the use of revenue received by PSE from the sale of REC and CFIs.

E. AGREEMENT – ELECTRIC RATE DESIGN

15 This Section E describes how electric 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 Nos. DWH-1T, JKP-25T and supporting exhibits, except for the one phase basic charge for residential service under Schedule 7. The rate design for Schedule 26 will follow the method agreed to by PSE in Exhibit No. JKP-25T. The one phase basic charge for residential service under Schedule 7 shall increase from \$7.00 to \$7.25. The rate design agreement is detailed in the Attachment and summarized in the Attachment, page 2.

F. MISCELLANEOUS PROVISIONS

16 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 electric rate spread and rate design.

17 This Multiparty Settlement represents an integrated resolution of electric 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.

18 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.

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

20 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.

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

22 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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