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BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AIR LIQUIDE AMERICA
CORPORATION, AIR PRODUCTS AND
CHEMICALS, INC., THE BOEING
COMPANY, CNC CONTAINERS,
EQUILON ENTERPRISES, LLC,
GEORGIA-PACIFIC WEST, INC.,
TESORO NORTHWEST COMPANY, and
THE CITY OF ANACORTES,

Complainants,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET NO. UE-001952
(consolidated)

In re: Petition of Puget Sound Energy, Inc.
for an Order Reallocating Lost Revenues
Related to any Reduction in the Schedule
48 or G-P Special Contract Rates

DOCKET NO. UE-001959
(consolidated)

STIPULATION OF SETTLEMENT

STIPULATION OF
SETTLEMENT

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1 1. PURPOSE OF STIPULATION

2 This Stipulation of Settlement (“Stipulation”) is made on March 9, 2001, by and
3 among the Parties defined herein. This Stipulation is intended to address the status of
4 all customers currently served under Puget Sound Energy (“PSE”) Schedule 48 and
5 Special Contracts and to resolve the disputes between PSE and those customers as
6 provided herein. As set forth in detail below, certain PSE customers described as
7 “Large Customers” will terminate service pursuant to Schedule 48 and their Special
8 Contracts, renounce as specified herein all current and future rights to PSE generating
9 resources, and will instead take service pursuant either to new Schedule 448, entitled
10 “Power Supplier Choice,” or a new Schedule 449, entitled “Retail Wheeling Service.”
11 Certain other PSE customers described as “Small Customers” will terminate service
12 under Schedule 48 and instead take service pursuant to the terms of a “Small Customer
13 Special Contract,” which revises their energy rates and gives those customers the
14 opportunity to return to PSE “core” service under specified terms and conditions. One
15 PSE customer, King County, currently has demands as large as a Large Customer, but
16 may reduce its demands to those of a Small Customer; if King County executes and is
17 permitted to join in this Stipulation, it will have the option to be treated as either a
18 Large Customer now, or as a Small Customer once it has reduced its demands as
19 discussed below, or, alternatively, it may continue on Schedule 48 until it terminates on
20 October 31, 2001. Two other PSE customers, the City of Anacortes and Olympic
21 Pipeline, will terminate service under Schedule 48, and instead, take service under the
22 otherwise applicable rate schedule for Core Customers. Three other Schedule 48
23 customers are internet data centers (“IDC Customers”) (AT&T, Qwest, and MCI
24 WorldCom). The IDC Customers will remain on Schedule 48 until the earlier of (1)
25 October 31, 2001, which is when Schedule 48 will terminate, or (2) the date that the
26 Commission makes effective Schedule 45 or such other rate schedule that the

1 Commission determines to be appropriate for IDC Customers. PSE will file its
2 proposed Schedule 45 on or before April 16, 2001. No new customers will be
3 permitted to take service under Schedule 48.

4
5 2. REQUESTED APPROVALS OF THE COMMISSION

6 2.1. The Parties request that the Commission expeditiously take the following
7 actions. These approvals and other actions must be obtained by no later than
8 April 9, 2001, or as provided in Section 3.4, this Stipulation will be rendered null
9 and void.

10 2.2. Approve this Stipulation in its entirety, without material change or modification,
11 and find that such Stipulation meets all statutory requirements and is in the
12 public interest;

13 2.3. Approve the attached Schedule 449 and the form of Schedule 449 Service
14 Agreement, without material change or modification, and find that such
15 Schedule 449 and form of Schedule 449 Service Agreement meets all statutory
16 requirements and are in the public interest;

17 2.4. Approve the attached Schedule 448 and the form of Schedule 448 Service
18 Agreement, without material change or modification, and find that such
19 Schedule 448 and form of Schedule 448 Service Agreement meet all statutory
20 requirements and are in the public interest;

21 2.5. Approve the attached Small Customer Special Contracts, without material
22 change or modification, and find that such Small Customer Special Contracts
23 meet all statutory requirements and are in the public interest;

24 2.6. Approve the attached Stipulation Of Settlement For The City Of Anacortes &
25 Olympic Pipeline (“A & O Settlement”), without material change or
26

1 modification, and find that such A & O Settlement meets all statutory
2 requirements and is in the public interest;

3 2.7. Approve an extension of the Special Contracts to October 31, 2001, unless
4 terminated earlier as provided herein, and find that such extension meets all
5 statutory requirements and is in the public interest;

6 2.8. Approve the PSE's proposed Transmission/Distribution split in Docket No. UE-
7 010010.

8 2.9. Dismiss with prejudice the Amended Complaint in Docket No. UE-001952.

9 2.10. Dismiss with prejudice the Petition in Docket No. UE-001959.

10 2.11. Dismiss with prejudice the complaint in Docket No. UE-001014.

11 2.12. Dismiss with prejudice the complaint in Docket No. UE-000735.

12 2.13. Dismiss with prejudice the complaint in Docket No. UE-001616.

13 2.14. Lift the suspension of Docket No. UE-010046, approve the withdrawal by PSE
14 of the compliance filing in Docket No. UE-010046, and find that PSE has
15 satisfied all obligations in the Commission Order Approving Schedule 48 With
16 Conditions, Docket No. UE-960696 (October 31, 1996) that PSE demonstrate
17 that the Schedule 48 rate remains a sufficient rate or to otherwise submit
18 Schedule 48 for Commission review prior to the end of its initial term.

19 2.15. Lift the suspension of Docket No. UE-010038, and approve the withdrawal by
20 PSE of the filing in Docket No. UE-010038 of Schedule 448, as that filing is
21 being replaced with the Schedule 448 that is attached to this Stipulation.

22 2.16. Order that no new customers may take service under Schedule 48.

23 2.17. Find that marketers or other entities who sell power to Schedule 449 Customers,
24 but who do not own, operate, or manage electric plant for hire within the State of
25 Washington are not subject to regulation as electric utilities under Washington
26 law as it exists as of the date of execution of this Stipulation, solely because of

1 such sales to Schedule 449 Customers, whether or not such marketer or entity
2 has a corporate affiliate that owns, operates, or manages electric plant for hire in
3 the State of Washington.

4
5 **3. APPROVAL PROCEDURES**

6 3.1. Subject to the provisions for dealing with material changes or modifications
7 described in Section 3.3, Commission approval of the Stipulation, Schedule 448
8 (including the form of Schedule 448 Service Agreement), Schedule 449
9 (including the form of Schedule 449 Service Agreement), and the Small
10 Customer Special Contracts (collectively, the “Stipulated Schedules”) in their
11 entirety without material change or modification, and the Commission’s grant of
12 all approvals and other actions requested in Section 2, are necessary conditions
13 precedent to the effectiveness of both the Stipulation and the Stipulated
14 Schedules. The Parties unanimously agree that the rates, terms and conditions
15 that will result from Commission approval of the Stipulation and the Stipulated
16 Schedules will represent fair, just, reasonable, and sufficient rates within the
17 meaning of RCW 80.28.010 and the requirements of other applicable
18 Washington statutes and regulations, and that approval of the Stipulation and
19 Stipulated Schedules, and grant of all other requested approvals and other
20 actions, is in the public interest.

21 3.2. The Parties shall cooperate in filing the Stipulation and Stipulated Schedules
22 with the Commission as soon as possible, but in any event no later than March 9,
23 2001. The Parties shall request a hearing or hearings to present the Stipulation
24 and the Stipulated Schedules to the Commission, and shall timely and
25 completely respond to any inquiries the Commission may have regarding the
26 Stipulation and the Stipulated Schedules. Complainants, PSE, Staff, Intervenors,

1 and Public Counsel shall each make available a witness to testify at the hearing
2 or hearings in support of the Stipulation and the Stipulated Schedules. The
3 Parties agree to use all reasonable efforts to secure adoption of the Stipulation
4 and Stipulated Schedules without change or modification, and to obtain all
5 approvals and other Commission actions requested in the Stipulation.

6 3.3. Effect of Material Change or Modification. If the Commission makes any
7 change or modification to the Stipulation or the Stipulated Schedules, or fails to
8 grant any requested approvals, and a Party deems such change or modification or
9 failure to approve to be material, that Party shall notify the Commission and the
10 Parties within three business days from the service date of the Commission
11 order. If such notice is received, the Commission will, on the following business
12 day, notify the Parties and the Parties shall have five business days from the date
13 such notice is issued to negotiate mutually acceptable changes or modifications
14 to the Stipulation and Stipulated Schedules. In the event that the Parties agree
15 upon changes or modifications, they shall submit a revised Stipulation and
16 Stipulated Schedules to the Commission for further approval as expeditiously as
17 possible.

18 3.4. If the Parties do not file the Stipulation and initiate the proceedings with the
19 Commission by March 9, 2001, or if the Commission: (a) does not approve the
20 Stipulation in its entirety; (b) does not approve, in their entirety, the Stipulated
21 Schedules ; (c) rejects all or any portion of the Stipulation or such Stipulated
22 Schedules; (d) denies any of the approvals or other actions requested in Section
23 2 of this Stipulation, or (e) adds any material additional terms or conditions to
24 the Stipulation or such Stipulated Schedules, and the provisions addressing
25 material changes or modifications in Section 3.3 are invoked, and do not result
26

1 in mutually agreeable changes or modifications, then the following shall occur
2 and/or take effect:

3 3.4.1. The Stipulation and the Stipulated Schedules will be null and void
4 thereafter and have no further force or effect on any of the Parties.

5 3.4.2. The Parties will support and cause to be filed a joint motion to promptly
6 schedule the remaining hearings in Docket Nos. UE-001952/001959;
7 provided, that such motion will be without prejudice to the procedural
8 and substantive rights and positions that the Parties may possess and
9 assert in Phase One, Phase Two, or in any other phase of such Dockets
10 that the Commission may schedule.

11 4. PARTIES AND DEFINITIONS OF TERMS

12 4.1. Parties. This Stipulation is made by and among the following:

13 4.1.1. Air Liquide America Corporation (“Air Liquide”), Air Products and
14 Chemicals, Inc. (“Air Products”), The Boeing Company (“Boeing”),
15 CNC Containers, Inc. (“CNC”), Equilon Enterprises, LLC (“Equilon”),
16 Georgia-Pacific West, Inc. (“G-P”), Tesoro West Coast Company d/b/a
17 Tesoro Northwest Company (“Tesoro”), and the City of Anacortes,
18 Washington (“Anacortes”) (collectively referred to herein as
19 “Complainants”);

20 4.1.2. Respondent, Puget Sound Energy, Inc. (“PSE”);

21 4.1.3. Commission Staff (“Staff”);

22 4.1.4. The Public Counsel Section of the Washington Attorney General
23 (“Public Counsel”); and

24 4.1.5. Bellingham Cold Storage Company (“BCS”), Atlantic Richfield
25 Company (“ARCO”), Intel Corporation (“Intel”), Olympic Pipeline, Inc.
26

1 (“Olympic”) (collectively “Intervenors”). If King County’s Metro
2 Wastewater Treatment Division (“King County”) executes and is
3 permitted to join in this Stipulation, it will be treated as an Intervenor
4 under this Stipulation.

5 4.2. Complainants and Intervenors are all customers under PSE Schedule 48 or a PSE
6 Special Contract. This Stipulation is intended by the Complainants, PSE, Staff,
7 Public Counsel, and Intervenors (collectively the “Parties”) to fully and finally
8 resolve and settle matters pending before the Commission, subject to
9 Commission approval, and to discharge and release any and all Released Claims
10 (as defined below) upon and subject to the terms and conditions set forth herein.

11 4.3. Definitions:

12 4.3.1. “Core Customers” are all customers taking power from PSE under tariff
13 rates set by the Commission pursuant to traditional cost-of-service
14 ratemaking principles. Core Customers are all customers not defined as
15 “Non-core Customers.” A customer may have Non-core Customer status
16 at one or more Locations, and Core Customer status at other facilities, as
17 provided in this Stipulation. A Small Customer may become a Core
18 Customer pursuant to Section 9.7.

19 4.3.2. “IDC Customer” means an internet data center with current or projected
20 load greater than 2.4 average MW (“aMW”). Three IDC Customers take
21 service under Schedule 48: AT&T, WorldCom, and Qwest.

22 4.3.3. “Large Customers” means Schedule 48 Customers or Special Contract
23 Customers who have aggregate historic and projected demands in excess
24 of 10 MW (but does not include IDC Customers). The Parties agree that
25 for purposes of this Stipulation and the Stipulated Schedules the
26 following Schedule 48 Customers and Special Contract Customers meet

1 this definition: Boeing, BCS, Equilon, G-P, Tesoro, and ARCO. King
2 County meets the definition of Large Customer as of the date of this
3 Stipulation, but may decrease its peak demand to below 10 MW by
4 installing peaking generation. If King County executes and is permitted
5 to join in this Stipulation, it may elect to be treated as a Large Customer
6 as provided in Section 12.2.

7 4.3.4. "Location" means a customer facility (whether owned or leased) where
8 service was taken under Schedule 48 or a Special Contract. Location
9 also includes any new facilities where a customer is required to take
10 service under Schedule 448 or 449, or a Small Customer Special
11 Contract, as provided herein. A customer may historically have taken
12 service under Schedule 48 or a Special Contract for some loads at a
13 facility, but may have received service as a Core Customer for other
14 loads at the facility, served by a separate meter, or for other facilities
15 owned by such customer. For such customers, loads that have
16 historically been served through a separate meter under rate schedules
17 applicable to Core Customers shall remain on such rate schedules,
18 notwithstanding other provisions of this Stipulation.

19 4.3.5. "Mid-Columbia Firm Index" when used in the Stipulation means, for
20 each hour of any Month, an index price for such hour, expressed in
21 dollars/MWh, equal to the following index for such hour: the Dow Jones
22 Mid-Columbia Electricity Index reporting "Firm On-Peak," "Firm
23 Off-Peak" and "Sunday & NERC Holidays 24 Hour Firm" energy prices
24 (in dollars per megawatt-hour) for the period in which such hour occurs.
25 The Stipulated Schedules contain provisions to deal with the
26

1 circumstance in which the Mid-Columbia Firm Index is not published or
2 is discontinued.

3 4.3.6. “Non-core Customer” means a customer who has forever released,
4 relinquished, and discharged any right to, claim to, or benefits of PSE’s
5 generation resources, including the right to power produced by such
6 resources, whether or not priced at PSE’s cost of producing such power,
7 at one or more Locations. A customer may have Non-core Customer
8 status at one or more Locations, and Core Customer status at other
9 facilities, as provided in this Stipulation.

10 4.3.7. “Schedule 48 Customer” means any customer taking service under
11 Schedule 48 as of the date this Stipulation is executed. Schedule 48
12 prices energy using a market-based index.

13 4.3.8. “Small Customers” means Schedule 48 Customers who have aggregate
14 historic and projected demands less than 10 MW but who have historic
15 and projected loads greater than 2.4 aMW (but does not include IDC
16 Customers). The Parties agree that for purposes of this Stipulation and
17 the Stipulated Schedules the following Schedule 48 Customers meet this
18 definition: Air Liquide, Air Products, Intel, and CNC. King County will
19 meet the definition of Small Customer on a going forward basis if it
20 installs peaking generation to limit its aggregate peak demand to less
21 than 10 MW. If King County executes and is permitted to join in this
22 Stipulation, it may elect to be treated as a Small Customer as provided in
23 Section 12.2.

24 4.3.9. “Special Contract” means the contracts effective under WAC 480-80-335
25 between PSE and ARCO, between PSE and BCS, and between PSE and
26 G-P. These Contracts price energy using a market-based index.

1 4.3.10. "Special Contract Customer" means ARCO, BCS, and G-P.

2 4.3.11. "Transition payments" means payments designated as Transition
3 Payments in Schedule 48, paid as part of a contemplated transition to
4 retail wheeling for such customers.

5 4.3.12. Other terms used in this Stipulation are defined in the Stipulated
6 Schedules attached hereto, the definitions of which are incorporated by
7 this reference.

8
9 5. DESCRIPTION OF THE ACTIONS

10 5.1. On December 12, 2000, Complainants filed a complaint against PSE alleging
11 that the energy rates charged by PSE under its Schedule 48 and the G-P Special
12 Contract were no longer fair, just, and reasonable. Complainants sought relief
13 under the emergency adjudicative procedures as set forth in RCW 34.05.479 and
14 WAC 480-09-510 and under RCW 80.28.020. Docket No. UE-001952
15 ("Schedule 48 Complaint").

16 5.2. On December 13, 2000, PSE filed a Petition For an Order Reallocating Lost
17 Revenues Related to Any Reduction in the Schedule 48 or G-P Special Contract
18 Rates ("Petition"). Upon PSE's motion, the Commission consolidated PSE's
19 Petition with the Schedule 48 Proceeding. *Order Consolidating Proceedings,*
20 December 18, 2000.

21 5.3. On December 28, 2000, PSE refiled Schedule 48, and the Commission has
22 docketed that matter as Docket No. UE-010046. While the refiled Schedule 48
23 proceeding has not been consolidated with the Schedule 48 Complaint and
24 Petition consolidated proceedings, the resolution of the refiled Schedule 48
25 proceeding is an integral part of this Stipulation as set forth below.
26

- 1 5.4. On January 12, 2001, PSE filed Schedule 448, entitled “Power Supplier Choice”
2 -- a revision to its electric tariff that would allow certain PSE customers to
3 choose and negotiate the commercial terms of their energy supply arrangements
4 through PSE in a buy/sell transaction. The Commission suspended Schedule
5 448, subject to further Commission investigation and hearing. *Complaint and*
6 *Order Suspending Tariff Revisions*, January 16, 2001, Docket No. UE-010038.
7 While the Schedule 448 proceeding has not been consolidated with the Schedule
8 48 Complaint and Petition consolidated proceedings, the resolution of the
9 Schedule 448 proceeding is an integral part of this Stipulation as set forth below.
- 10 5.5. On February 2, 2001, PSE filed a Complaint in King County Superior Court
11 against several of the Complainants. Puget Sound Energy, Inc. v. Air Liquide et
12 al., Case No. 01-2-03801-0SEA (“King County Complaint”).

13 6. AGREEMENTS

- 14 6.1. The Parties agree that resolution of the proceedings identified in this Stipulation
15 in the manner set forth in this Stipulation is in the public interest and complies
16 with all applicable legal and regulatory standards. Therefore, all Parties support
17 this Stipulation and recommend prompt Commission approval of the Stipulation.
- 18 6.2. The Parties agree that prompt Commission approval of the Stipulated Schedules
19 and the A & O Settlement is in the public interest. The Stipulated Schedules are
20 attached as Exhibits to this Stipulation, are a part of the Stipulation, and will be
21 submitted to the Commission for approval with the Stipulation. All Parties
22 support and recommend prompt Commission approval of the Stipulated
23 Schedules. The Stipulated Schedules are summarized in this Stipulation; in the
24 event of any conflict between the summaries in this Stipulation and the
25 Stipulated Schedules, the Stipulated Schedules will prevail.
- 26

1 6.3. The Parties agree to fully, finally, and forever resolve, discharge, and settle any
2 and all Released Claims (as defined below) upon and subject to the terms and
3 conditions set forth herein.

4 6.4. All Parties agree that this Stipulation does not alter any rights or obligations
5 under the Schedule 48 guarantee against cost-shifting and the provisions of the
6 PSE Merger Rate Plan (Consolidated Docket No. UE-951270 and UE-960195).
7 This Stipulation preserves intact all the protections afforded to Core Customers
8 of PSE under the Schedule 48 guarantee and the provisions of the PSE Merger
9 Rate Plan (Consolidated Docket No. UE-951270 and UE-960195).

10 6.5. PSE agrees, and will testify if called upon to do so, that this Stipulation and the
11 Stipulated Schedules will not impair its financial integrity, and will not, by
12 themselves, cause the Company to seek interim rate relief. PSE agrees, and will
13 testify if called upon to do so, that this Stipulation, the Stipulated Schedules, and
14 the A&O Settlement should be viewed positively by the financial community
15 since they produce certainty with respect to the Company's resource planning,
16 and permit PSE to manage its costs with greater certainty. PSE agrees the
17 stipulated resolution of these matters will permit PSE to issue permanent
18 financing on reasonable terms and conditions, absent new conditions not
19 reflected in the market as of the date of this Stipulation.

20 6.6. The Parties agree that this Stipulation and the Stipulated Schedules do not
21 constitute or create unlawful or undue discrimination or preference.

22 6.7. PSE, Complainants, and Intervenors agree that current or future availability of
23 other rate schedules with different rates, terms, and conditions to other Schedule
24 48 Customers who are not Parties to this Stipulation does not create unlawful or
25 undue discrimination or preference.
26

1 6.8. Except as expressly provided in this Stipulation, nothing in this Stipulation shall
2 limit the position any Party may take regarding the calculation of or allocation of
3 transmission or distribution costs in any future rate proceeding.

4 6.9. The Parties agree that neither Schedule 448 nor Schedule 449 constitute or create
5 general retail open access. The only end-use customers who may receive service
6 or otherwise purchase power pursuant to Schedules 448 or 449 are those
7 customers who are expressly designated as eligible pursuant to the eligibility
8 provisions of Schedules 448 or 449. The Parties agree that this Stipulation and
9 the Stipulated Schedules shall not be cited as precedent for retail wheeling or
10 open access in Washington State.

11 6.10. The Parties agree that customers are not permitted to reroute electric service to
12 loads served under Schedule 48, the Special Contracts, or the Stipulated
13 Schedules to other meters at the same location in order to shift such loads to
14 service under rate schedules applicable to Core Customers; nor may customers
15 reroute electric service to loads served under rate schedules applicable to Core
16 Customers to other meters at the same location in order to shift such loads to
17 service under Schedule 48, the Special Contracts, or the Stipulated Schedules.

18
19 7. SCHEDULE 449 – RETAIL WHEELING SERVICE

20 7.1. PSE is submitting as part of this Stipulation a new Schedule 449, Retail
21 Wheeling Service, for Commission approval. Schedule 449 and a form of
22 Schedule 449 Service Agreement are Exhibits to this Stipulation. All Parties
23 support Schedule 449 and the form of Schedule 449 Service Agreement and
24 commit to use all reasonable efforts to secure their adoption without material
25 change or modification, according to the following terms and conditions, as set
26 forth more fully in Schedule 449:

1 7.2. Eligibility. All Special Contract Customers, and all Schedule 48 Customers who
2 have paid Transition Payments to PSE, are eligible for service under Schedule
3 449 as provided in this Stipulation. Any customer who takes service under
4 Schedule 449 must take service under Schedule 449 for all loads at its Locations
5 that were served under Schedule 48 or Special Contract. New and newly
6 acquired facilities and loads, owned or operated by the Schedule 449 customer or
7 its affiliates, within a ten mile radius of any Location of the Schedule 449
8 Customer, that exceed 5.0 aMW on an annual basis, will become Locations at
9 which the Schedule 449 Customer must take service under Schedule 449. New
10 and newly acquired facilities of any Schedule 449 customer, at sites outside such
11 ten mile radius, or with load less than 5.0 aMW, are not permitted by this
12 Stipulation to take service under Schedule 449 and must take service under an
13 otherwise applicable tariff, which may include tariffs available to Core
14 Customers. Upon the sale of real property occupied by facilities taking service
15 under Schedule 449 to an entity not affiliated with the Schedule 449 Customer, if
16 the load of the facilities served under Schedule 449 at the sold property is greater
17 than or equal to 7.5 aMW on an annual basis, the buyer of the property shall take
18 service under Schedule 449. Upon the sale of real property occupied by
19 facilities taking service under Schedule 449 to an entity not affiliated with the
20 Schedule 449 Customers, if the load of the facilities served under Schedule 449
21 at the sold property is less than 7.5 aMW on an annual basis, the buyer of the
22 property shall take service under an otherwise applicable tariff, which may
23 include tariffs available to Core Customers. However, if a Schedule 449
24 Customer sells or otherwise transfers control of all of its facilities served under
25 Schedule 449, or leases all or some of its facilities served under Schedule 449,
26 and the new owner continues the same or similar operations as were performed

1 by such Schedule 449 Customer, the new owner, successor, or assign must take
2 service under Schedule 449 whether or not such facilities have a load in excess
3 of 7.5 aMW and regardless of affiliate status.

4 7.3. Power Suppliers and Supplied Power. Under Schedule 449, the customer shall
5 arrange to purchase Supplied Power from one or more power suppliers other
6 than PSE (which may include, subject to applicable regulatory requirements and
7 available transmission and distribution capability, power marketers, merchant
8 plants, other Schedule 448 or 449 Customers or their affiliates, or any other
9 public or private entity that has the right to sell power to Schedule 449
10 Customers, hereinafter “Power Suppliers”) who shall make available each hour
11 Supplied Power to PSE for delivery to the Schedule 449 Customer pursuant to
12 PSE’s Open Access Transmission Tariff (“OATT”). Such Supplied Power shall
13 be delivered to PSE at the Point(s) of Receipt in amounts sufficient to meet the
14 Schedule 449 Customer’s Load (net of Load served by self-generation). Subject
15 to applicable regulatory requirements and available transmission and distribution
16 capability, a Schedule 449 Customer may obtain power from its own self-
17 generation (regardless of location).

18 7.4. Aggregation of Loads. Any Power Supplier may provide Supplied Power, under
19 one or more Power Supply Contracts, for more than one Location and for more
20 than one Schedule 449 Customer. Additional terms and billing arrangements
21 that may be necessary to implement such aggregation of loads shall be specified
22 in the Schedule 449 Customer(s) Service Agreement(s). Schedule 449
23 Customers who have aggregated Loads for the purpose of power supply may
24 aggregate loads for purposes of determining charges for Retail Load Following
25 Service.
26

1 7.5. Power Supplier Charges. The Schedule 449 Customer is subject to charges from
2 its serving Power Supplier for Energy, for delivery to the Point of Receipt, and
3 any other charges specified in the service agreement between the customer and
4 the Power Supplier. Any such charges will be paid directly by the Schedule 449
5 Customer to the Power Supplier and are not the responsibility of PSE.

6 7.6. Power Supply Taxes. PSE is not responsible for any Taxes due as a result of the
7 purchase of Supplied Power by the Schedule 449 Customer. The Schedule 449
8 Customer will reimburse PSE for any properly assessed Taxes that any
9 applicable governmental entity assesses against PSE for Supplied Power
10 purchased by the Schedule 449 Customer from a Power Supplier other than PSE.

11 7.7. Losses. Supplied Power shall in each hour also include an amount of energy
12 sufficient to provide for losses from the Point(s) of Receipt to the Schedule 449
13 Customer's Location. Losses on the transmission system shall be calculated
14 using the transmission loss factor specified in the OATT. Losses on the
15 distribution system shall be calculated using the loss factor specified in Schedule
16 449.

17 7.8. Self-Generation. Nothing in Schedule 449 shall prohibit a Schedule 449
18 Customer from constructing and relying upon self-generation to supplement or
19 replace any or all purchased power. In addition, PSE shall not impose any
20 penalty on, discourage such customer from, or otherwise discriminate against
21 such customer for constructing or relying on self-generation, which includes
22 generation equipment and facilities owned or leased by a Schedule 449
23 Customer or its affiliate. Nothing in Schedule 449 shall be interpreted as
24 changing the application of environmental laws, energy facilities siting
25 requirements, OATT provisions regarding system upgrades, or other applicable
26 regulatory requirements. A Schedule 449 Customer with self-generation shall be

1 subject to applicable charges under the Back-Up Distribution Service Schedule
2 described in Section 16 of this Stipulation.

3 7.9. Transmission Service. The Schedule 449 Customer, or its Power Supplier
4 (subject to applicable creditworthiness requirements as provided in the OATT),
5 shall take transmission service and required ancillary services pursuant to PSE's
6 OATT; and a Schedule 449 Customer and its Power Supplier shall be an Eligible
7 Customer under the OATT for service under Schedule 449. Approval by the
8 Commission of the proposed Transmission/Distribution split in Docket No. UE-
9 010010 is a condition precedent of this Stipulation. The Schedule 449 Customer
10 or its Power Supplier shall have the right to purchase transmission access
11 pursuant to the OATT for service under Schedule 449, regardless of whether
12 FERC accepts the Transmission/Distribution split. Transmission service shall be
13 provided on a non-discriminatory basis, pursuant to the OATT. The Schedule
14 449 Customer or its Power Supplier shall enter into service agreements under the
15 OATT as a network or point-to-point customer and shall be responsible for
16 complying with the terms of the OATT and applicable service agreements,
17 including payment for transmission and ancillary services consistent with and as
18 required by the OATT. To the extent permitted under the OATT, the Schedule
19 449 Customer may acquire required ancillary services from Power Suppliers or
20 from self-generation, and PSE shall facilitate the delivery of such services.

21 7.10. Distribution Service. PSE shall be obligated to maintain its distribution facilities
22 consistent with applicable standards, including service quality standards required
23 by the Commission. Each Schedule 449 Customer, regardless of the voltage at
24 which its distribution service is provided, shall be deemed to be connected to the
25 Distribution System during the Term of its Schedule 449 Service Agreement.
26 Distribution service shall be provided under the terms and conditions set forth in

1 PSE's Schedule 80. Distribution Service shall be provided on a non-
2 discriminatory basis, which is comparable to the distribution service used by
3 PSE to serve its Core Customers.

4 7.11. Non-core Customer. All Schedule 449 Customers are Non-core Customers for
5 service to Locations served under Schedule 449. Schedule 449 Customers
6 renounce all right to energy from PSE resources at Locations served under
7 Schedule 449. Accordingly, PSE is not obligated to use energy from its own
8 resources to provide Supplied Power, Retail Load Following Service, back-up
9 energy for self-generation, or to meet supplier failures to deliver.

10 Notwithstanding their status as Non-Core Customers, Schedule 449 Customers
11 will only have their power curtailed in accordance with the provisions of PSE
12 Schedule 80.

13 7.12. Retail Load Following Service. PSE shall provide, and Schedule 449 Customer
14 shall receive, Retail Load Following Service to meet variations between
15 Supplied Power and load, subject to the provisions of Section 7.11. PSE pricing
16 for such service will be a charge of 105% of the Mid-Columbia Firm Index for
17 negative imbalances, and a credit of 95% of the Mid-Columbia Firm Index for
18 positive imbalances outside a deviation band equal to the greater of +/-1 MW or
19 +/-7.5% of the scheduled hourly Supplied Power. Deviations between Customer
20 Metered Energy and Supplied Power within the deviation band shall be settled at
21 100% of the Mid-Columbia Firm Index for the hour in which the deviation
22 occurred for negative or positive imbalances. The charges for Retail Load
23 Following Service shall be set based on the peak and off-peak Mid Columbia
24 Firm Index prices applicable to the time period for which the service is provided.
25 Schedule 449 Customers who have aggregated Loads for the purpose of power
26 supply shall have the right to aggregate their Loads and Supplied Power for

1 purposes of determining the hourly imbalance energy. A Schedule 449
2 Customer who elects to transfer its Load to another control area through
3 dynamic scheduling will not be subject to energy imbalances with PSE, and will
4 thus not incur Retail Load Following Charges. However, if the dynamic
5 scheduling fails so that PSE does provide load following to a dynamically
6 scheduled customer, then such Schedule 449 Customer will pay for such service
7 at the rates specified for Retail Load Following Service, unless a different
8 remedy is provided in an agreement for dynamic scheduling service between
9 PSE, the Schedule 449 Customer, and the control area operator who provides
10 dynamic scheduling.

11 7.13. Supplier Failure to Deliver. If a Power Supplier does not deliver Supplied
12 Power as scheduled, PSE shall make reasonable efforts to give the Schedule 449
13 Customer notice of such non-delivery within four (4) hours after the hour in
14 which such non-delivery began and PSE will make commercially reasonable
15 efforts to provide replacement energy subject to the provisions of Section 7.11.
16 Any difference between the Load and the Supplied Power as a result of a failure
17 to deliver will be subject to the same market-index charge as for Retail Load
18 Following Service.

19 7.14. Back-up Energy for Self-generation. If a Schedule 449 Customer's self-
20 generation fails to operate as scheduled, PSE will make commercially reasonable
21 efforts to provide replacement energy subject to the provisions of Section 7.11.
22 Any difference between the Load and the Supplied Power as a result of failure of
23 a Schedule 449 Customer's self generation to operate as scheduled will be
24 subject to the same market-index charge as for Retail Load Following Service.

25 7.15. Remarketing of Power. Subject to applicable legal requirements, a Schedule
26 449 Customer may arrange with its Power Suppliers, or other purchasers,

1 suitable arrangements for remarketing of self-generation or power that is
2 procured by the Schedule 449 Customer from the Power Supplier in excess of
3 that needed to serve Load. If the Schedule 449 Customer operates its self-
4 generation so that it is producing more power than needed to serve Load or to
5 meet any scheduled deliveries to an entity other than PSE from such generation,
6 PSE will purchase or remarket such excess power, subject to any applicable legal
7 and operational requirements. PSE will credit the Schedule 449 Customer for
8 any such purchased or remarketed power at a rate of 95% of the Mid-Columbia
9 Firm Index, or such other rates as PSE and the Schedule 449 Customer may
10 mutually agree consistent with applicable legal requirements. Energy that is
11 purchased or remarketed shall not be subject to transmission or distribution
12 charges for use of the PSE electric system, unless PSE determines pursuant to a
13 system impact study that such purchase or remarketing will require system
14 upgrades, in which case applicable charges, including charges for such system
15 impact study, shall be determined pursuant to the OATT.

16 7.16. Rates. The rate paid by the Schedule 449 Customer to PSE for each Month
17 during the term shall equal the sum of the following components for such month:
18 transmission and ancillary service charges determined pursuant to the OATT, a
19 DSM charge, a customer charge, a distribution charge, and any other charges as
20 set forth in the Schedule 449 Customer's Service Agreement until new rates are
21 made effective in PSE's next general rate case. Until the earlier of (1) the date
22 that distribution rates are modified in a general rate case or (2) the operational
23 date of a FERC approved regional transmission organization (RTO) that
24 encompasses PSE's Transmission System, distribution charges shall include an
25 ancillary services charge equal to \$2.35 per MWh and shall be capped at the
26 level of the Schedule 48 Transportation Charge plus ancillary services charge as

1 of the date this Stipulation was executed, less amounts paid under PSE's OATT
2 for transmission and ancillary services (except OATT Schedule 4R charges).
3 Amounts paid under Schedule 4R of the OATT will not be credited against the
4 distribution charge. In the event of the operation of an RTO that encompasses
5 PSE's Transmission System, the distribution charge cap shall be increased as
6 necessary to recover any additional or excess charges imposed by the RTO.
7 During PSE's next general rate case, PSE shall propose distribution charges that
8 reflect traditional cost-based ratemaking principles. The Schedule 449 Customer
9 may have its Power Supplier pay PSE all or part of its transmission and ancillary
10 service charges; and the Power Supplier will not be subject to any charges by
11 PSE for the delivery to Schedule 449 Customer aside from those specified
12 above. No Complainant, Intervenor, or PSE may propose or support any change
13 to the rates in Schedule 449 prior to PSE's next general rate case.

14 7.17. Stranded Costs. PSE waives any claim to recovery for generation or
15 transmission stranded costs from Schedule 449 Customers related to the
16 Schedule 449 Customers' loads to be served under that schedule. A Schedule
17 449 Customer that terminates service during or after the term will be liable for
18 remaining costs for Dedicated Facilities identified in its Schedule 449 Service
19 Agreement. A Schedule 449 Customer shall have the right to reduce or
20 terminate service under Schedule 449 at any or all of its Locations during or
21 after the term because it has installed self-generation, and will not be subject to
22 Distribution Stranded Costs, if any, except for remaining costs for Dedicated
23 Facilities identified in the Service Agreement, so long as that Schedule 449
24 Customer takes Back-up Distribution Service from PSE, and such Back-up
25 Distribution Service includes an appropriate allocation of distribution costs.
26 Nothing in Schedule 449 alters the rights of the Parties to argue that a Schedule

1 449 Customer that terminates service during or after the term is or is not
2 obligated to pay other Distribution Stranded Costs. PSE waives any right it may
3 have to recover generation and transmission stranded costs related to Schedule
4 449 Customers from its other ratepayers.

5 7.18. Term. The initial term of service for Schedule 449 shall be five years or, at the
6 option of the Schedule 449 Customer, a longer period as specified in the
7 Schedule 449 Service Agreement. Service will be renewed for a minimum of
8 five-year terms thereafter so long as the customer remains attached to PSE's
9 Transmission or Distribution System. Nothing in Schedule 449 alters the rights
10 of the Parties to argue that a Schedule 449 Customer may or may not bypass
11 PSE's Transmission System or Distribution System at the end of a Term.
12 Notwithstanding the term of the Service Agreement, upon ninety (90) days
13 written notice, a Schedule 449 Customer may terminate its Service Agreement
14 and switch its service to Schedule 448, or may terminate service as provided in
15 Section 7.17.

16 7.19. Service Agreement. The Schedule 449 Customer shall execute a Service
17 Agreement with PSE prior to the initiation of its service under Schedule 449. A
18 form of Service Agreement is appended to Schedule 449 and approval of the
19 form of Service Agreement is a condition precedent of this Stipulation

20 7.20. Regulation of Power Suppliers. The Parties agree that marketers or other entities
21 who sell power to Schedule 449 Customers, but who do not own, operate, or
22 manage electric plant for hire within the State of Washington are not subject to
23 regulation as electric utilities under Washington law as it exists as of the date of
24 execution of this Stipulation, solely because of such sales to Schedule 449
25 Customers, whether or not such marketer or other entity has a corporate affiliate
26 that owns, operates, or manages electric plant for hire in the State of

1 Washington. Any Party may submit comments in support of such a finding by
2 the Commission as provided in Section 2.16 or otherwise in support of this
3 Stipulation.

4 8. SCHEDULE 448 – POWER SUPPLIER CHOICE

5 8.1. PSE is submitting as part of this Stipulation a new Schedule 448, Power Supplier
6 Choice Service, for Commission approval. Schedule 448 and a form of
7 Schedule 448 Service Agreement are exhibits to this Stipulation. The Parties
8 request that the Commission lift its suspension of Docket No. UE-010038, and
9 that the Commission approve PSE’s withdrawal of its previously filed Schedule
10 448. All Parties support the new Schedule 448 and the form of Schedule 448
11 Service Agreement and commit to use all reasonable efforts to secure their
12 adoption without material change or modification, according to the following
13 terms and conditions, as set forth more fully in Schedule 448.

14 8.2. Eligibility. All Special Contract Customers, and all Schedule 48 Customers who
15 have paid Transition Payments to PSE, are eligible for service under Schedule
16 448 as provided in this Stipulation. Any customer who takes service under
17 Schedule 448 must take service under Schedule 448 for all loads at its Locations
18 that were served under Schedule 48 or Special Contract. New or newly acquired
19 facilities and loads, owned or operated by the Schedule 448 customer or its
20 affiliates, within a ten mile radius of any Location of the Schedule 448
21 Customer, that exceed 5.0 aMW on an annual basis, will become Locations at
22 which the Schedule 448 Customer must take service under Schedule 448. New
23 or newly acquired facilities of any Schedule 448 customer, at sites outside such
24 ten mile radius, or with load less than 5.0 aMW, are not permitted by this
25 Stipulation to take service under Schedule 448 and must take service under an
26

1 otherwise applicable tariff, which may include tariffs available to Core
2 Customers. Upon the sale of real property with facilities taking service under
3 Schedule 448 to an entity not affiliated with the Schedule 448 and 449
4 Customers, if the load of the facilities served under Schedule 448 at the sold
5 property is greater than or equal to 7.5 aMW on an annual basis, the buyer of the
6 property shall take service under Schedule 448 or 449. Upon the sale of real
7 property with facilities taking service under Schedule 448 to an entity not
8 affiliated with the Schedule 448 and 449 Customers, if the load of the facilities
9 served under Schedule 448 at the sold property is less than 7.5 aMW on an
10 annual basis, the buyer of the property shall take service under an otherwise
11 applicable tariff, which may include tariffs available to Core Customers.
12 However, if a Schedule 448 Customer sells or otherwise transfers control of all
13 of its facilities served under Schedule 448, or leases all or some of its facilities
14 served under Schedule 448, and the new owner continues the same or similar
15 operations as were performed by such Schedule 448 Customer, the new owner
16 must take service under Schedule 448 whether or not such facilities have a load
17 in excess of 7.5 aMW and regardless of affiliate status.

18 8.3. Power Suppliers and Supplied Power. Under Schedule 448, Customer (with or
19 without the assistance of PSE, as described in Schedule 448) shall arrange for
20 one or more power suppliers other than PSE (which may include, subject to
21 applicable regulatory requirements and available transmission and distribution
22 capability, power marketers, merchant plants, other Schedule 448 or 449
23 Customers or their affiliates, or any other public or private entity that has the
24 right to sell power to PSE, hereinafter “Power Suppliers”) to make available
25 each hour Supplied Power to PSE at the Point(s) of Receipt in amounts sufficient
26 to meet the Schedule 448 Customer’s Load (net of Load served by self-

1 generation). Subject to applicable regulatory requirements and available
2 transmission and distribution capability, a Schedule 448 Customer may obtain
3 power from its own self-generation (regardless of location).

4 8.4. Aggregation of Loads. Any Power Supplier may provide Supplied Power, under
5 one or more Power Supply Contracts, for more than one Location and for more
6 than one Schedule 448 Customer. Additional terms and billing arrangements
7 that may be necessary to implement such aggregation of loads shall be specified
8 in the Schedule 448 Customer(s) Service Agreement(s). Schedule 448
9 Customers who have aggregated Loads for the purpose of power supply may
10 aggregate loads for purposes of determining charges for Retail Load Following
11 Service.

12 8.5. Buy/Sell Contracts. PSE will agree to purchase power from the Power Supplier
13 and resell to the Schedule 448 Customer, pursuant to a Buy/Sell Contract, a form
14 of which is provided in Schedule 448. PSE will pass through to the Schedule
15 448 Customer the costs of the Buy/Sell contract. The customer is subject to
16 charges from its serving Power Supplier for Energy, for delivery to the Point of
17 Receipt, and any other charges specified in the Buy/Sell Contract for the entire
18 term of such Buy/Sell Contract. Disputes between the Power Supplier and
19 Schedule 448 Customer must be resolved between the Schedule 448 Customer
20 and Power Supplier. PSE should not be involved in disputes between the Power
21 Supplier and the Schedule 448 Customer.

22 8.6. Power Supply Taxes. The charges to the Schedule 448 Customer for power
23 supplies will be grossed up for applicable taxes.

24 8.7. Losses. Supplied Power shall in each hour also include an amount of energy
25 sufficient to provide for losses from the Points of Receipt to the Schedule 448
26 Customer's Location. Losses on the transmission system shall be calculated

1 using the transmission loss factor specified in the OATT. Losses on the
2 distribution system shall be calculated using the loss factor specified in Schedule
3 448.

4 8.8. Self-Generation. Nothing in Schedule 448 shall prohibit the Schedule 448
5 Customer from constructing and relying upon self-generation to supplement or
6 replace purchased power. In addition, PSE shall not impose any penalty on,
7 discourage such customer from, or otherwise discriminate against such customer
8 for constructing or relying on self-generation. Nothing in Schedule 448 shall be
9 interpreted as changing the application of environmental laws, energy facilities
10 siting requirements, OATT provisions regarding system upgrades, or other
11 applicable regulatory requirements. A Schedule 448 Customer with self-
12 generation shall be subject to applicable charges under the Back-Up Distribution
13 Service Schedule described in this Stipulation.

14 8.9. Transmission Service. PSE shall purchase for the Schedule 448 Customer
15 transmission service and ancillary services pursuant to PSE's FERC Open
16 Access Transmission Tariff (OATT).

17 8.10. Distribution Service. PSE shall be obligated to maintain its distribution facilities
18 consistent with applicable standards, including service quality standards required
19 by the Commission. Each Schedule 448 Customer, regardless of the voltage at
20 which its distribution service is provided, shall be deemed to be connected to the
21 Distribution System during the Term of its Schedule 448 Service Agreement.
22 Distribution service shall be provided under the terms and conditions set forth in
23 PSE's Schedule 80.

24 8.11. Non-core Customer. All Schedule 448 Customers are Non-core Customers for
25 service to Locations served under Schedule 448. Schedule 448 Customers
26 renounce all right to energy from PSE resources at Locations served under

1 Schedule 448. Accordingly, PSE is not obligated to use energy from its own
2 resources to provide Supplied Power, Retail Load Following Service, back-up
3 energy for self-generation, or to meet supplier failures to deliver.

4 Notwithstanding their status as Non-Core Customers, Schedule 448 Customers
5 will only have their power curtailed in accordance with the provisions of PSE
6 Schedule 80.

7 8.12. Retail Load Following Service. PSE shall provide, and Schedule 448 Customer
8 shall receive, Retail Load Following Service to meet variations between
9 Supplied Power and Load subject to the provisions of Section 8.11. PSE pricing
10 for such service will be a charge of 105% of the Mid-Columbia Firm Index for
11 negative imbalances, and a credit of 95% of the Mid-Columbia Firm Index for
12 positive imbalances outside a deviation band equal to the greater of +/- 1 MW or
13 +/- 7.5% of the scheduled hourly Supplied Power. Deviations between
14 Customer Metered Energy and Supplied Power within the deviation band shall
15 be settled at 100% of the Mid-Columbia Firm Index for negative or positive
16 imbalances. The charges for Retail Load Following Service shall be set based
17 on the peak and off-peak Mid-Columbia Firm Index prices applicable to the time
18 period for which the service is provided. Schedule 448 Customers who have
19 aggregated their Loads for purposes of power supply shall have the right to
20 aggregate their Loads and Supplied Power for purposes of determining the
21 hourly imbalance energy.

22 8.13. Supplier Failure to Deliver. If a Power Supplier does not deliver Supplied
23 Power as scheduled, PSE shall make reasonable efforts to give the Schedule 448
24 Customer notice of such non-delivery within four (4) hours after the hour in
25 which such non-delivery began, and PSE will make commercially reasonable
26 efforts to provide replacement energy subject to the provisions of Section 8.11.

1 Any difference between the Load and the Supplied Power as a result of failure to
2 deliver will be subject to the same market-index charge as for Retail Load
3 Following Service.

4 8.14. Back-up Energy for Self-generation. If the Schedule 448 Customer's self-
5 generation fails to operate as scheduled, PSE will make commercially reasonable
6 efforts to provide replacement energy subject to the provisions of Section 8.11.

7 Any difference between the Load and the Supplied Power as a result of failure to
8 deliver will be subject to the same market-index charge as for Retail Load
9 Following Service.

10 8.15. Remarketing of Power. The Schedule 448 Customer may arrange with its Power
11 Suppliers suitable arrangements for remarketing of power that is procured by the
12 customer from the Power Supplier in excess of that needed to serve Load. If the
13 Schedule 448 Customer operates its self-generation so that it is producing more
14 power than needed to serve Load, or to meet any scheduled deliveries to an
15 entity other than PSE from such generation, PSE will purchase or remarket such
16 excess power, subject to any applicable legal and operational requirements. PSE
17 will credit the Schedule 448 Customer for any such purchased or remarketed
18 power at a rate of 95% of the Mid-Columbia Firm Index or such other rates as
19 PSE and the Schedule 448 Customer may mutually agree consistent with
20 applicable legal requirements. Energy that is purchased or remarketed shall not
21 be subject to transmission or distribution charges for use of the PSE electric
22 system, unless PSE determines pursuant to a system impact study that such
23 purchase or remarketing will require system upgrades, in which case applicable
24 charges, including charges for such system impact study, shall be determined
25 pursuant to the OATT.
26

1 8.16. Rates. The rate paid by the Schedule 448 Customer to PSE for each Month
2 during the term shall equal the sum of the following components for such month:
3 pass-through of costs from buy/sell contracts, transmission and ancillary service
4 charges determined pursuant to the OATT, a DSM charge, a customer charge, a
5 distribution charge (including ancillary service charges), and any other charges
6 as set forth in the Schedule 448 Customer's Service Agreement until new rates
7 are made effective in PSE's next general rate case. Until the earlier of (1) the
8 date that the distribution rates are modified in a general rate case or (2) the
9 operational date of a FERC approved RTO that encompasses PSE's
10 Transmission System, distribution charges shall include an ancillary services
11 charge equal to \$2.35 per MWh and shall be capped at the level of the Schedule
12 48 Transportation Charge plus ancillary services charge as of the date this
13 Stipulation was executed, less amounts paid under PSE's OATT for transmission
14 and ancillary services (except OATT Schedule 4R charges). Amounts paid
15 under Schedule 4R of the OATT will not be credited against the distribution
16 charge. In the event of the operation of an RTO that encompasses PSE's
17 Transmission System, the distribution charge cap shall be increased as necessary
18 to recover any additional or excess charges imposed by the RTO. During PSE's
19 next general rate case, PSE shall propose distribution charges that reflect
20 traditional cost-based ratemaking principles. The Schedule 448 Customer may
21 have its Power Supplier pay PSE all or part of its transmission and ancillary
22 service charges; and the Power Supplier will not be subject to any charges by
23 PSE for the delivery to Schedule 448 Customer aside from those specified
24 above. No Complainant, Intervenor, or PSE may propose or support any change
25 to the rates in Schedule 448 prior to PSE's next general rate case.
26

1 8.17. Stranded Costs. PSE waives any claim to recovery for generation or
2 transmission stranded costs from Schedule 448 Customers related to the
3 Schedule 448 Customers' loads to be served under that schedule. A Schedule
4 448 Customer that terminates service during or after the term will be liable for
5 remaining costs for Dedicated Facilities identified in its Schedule 448 Service
6 Agreement. A Schedule 448 Customer shall have the right to terminate service
7 under Schedule 448 during or after the term because it has installed self-
8 generation, and will not be subject to Distribution Stranded Costs, except for
9 remaining costs for Dedicated Facilities identified in the Service Agreement, so
10 long as that Schedule 448 Customer takes Back-up Distribution Service from
11 PSE, and such Back-Up Distribution Service includes an appropriate allocation
12 of distribution costs. Nothing in Schedule 448 alters the rights of the Parties to
13 argue that a customer that terminates service during or after the term is or is not
14 obligated to pay other Distribution Stranded Costs. PSE waives any right it may
15 have to recover generation and transmission stranded costs related to Schedule
16 448 Customers from its other ratepayers.

17 8.18. Term. The initial term of service for Schedule 448 shall be five years, or at the
18 option of the Schedule 448 Customer a longer period as specified in the
19 Schedule 448 Service Agreement. Service will be renewed for a minimum of
20 five-year terms thereafter so long as the Schedule 448 Customer remains
21 attached to PSE's Transmission or Distribution System. Nothing in Schedule
22 448 alters the rights of PSE and the Schedule 448 Customer to argue that the
23 Schedule 448 Customer may or may not bypass PSE's Transmission System or
24 Distribution System at the end of a Term, or may terminate service as provided
25 in Section 8.17.
26

1 8.19. Service Agreement. The Schedule 448 Customer shall execute a Service
2 Agreement with PSE prior to the initiation of its service under Schedule 448. A
3 form of Service Agreement is appended to Schedule 448 and approval of the
4 form of Service Agreement is a condition precedent of this Stipulation.

5
6 9. SMALL CUSTOMER SPECIAL CONTRACT

7 9.1. PSE is submitting as part of this Stipulation a form of Special Contract to be
8 executed by Small Customer and PSE. All Parties support the Small Customer
9 Special Contract and commit to use all reasonable efforts to secure their
10 adoption without material change or modification, according to the following
11 terms and conditions, as set forth more fully in the Small Customer Special
12 Contract.

13 9.2. Eligibility. Each Small Customer as defined in this Stipulation must take service
14 under a Small Customer Special Contract. The Small Customer will cease all
15 service under Schedule 48, and all obligations under the Schedule 48 Service
16 Agreements of such Small Customer (except payments owed by the Small
17 Customer or PSE for service taken in past periods) shall cease upon the effective
18 date of the Small Customer Special Contract. Each Small Customer must take
19 service under its Small Customer Special Contract for all incremental loads at its
20 Locations that were served under Schedule 48. New and newly acquired
21 facilities, owned or operated by the Small Customer or its affiliates, within a ten
22 mile radius of any Location of the Small Customer, that equal or exceed 2.4
23 aMW on an annual basis, will become Locations at which the Small Customer
24 must take service under the Small Customer Special Contract. New and newly
25 acquired facilities of any Small Customer, at sites outside such ten mile radius,
26 or with loads that are less than 2.4 aMW, are not permitted by this Stipulation to

1 take service under the Small Customer Special Contract and must take service
2 under any applicable tariff for such customers, which may include tariffs
3 available to Core Customers. Upon the sale or transfer of real property with
4 facilities taking service under a Small Customer Special Contract to an entity not
5 affiliated with the Small Customers, or the Schedule 448 and 449 Customers, if
6 the load of the facilities served under the Small Customer Special Contract at the
7 sold property is equal to or greater than 2.4 aMW on an annual basis, the buyer
8 of the property shall take service under a new Small Customer Special Contract.
9 Upon the sale or transfer of real property with facilities taking service under a
10 Small Customer Special Contract to an entity not affiliated with the Small
11 Customers, or the Schedule 448 and 449 Customers, if the load of the facilities
12 served under the Small Customer Special Contract at the sold property is less
13 than 2.4 aMW on an annual basis, the buyer of the property shall take service
14 under an otherwise applicable tariff, which may include tariffs available to Core
15 Customers.

- 16 9.3. From the date of approval of this Stipulation and the Stipulated Schedules
17 through October 31, 2001, and if no election is made under Section 12.3 by that
18 date, Small Customers may make a one-time election for one of the two
19 following Optional Price Stability mechanisms for energy under the Small
20 Customer Special Contract:
- 21 9.3.1. \$225 per MWh; or
 - 22 9.3.2. Mid-Columbia Firm Index, less \$100 per MWh, with a floor of \$48 per
23 MWh.
 - 24 9.3.3. Until the time that such election is made, but continuing no longer than
25 the earlier of October 31, 2001, or the date that an election is made under
26

1 Section 12.3, Small Customer will pay the same Schedule 48 energy rates
2 as if it were taking service under Schedule 48.

3 9.4. After October 31, 2001, and if no election is made under Section 12.3 and until
4 PSE completes its next general rate case, Small Customers will pay a flat rate for
5 energy of \$110 per MWh. If PSE does not complete its next general rate case by
6 December 31, 2005, the provisions of Section 9.7 will apply as if PSE had
7 completed its next general rate case by December 31, 2005.

8 9.5. Small Customers served under the Small Customer Special Contract will pay all
9 non-energy charges as specified in Schedule 48 as of the date this Stipulation is
10 executed. The rates under the Small Customer Special Contract will continue in
11 effect unchanged for the term of the Small Customer Special Contract
12 notwithstanding any modification or termination of Schedule 48, subject to
13 Section 9.7 and the election, if any is made, in Section 12.3. PSE,
14 Complainants, and Intervenors agree they will never seek any modification to the
15 rates in the Small Customer Special Contract, except as expressly provided in
16 this Stipulation and the Small Customer Special Contract.

17 9.6. Nothing in the Small Customer Special Contract shall prohibit a Small Customer
18 from constructing and relying upon self-generation to supplement or replace any
19 or all purchased power. In addition, PSE shall not impose any penalty on,
20 discourage such customer from, or otherwise discriminate against such customer
21 for constructing or relying on self-generation. Nothing in the Small Customer
22 Special Contract shall be interpreted as changing the application of
23 environmental laws, energy facilities siting requirements, OATT provisions
24 regarding system upgrades, or other applicable regulatory requirements. If the
25 Small Customer under a Small Customer Special Contract operates self-
26 generation to serve all or a portion of its energy needs at its facility, the Small

1 Customer will share with PSE the benefits associated with running such self-
2 generation as provided in this section. During those hours in each billing period
3 when the Mid-Columbia Firm Index price for such hour is greater than the Small
4 Customer Special Contract energy rate for such hour, PSE will pay a credit to the
5 Small Customer for each MWh generated by Small Customer equal to half the
6 difference between the energy rate provided for in the Small Customer Special
7 Contract for that hour and the Mid-Columbia Firm Index for such hour. During
8 those hours in each billing period when the Mid-Columbia Firm Index price for
9 such hour is less than the Small Customer Special Contract energy rate for such
10 hour, Small Customer will be charged an offset to its self-generation credit for
11 the billing period in an amount equal to half the difference between the energy
12 rate provided for in the Small Customer Special Contract for that hour and the
13 Mid-Columbia Firm Index for such hour. In any billing period in which self-
14 generation offsets exceed self-generation credits, the total of such offsets and
15 payments will be deemed to be zero for billing purposes. In any billing period in
16 which self-generation credits exceed self-generation offsets, PSE will pay the net
17 credit to the Small Customer. Excess self-generation offsets from one billing
18 period will not be applied against self-generation credits owed by PSE in other
19 billing periods. A Small Customer seeking such credit must have appropriate
20 metering installed to allow PSE to monitor such self-generation. Small
21 Customer is responsible for any expenses associated with installing or
22 maintaining such metering. In addition, Small Customer may receive credits for
23 load curtailments when requested by PSE, as provided in the Small Customer
24 Special Contract, subject to the provisions of PSE Schedule 93.

25 9.7. If no election is made under Section 12.3 and the Small Customer has not
26 converted to Schedule 448 or 449 pursuant to Section 9.8, after PSE completes

1 its next general rate case, Small Customers will have the right to purchase
2 electric service pursuant to any applicable tariff for industrial Core Customers
3 chosen by the Small Customer, without any additional surcharges related to
4 returning to core service, and the Small Customer Special Contract will be
5 terminated. Until that time, Small Customers will retain their non-core status.
6 Any Small Customer that returns to core status assumes all the rights, risks, and
7 responsibilities as any customer on rate schedules applicable to similar industrial
8 Core Customers, including any stranded cost risks, if any. A Small Customer's
9 prior service under Schedule 48 or a Special Contract shall not be a basis for
10 denying service under rate schedules applicable to similar industrial Core
11 Customers or otherwise discriminating against such Small Customer.

12 9.8. The Small Customer Special Contract, and the Small Customer right of return to
13 rate schedules applicable to similar industrial Core Customers, are premised on
14 the commitment of the Small Customer to maintain electric demand and energy
15 at no higher than levels specified below. Except for Intel, if prior to the date that
16 a Small Customer begins taking core service, the aggregate energy usage of any
17 Small Customer at all of its Locations in any billing period increases by more
18 than 25% from the aggregate energy usage in the billing period with the highest
19 aggregate energy usage for such Small Customer in 1999, or if Small Customer's
20 aggregated demand at all of its Locations integrated over any thirty minute
21 period is more than 50% higher than Small Customer's non-coincident
22 aggregated peak demand in 1999, the Customer will be required to switch its
23 electric service to Schedule 448 or 449 within 30 calendar days. If prior to the
24 date that a Intel begins taking core service, the aggregate energy usage of Intel at
25 all of its Locations in any billing period increases by more than 25% from the
26 aggregate energy usage in the billing period with the highest aggregate energy

1 usage for Intel in 2000, or if Intel's aggregated demand at all of its Locations
2 integrated over any thirty minute period is more than 50% higher than Intel's
3 non-coincident aggregated peak demand in 2000, Intel will be required to switch
4 its electric service to Schedule 448 or 449 within 30 calendar days This
5 obligation shall terminate once the Small Customer begins taking service on rate
6 schedules applicable to similar industrial Core Customers.

7
8 **10. SCHEDULE 45 (IDC SERVICE)**

9 10.1. On or before April 16, 2001, PSE will submit to the Commission a proposed
10 new tariff schedule, Schedule 45.

11 10.2. PSE will propose that all IDC Customers now served under Schedule 48
12 (AT&T, Qwest, and MCI WorldCom) will be transferred to Schedule 45.

13 10.3. The Parties are free to take any position concerning the terms and conditions of
14 Schedule 45 in that proceeding, and may argue that IDC Customers should take
15 service under rate schedules other than Schedule 45.

16 10.4. After Schedule 48 is closed to new customers, and until the Schedule 45
17 proceeding is resolved, PSE intends to offer service to new IDC Customers
18 under special contracts, which special contracts will remain effective until
19 resolution of the Schedule 45 proceeding. Staff will support, and Public Counsel
20 will not oppose, the concept of such transitional special contracts for IDC
21 Customers. Such IDC Customers shall be considered Core Customers.

22 **11. CUSTOMERS WITH HISTORIC AND PROJECTED LOADS LESS THAN 2.4**
23 **AMW**

24 11.1. PSE's two Schedule 48 customers with historic and projected average loads less
25 than 2.4 aMW (Anacortes and Olympic Pipeline) have executed a separate
26 stipulation of settlement agreement with PSE ("A & O Settlement") in which

1 those customers agree to resume service under PSE's rate schedules applicable
2 to similar industrial Core Customers.

3 11.2. The Parties support this separate settlement and agree that this treatment of
4 Anacortes and Olympic Pipeline is in the public interest and results in rates that
5 are just, fair, reasonable, and sufficient.

6
7 **12. ELECTION BY CUSTOMERS**

8 12.1. On or after the effective date of Schedules 449 and 448, but no later than
9 November 1, 2001, each Large Customer shall elect service under either
10 Schedule 449 or Schedule 448. The notice of election shall specify an effective
11 date, which shall not be later than November 1, 2001. Beginning on the
12 effective date, such customers will immediately cease taking Schedule 48 or
13 Special Contract service and will instead take service pursuant to the rate
14 schedule that they have elected. The termination date of any Special Contract
15 that terminates prior to October 31, 2001, shall be extended by this Stipulation
16 until the earlier of the date of the Large Customer's election to take service
17 under Schedule 448 or 449, or October 31, 2001. Upon the effective date of the
18 election, the electing customer's Special Contract or Schedule 48 Service
19 Agreement shall terminate, and all obligations thereunder (except payments
20 owed by the Large Customer or PSE for service taken in past periods) shall
21 cease. For each Large Customer who fails to make a voluntary election by
22 November 1, 2001, an automatic election of Schedule 448 shall apply, and all
23 other terms and conditions shall apply as if that Large Customer had made a
24 voluntary Schedule 448 election.

25 12.2. King County Options:
26

1 12.2.1. If King County executes the Stipulation and is permitted to join in this
2 Stipulation by the Commission and the Parties, , King County may
3 choose to be treated as a Large Customer by October 31, 2001. If it
4 makes such election, it shall specify an effective date no later than
5 November 1, 2001. Upon the effective date of the election, its Schedule
6 48 Service Agreement shall terminate, and all obligations thereunder
7 (except payments owed by King County or PSE for service taken in past
8 periods) shall cease, and King County shall be treated in all other ways as
9 a Large Customer pursuant to this Stipulation.

10 12.2.2. If King County executes the Stipulation and is permitted to join in this
11 Stipulation by the Commission and the Parties, King County may
12 alternatively choose to be treated as a Small Customer by October 31,
13 2001. Such election to be treated as a Small Customer will go into effect
14 November 1, 2001, and if such election is made King County will be
15 treated as a Small Customer under this Stipulation and a Small Customer
16 Special Contract substantially identical to the Small Customer Special
17 Contracts described herein will be entered into by King County and PSE.
18 However, King County may elect to be treated as a Small Customer only
19 if it has put in place, prior to November 1, 2001, self-generation or other
20 arrangements that limit its aggregate peak demand at all Locations to no
21 more than 10 MW. Any dispute regarding King County's election to
22 become a Small Customer shall be subject to the alternative dispute
23 resolution (ADR) procedures consistent with WAC 480-09-465.

24 12.2.3. If King County does not make the elections set forth in 12.2.1 or 12.2.2,
25 it will be treated as neither a Small Customer nor a Large Customer, in
26

1 which case it will remain on Schedule 48, subject to the provisions of
2 Section 15.1.

3 12.3. On or after the effective date of Schedules 449 and 448, but no later than the
4 earlier of June 1, 2002, or thirty days after the filing of PSE's next general rate
5 case, the Small Customers will have a one time option to elect to take service
6 under either Schedule 449 or Schedule 448. The notice of election shall specify
7 an effective date, which shall not be later than July 1, 2002. A Small Customer
8 making such an election will cease taking service under the Small Customer
9 Special Contract on the effective date of the election and will instead take
10 service under the elected schedule. Each Small Customer who fails to make a
11 Schedule 448 or Schedule 449 election by the specified deadline forfeits the
12 right to take service under either Schedule 448 or Schedule 449.

13 13. NON-CORE STATUS OF CUSTOMER

14 In consideration for the commitments and obligations undertaken by PSE pursuant to
15 this Stipulation and the Stipulated Schedules attached hereto or referenced herein, the
16 Schedule 48 Customers and PSE collectively agree and represent as follows:

17 ~~1.1.13.1.~~ The Parties agree that each Large Customer, each Small Customer that elects
18 to take service under Schedule 448 or 449, and each Small Customer who is
19 obligated because of load growth to take service under Schedule 448 or 449 is
20 and will be a "Non-core Customer" at Locations as provided in this Stipulation,
21 and is bound by the following acknowledgement of non-core status for such
22 Locations; provided that such non-core status and such acknowledgement shall
23 not apply to facilities of a customer that are not required by this Stipulation to be
24 served under Schedule 448 or Schedule 449. The Parties agree that this
25 acknowledgement is just, reasonable, fair, and in the public interest.
26

1 13.2. Notwithstanding any and all claims that any Non-core Customer has made, or
2 could have made, with respect to PSE generation resources before, during, or
3 after service on PSE's Schedule 48 or a Special Contract, each Non-core
4 Customer now and forever releases and waives any claim to the following: (i)
5 resources that PSE owns or may choose in its discretion to own or acquire for the
6 purpose of generating electric energy to serve PSE's Core Customers; (ii)
7 eligibility to receive electric energy service under PSE's Rate Schedule 49 or any
8 other PSE tariff or service schedule that may be in effect from time to time, and
9 for which the Commission sets an energy rate based in whole or in part on the
10 costs of PSE's embedded generation resources; (iii) eligibility for electric energy
11 supply service (but not distribution or transmission service) based on PSE's
12 obligation to serve customers as provided by applicable Washington law; and
13 (iv) any and all other statutory, contractual, or other claims of eligibility for
14 service from PSE generation resources, whether or not based on the cost of such
15 resources. Non-core Customers are never entitled to return to core electric
16 energy supply service by PSE, and are never entitled to return to service from
17 PSE generation resources, under any circumstances. Such waiver is not intended
18 to limit the rights of such Non-core Customers to services as provided in this
19 Stipulation and the Stipulated Schedules.

20 13.3. Each Non-core Customer understands that availability and price of power are
21 both subject to significant, material, unpredictable risk. There is no guarantee
22 that power will be available on the market, or that it will be available at
23 reasonable prices. The electric power markets have turned out to be highly
24 volatile. Prices and availability of power can vary by orders of magnitude in
25 short periods of time. Such volatility, whether or not the resulting price levels
26 were contemplated in the planning of a Non-core Customer, will not constitute

1 grounds for return to core status, will not entitle a Non-core Customer to service
2 from PSE generation resources, and will not entitle a Non-core Customer to
3 service based on PSE's cost of generation.

4 13.4. Prices of power and availability of power may reach levels that make it
5 impossible for a Non-core Customer to carry on its business. Even if pricing or
6 availability of power make it impossible for a Non-core Customer to carry on its
7 business, and even if such pricing or availability endangers the public health,
8 safety, and welfare, that will not constitute a grounds for return to core status,
9 will not entitle a Non-core Customer to service from PSE generation resources,
10 and will not entitle a Non-core Customer to service based on PSE's cost of
11 generation.

12 13.5. A determination that actions by market participants were in violation of federal,
13 state, or local law will not impact the obligations of the Parties pursuant to this
14 Stipulation.

15 13.6. PSE may use resources to supply a Non-core Customer with power in certain
16 circumstances, and the costs of that power may be significantly different from
17 the market price. Such difference will not constitute a grounds for return to core
18 status, will not entitle a Non-core Customer to service from PSE generation
19 resources, and will not entitle a Non-core Customer to service based on PSE's
20 cost of generation.

21 13.7. Each Non-core Customer has employed energy experts and counsel with
22 experience in energy issues to provide advice and assistance in making the
23 decision to accept service as a Non-core Customer that is not entitled to return to
24 core service under any circumstances. Each Non-Core Customer fully
25 understands all of the risks of that choice, and has considered and accepted those
26 risks in accepting service as a Non-core Customer under this Schedule.

1 13.8. Small Customers further acknowledge that they have considered all risks
2 inherent in the Small Customer Special Contract. Each Small Customer has
3 sought advice of energy experts and counsel with experience in energy issues
4 and fully understands the costs and risks of that agreement. To the extent such
5 Small Customers choose the Mid-Columbia Firm Index minus \$100 option, such
6 customers understand that the Mid-Columbia Firm Index is subject to all the
7 risks discussed above, and each Small Customer knowingly accepts such risk
8 and waives all right to challenge that rate level. To the extent such Small
9 Customer chooses the Flat pricing options, each Small Customer has evaluated
10 the costs of that option and accepts the resulting impact on its business and
11 operations as a result of those rate levels. Each Small Customer waives any and
12 all current and future claims to seek relief because such rate is different from the
13 cost of PSE generation or to challenge that rate level for any other reason.

14 SETTLEMENT PAYMENT

15 14.1. The Parties acknowledge that certain monetary sums have been exchanged in
16 consideration of various Parties' agreement to this Stipulation to end and/or
17 resolve the various proceedings addressed in this Stipulation. The details of
18 such settlement payments are be memorialized in separate confidential bilateral
19 settlement agreements. Neither the Commission, its Staff, nor Public Counsel is
20 a Party to such confidential bilateral settlement agreements. PSE will not seek
21 recovery of such sums from other ratepayers.

23 15. CANCELLATION OF SCHEDULE 48 AND SPECIAL CONTRACTS

24 15.1. Schedule 48 will terminate on October 31, 2001, at which time all Small
25 Customers and all Large Customers served under Schedule 48 will have elected
26 service under another rate schedule or will have been transferred to another rate

1 schedule as provided in this Stipulation. Any Schedule 48 Customer that is not a
2 Small Customer or a Large Customer, and who remains on Schedule 48 until
3 Schedule 48 terminates on October 31, 2001, must then switch service to other
4 rate schedules, subject to provisions for such switched service as provided in
5 Schedule 48. If agreement cannot be reached on the terms for switching service
6 to other rate schedules for such customers who are not Small Customers or
7 Large Customers, the dispute may be addressed in a new proceeding at the
8 Commission. Nothing in this Stipulation shall preclude PSE and such customers
9 from entering into a Price Stability Agreement, or an agreement subject to the
10 provisions of WAC 480-80-335; provided, however, that (1) no such agreement,
11 if any is entered into, may provide for a return to core service by such customers
12 (although the Commission is not foreclosed from addressing that issue in a
13 proper proceeding), and (2) to the extent such agreements are subject to
14 Commission approval, no party has in this Stipulation waived any right to
15 support or oppose such agreements.

16 15.2. The Special Contracts and all obligations under such Special Contracts (except
17 for obligations to make payment for service taken when such Special Contract
18 was effective) will be terminated as of the date the customers served under those
19 contracts switch service to Schedule 448 or 449 or November 1, 2001,
20 whichever comes earlier.

21 15.3. All Parties agree that PSE may withdraw its refiled Schedule 48 in Docket No.
22 UE-010046, and that notwithstanding such withdrawal, PSE has satisfied its
23 obligations under the Schedule 48 Order to demonstrate that Schedule 48
24 remains a sufficient rate. The Parties agree that no further refileing of Schedule
25 48 is required. In any future proceeding relating to Schedule 48 service to
26 customers that are not Parties to this Stipulation, and in any proceeding relating

1 to the termination of Schedule 48 service by customers who are not Small
2 Customers or Large Customers, PSE, Staff, and Public Counsel are free to take
3 any position that would not lead to a violation of this Stipulation; if such a
4 proceeding raises issues that could properly have been raised in Docket No. UE-
5 010046, the parties to such proceeding will have the same burden of proof on
6 such issues in such proceeding as they would have had in Docket No. UE-
7 010046.

8
9 **16. BACK-UP DISTRIBUTION SERVICE SCHEDULE**

10 16.1. Within sixty days after approval of this Stipulation, PSE shall in consultation
11 with the Parties develop and submit for Commission approval a new Schedule
12 for Back-up Distribution Service applicable to customers taking service under
13 Schedules 448, 449, or Small Customer Special Contracts.

14 16.2. Notwithstanding any provision of such tariff, the charge for replacement energy
15 as a result of failure of self-generation for customers under Schedule 448 or 449
16 will be the market-indexed rates as provided in Schedule 448 or 449 as
17 applicable. The only backup charge recovered in the Back-Up Distribution
18 Service Schedule from Schedule 448 or 449 customers will be a distribution
19 charge, which does not double-recover the charge for distribution service set
20 forth in Sections 7.10 and 8.10 of this Stipulation

21 16.3. PSE will follow the following pricing principles in developing rates for Back-Up
22 Distribution Service, and the Parties agree to support rates utilizing such
23 principles as fair, just, reasonable, and nondiscriminatory:

24 16.3.1. The rates should be based on the implicit distribution service rate in
25 Schedule 448 and 449.
26

1 16.3.2. There should be a percentage discount from the implicit distribution
2 service rate in Schedule 448 and 449 to recognize self-generation
3 redundancy or reliability that reduces the likelihood and amount of Back-
4 up Distribution Service that will be needed.

5 16.3.3. The rate should be capped at the implicit distribution service rate in
6 Schedule 448 and 449.

7 16.3.4. The rate for Back-up Distribution Service is subject to change in PSE's
8 next general rate case, at which time Parties may pursue rate
9 methodologies different than the principles set forth in this Section in
10 PSE's next general rate case.

11 12 17. RELEASE OF CLAIMS

13 17.1. If the Commission (a) accepts and approves the Stipulation and Stipulated
14 Schedules in their entirety without alteration, or (b) approves the Stipulation and
15 Stipulated Schedules with material change or modification and the provisions of
16 Section 3.3 are invoked, and the result is an approved agreement, then the
17 release of the following claims ("Released Claims") shall occur and/or take
18 effect upon the later of (a) the effective date of the Commission's actions or (b)
19 the date the Settlement Payments referenced Section 14.1 are made:

20 17.2. Complainants' Amended Complaint in Commission Docket No. UE-001952
21 shall be dismissed with prejudice;

22 17.3. BCS's Complaint in Commission Docket No. UE-001014 shall be dismissed
23 with prejudice.

24 17.4. G-P's complaints in Commission Docket No. UE-000735 and Docket No. UE-
25 001616 shall be dismissed with prejudice; in addition G-P and PSE resolve and
26 settle all claims relating to a power outage on October 18, 2000.

1 17.5. PSE shall cause to be dismissed, with prejudice, its Complaint for Damages for
2 Breach of Contract, Promissory Estoppel and Unjust Enrichment against the
3 Complainants, filed with the Superior Court for the State of Washington, King
4 County (Case No. 01-2-03801-0SEA).

5 17.6. PSE's Petition For an Order Reallocating Lost Revenues Related to Any
6 Reduction in the Schedule 48 or G-P Special Contract Rates in Commission
7 Docket No. UE-001959, shall be dismissed with prejudice.

8 17.7. Complainants and Intervenors (individually and collectively) shall withdraw any
9 formal and informal complaints submitted by Complainants or Intervenors
10 (individually and/or collectively) against PSE at FERC, at the Commission, or
11 before any other entity or agency, alleging market manipulation or other
12 unlawful or inappropriate practices related to energy pricing.

13 17.8. In addition, Complainants and Intervenors fully, finally, irrevocably,
14 unconditionally, and forever release and discharge PSE, its owners, officers,
15 employees, and agents, past and present, or anyone acting on its behalf, from any
16 and all causes of action, demands, rights, damages, liability, fees, costs, or
17 claims of any nature, including but not limited to any claim arising from the
18 contention that power markets are broken, are malfunctioning, or have been
19 manipulated and have thus produced inappropriate charges under Schedule 48 or
20 the Special Contracts, (collectively the "Claims") known or unknown, that were
21 asserted, on behalf of, or for the benefit of any Complainant or Intervenor,
22 including any claims previously dismissed by the Commission or court, or
23 Claims that are based on the specific allegations of the Complainants' Amended
24 Complaint, and have been, could have been, or in the future could be asserted
25 by, on behalf of or for the benefit of, any Complainant or Intervenor with respect
26 to Schedule 48 or the Special Contracts, which Claims arise out of, relate to or

1 by reason of their factual or legal relationship thereto, are in any way connected
2 with any of the facts, circumstances, allegations, claims, causes of action,
3 representations, statements, reports, transactions, events, occurrences, acts or
4 omissions or failures to act, of whatever kind or nature, that could have been
5 alleged in any of the specific actions listed above or that otherwise relate to
6 electric energy supply or delivery service under Schedule 48 or the Special
7 Contracts, except for metering or billing errors unknown to Complainants and
8 Intervenors as of the date of execution of this Stipulation and except for real
9 property disputes or claims that arise from the physical operation and
10 maintenance of PSE facilities unrelated to the specific terms of the Schedule 48
11 or the Special Contracts.

12 17.9. PSE guarantees that neither the Settlement Payment (Section 14) nor any other
13 matter settled by this Stipulation harm the financial viability of PSE or Puget
14 Energy and that, accordingly, neither the Settlement Payment nor any other
15 matter settled by this Stipulation shall be used as the basis for any request for
16 interim rate relief. PSE further guarantees that the Settlement Payment and any
17 other costs or foregone revenues arising from any provision of this Stipulation
18 shall not be included in the cost of providing service to Core Customer
19 ratepayers. PSE shall not seek or receive recovery of these costs from ratepayers
20 in any future proceeding.

21 17.10. PSE hereby finally, irrevocably, and forever releases any claim to recover from
22 any Customer that elects service under Schedule 448 or 449, any generation and
23 transmission stranded costs related to the Customer's loads to be served under
24 that schedule and any claim to recover these stranded costs from other
25 ratepayers, as set forth in Section 7.17 and 8.17 of this Stipulation.
26

1 18. OTHER TERMS

2 18.1. Negotiated Agreement. The Stipulation and the Stipulated Schedules represent a
3 fully negotiated agreement. Each Party has been afforded the opportunity, which
4 it has exercised, to review the terms of the Stipulation and such Schedules and to
5 carefully consider the economic, regulatory, and other implications of entering
6 into the Stipulation and (if applicable) of electing service under such a Schedule.
7 Each Party has been afforded the opportunity, which it has exercised, to consult
8 with legal counsel of its choice concerning such terms and implications. Each
9 Party has chosen of its own free will to enter into the Stipulation and, if
10 applicable, of electing service under such a Schedule, based on a full assessment
11 of such terms and implications. The Stipulation and the Stipulated Schedules
12 will not be construed for or against any Party based on the principle that
13 ambiguities are construed against the drafter.

14 18.2. No Precedent. The Parties enter into the Stipulation to avoid further expense,
15 inconvenience, uncertainty, and delay associated with the Proceedings. By
16 executing the Stipulation, and except as otherwise provided in the Stipulation, no
17 Party will be deemed to have accepted or consented to the facts, principles,
18 methods, or theories employed in arriving at the Stipulation, nor will any Party
19 be deemed to have agreed that such a Stipulation is appropriate for resolving
20 issues in any other proceeding, except as provided herein or to enforce this
21 Stipulation.

22 18.3. Execution. The Stipulation may be executed by the Parties in several
23 counterparts and, if so executed, will constitute one agreement.

24 18.4. Necessary Actions. Each Party shall take all actions necessary and appropriate,
25 on a timely basis, to enable it to execute the Stipulation and to carry out all of its
26 responsibilities under the Stipulation.

1 18.5. FERC Approvals. Complainants and Intervenors will file an intervention in
2 support of PSE's filing at FERC to refunctionalize its transmission assets in
3 accordance with the jurisdictional determinations in WUTC Docket No. UE-
4 010010. Complainants and Intervenors will likewise file an intervention in
5 support of any filing at FERC by PSE to conform its Open Access Transmission
6 Tariff as necessary to implement this Stipulation. Such conforming changes
7 include reductions of the OATT transmission rates to reflect the
8 transmission/distribution split in WUTC Docket No. UE-010010. Such
9 conforming changes also include amendments to the OATT to include a Retail
10 Energy Imbalance Schedule (Schedule 4R) consistent with the Retail Load
11 Following Service described in this Stipulation. Complainants and Intervenors
12 agree that service under Schedules 448 and 449 is not eligible for service under
13 PSE OATT Schedule 4, and that energy imbalance service under Schedule 4R
14 applies to any such service under Schedules 448 and 449. Staff understands
15 these changes to the OATT to be minor, conforming changes, and intends to take
16 no steps at this time to recommend the Commission take a position on such
17 FERC filings. Complainants, Intervenors, and PSE agree that they will not seek
18 to modify Schedule 4R at FERC for at least five years from the effective date of
19 this Stipulation. Parties recognize and agree that the PSE's OATT is subject to
20 change as required to conform with the formation of an RTO that includes the
21 transmission system of PSE. PSE will coordinate with Large Customers and
22 Small Customers on the FERC filings on OATT matters relating to this
23 Stipulation and described in this Section 18.5, and will notify such Customers at
24 least 5 days prior to the date of filings.

25 18.6. Complete Settlement. The Parties agree to support the Stipulation and the
26 Stipulated Schedules as a complete and final settlement, as to the Parties jointly

1 and individually, of: (a) all issues addressed at any phase of Docket Nos. UE-
2 001952 and –001959; (b) the issues in the Stipulated Schedules as provided in
3 the Stipulation; and (c) all claims released under Section 17. The Parties
4 understand, however, that the Commission is not required to approve the
5 Stipulation and the Stipulated Schedules in whole or in part.

6 18.7. No Severability/Integrated Agreement. The Stipulation and the Stipulated
7 Schedules represent a fully integrated agreement for which each and every term
8 and agreement by each and every Party represents a portion of the consideration
9 agreed upon among the Parties for each other provision of the Stipulation. The
10 Parties believe that it would be impossible to invalidate or sever any particular
11 provision of the Stipulation or the Stipulated Schedules without working a
12 potentially great hardship on one or more of the Parties, and without denying one
13 or more of the parties important, bargained-for consideration. Therefore, the
14 Stipulation and the Stipulated Schedules are not severable as to their terms or as
15 to the Parties. This means that, if a Party does not execute the Stipulation, or if a
16 Party executes the Stipulation but does not agree to all of the Stipulation’s terms,
17 then the Stipulation and the Stipulated Schedules will be null and void and have
18 no further force or effect on any of the Parties.

19 18.8. Binding Effect. The Stipulation and all of the terms and provisions hereof shall
20 be binding upon and inure to the benefit of the respective successors, assigns,
21 purchasers, and transferees of the Complainant and Intervenors.

22 18.9. Nothing in this Stipulation dictates Staff’s or Public Counsel’s positions in
23 future proceedings involving public service companies other than PSE, and/or
24 with respect to entities not signatories to this Stipulation.

1 Therefore, the Parties respectfully request the Commission approve this Stipulation and the
2 Stipulated Schedules, and grant such other approvals requested in the Stipulation, no later
3 than April 9, 2001 in accordance with the terms and conditions set forth in this Stipulation.

4 DATED this 9th day of March, 2001

6 Air Liquide America Corporation

Air Products And Chemicals, Inc.

7 By: _____

By: _____

8 Its: _____

Its: _____

10 The Boeing Company

CNC Containers, Inc.

11 By: _____

By: _____

12 Its: _____

Its: _____

14 Equilon Enterprises, LLC

Georgia-Pacific West, Inc.

15 By: _____

By: _____

16 Its: _____

Its: _____

18 Tesoro West Coast Company

The City Of Anacortes

19 By: _____

By: _____

20 Its: _____

Its: _____

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Puget Sound Energy, Inc.

By: _____

Its: _____

Washington Utilities and Transportation
Commission Staff

By: _____

Its: _____

Public Counsel Section, Office of the
Attorney General

By: _____

Its: _____

Bellingham Cold Storage Company

By: _____

Its: _____

Atlantic Richfield Company

By: _____

Its: _____

Olympic Pipeline

By: _____

Its: _____

Intel Corporation

By: _____

Its: _____

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