

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKET UE-072300
TRANSPORTATION COMMISSION,)	DOCKET UG-072301
)	<i>(consolidated)</i>
Complainant,)	
v.)	
)	PARTIAL SETTLEMENT RE:
PUGET SOUND ENERGY, INC.,)	ELECTRIC AND NATURAL GAS
)	REVENUE REQUIREMENTS
Respondent.)	
)	
)	

I. INTRODUCTION

1 This Partial Settlement is entered into pursuant to WAC 480-07-730(2) in order to compromise and settle all issues related to electric and natural gas revenue requirements that have been raised in this consolidated proceeding between the settling parties. This Partial Settlement recommends an increase in electric and natural gas revenue requirements of \$130.2 million and \$49.2 million, respectively, that the parties agree will result in rates that are just, fair, reasonable and sufficient and otherwise in the public interest, and that should be accepted by the Commission as a resolution of all revenue requirement issues in this docket. The parties understand this Partial Settlement is subject to Commission approval.

II. PARTIES

2 This Partial Settlement is entered into by: Puget Sound Energy, Inc. ("PSE"); The Staff of the Washington Utilities and Transportation Commission ("Staff"); the Public Counsel Section of the Attorney General's Office ("Public Counsel"); the Industrial Customers of Northwest Utilities ("ICNU"); Northwest Industrial Gas Users ("NWIGU");

TOTAL AFTER TAX COST OF CAPITAL	100.00%	7.00%
------------------------------------	---------	-------

9 **Depreciation:** The Parties agree to the depreciation rates for electric, natural gas and common plant shown in Attachment 1 to this Partial Settlement. The electric depreciation rates have been adjusted from the Company's rebuttal filing to reflect Commission Staff's and Public Counsel's proposed Colstrip depreciable life of 60 years.¹ The Parties request that the Commission approve these depreciation rates effective November 1, 2008.

10 **Storm Damage:** The Parties agree with FEA's recommendation to amortize the December 13, 2006 "Hanukkah Eve" wind storm over 10 years.² The Parties further agree to continuation of the Catastrophic Storm Loss Deferral Mechanism, as set forth in the direct testimony of John H. Story, Exhibit JHS-1CT at 45-47. The new \$8 million threshold level established therein for Institute of Electrical and Electronics Engineers related storm deferrals shall commence with the calendar year 2009.

11 **Future Rate Period:** The Company agrees to withdraw its request for a technical conference on this subject.³

12 **Next General Rate Case Filing:** The Company agrees that it will not file a general rate case prior to April 1, 2009.

13 **New Resources:** The Parties agree that the following new resources and purchased power agreements ("PPAs"), as set forth in the Company's direct and rebuttal testimony,⁴

¹ Exhibit WHW-1T at 7-10 (Testimony of William H. Weinman) and Exhibit CWK-1T at 8-12 (Testimony of Charles W. King).

² Exhibit RCS-1T at 3-11 (Testimony of Ralph C. Smith).

³ That request was made at Exhibit EMM-1CT at 30 (Testimony of Eric M. Markell).

⁴ Exhibit KJH-1HCT at 23-24 and Exhibit KJH-9CT at 23-24 (Testimony of Kimberly J. Harris); *See also* Exhibit RG-1HCT at 31-97 and Exhibit RG-55CT at 2-6 (Testimony of Roger Garratt) for full descriptions of the new resources and PPAs.