

BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NO. UG-031216

SETTLEMENT AGREEMENT

1 All Parties in this proceeding enter this Settlement Agreement to resolve the
issues in the above docket.

I. PARTIES

2 The Parties to this Agreement are the Staff of the Washington Utilities and
Transportation Commission (Staff) and Puget Sound Energy, Inc. (PSE).

II. BACKGROUND

3 On July 25, 2003, PSE filed with the Washington Utilities and Transportation
Commission (Commission) proposed tariff sheets to its currently effective Tariff WN U-
2 (Natural Gas Tariff) setting forth proposed revisions to Rule No. 7 and 7A and setting

forth a new rule, Sheet No. 42, Rule 28, reflecting the effect of federal income taxes on contributions in aid of construction. The filings concerned changes to PSE's tariff rules regarding the extension of gas service.

4 On August 27, 2003, Staff presented a memorandum protesting a portion of the tariff revisions to Rule No. 7 and 7A as not fair, just and reasonable due to an apparent disparity between the rates assigned to a new customer in a new development as compared to the rates assigned to a new customer receiving an extension in an existing neighborhood.

5 On August 27, 2003, the Commission suspended PSE's tariff filing, but allowed the tariff sheets to become effective on a temporary basis pending entry of further Commission orders.

6 The parties have come to an agreement regarding the July 25, 2003, tariff filings. The agreement eliminates the disparity in rates between new customers in existing neighborhoods and new customers in new developments, thus eliminating Staff's major concern leading to its recommendation to suspend the tariff filing.

7 The agreed upon revisions to PSE's original filing, suspended August 27, 2003, reduce rates for some prospective customers and potentially increase rates for other prospective customers. The revisions impact rates and options of new prospective customers and as such do not impact rates for PSE's existing customers.

III. AGREEMENT TERMS AND REQUEST FOR APPROVAL

8 The parties agree that revisions to Tariff Sheet Nos. 18, 19, 19-A, 19-F, 19-G, 19-H,
19-I, 19-J, 19-K, 19-L, 19-M, and Original Sheet No. 42 as filed on July 25, 2003, will
become effective on May 1, 2004, without further filings by either party.

9 The Parties agree that PSE will file with the Commission Exhibits A through F
revising Tariff Sheet Nos. 18-A, 19-B, 19-C, 19-D, 19-E, and 1107 as proposed revised
tariff sheets. Exhibits A through F are incorporated into this Settlement Agreement by
reference.

10 The Parties agree that the proposed revised tariff sheets referenced in Exhibits A
through F shall be filed with the effective date of May 1, 2004. PSE agrees that Sheet
1107 (Exhibit F) will be filed with the statutorily required notice and in accordance with
WAC 480-90-195(3). The Parties agree that tariffs referenced in Exhibits A through E
will be filed in compliance with Commission order at the earliest possible date as
compliance filings to give Staff adequate time to review prior to their effective date.

11 This Settlement Agreement is presented to the Commission under WAC 480-09-
045 (Alternative Dispute Resolution) for the Commission's approval.

IV. GENERAL TERMS

12 The Parties agree that this Settlement Agreement resolves the contested issues
between them in this proceeding. The Parties understand that this Settlement
Agreement is not binding on the Commission unless the Commission adopts the
Agreement.

13 The Parties have entered into this Agreement voluntarily to lessen the expense,
inconvenience, uncertainty, and delay of litigation.

14 The Parties agree to cooperate in submitting this Agreement promptly to the
Commission for adoption. The Parties agree to support adoption of this Agreement in
proceedings before the Commission through testimony or briefing if requested to do so
by the Commission. No party to this Agreement or its agents, employees, consultants,
or attorneys will engage in advocacy contrary to the Commission's adoption of this
Agreement.

15 The Parties recognize that this Agreement represents a compromise of the
positions that the Parties may otherwise assert in this proceeding. As such, conduct,
statements, and documents disclosed during negotiations of this Agreement shall not be
admissible as evidence in this or any other proceeding, except in any proceeding to
enforce the terms of this Agreement.

16 The Parties may execute this Agreement in counterparts and as executed shall
constitute one agreement. Copies sent by facsimile are effective as original documents.

17 The Parties shall take all actions necessary and appropriate to carry out this
Agreement.

18 In the event that the Commission rejects all or any portion of this Agreement,
each party reserves the right to withdraw from this Agreement by written notice to the
other party and the Commission. Written notice must be served within 10 days. In
such event, neither party will be bound or prejudiced by the terms of this Agreement,

and either party shall be entitled to seek reconsideration of the Order rejecting all or part of the Agreement.

CHRISTINE O. GREGOIRE

PERKINS COIE LLP

Attorney General

CHRIS SWANSON
Assistant Attorney General
Counsel for the Washington
Utilities and Transportation
Commission (360) 664-1220

KIRSTIN DODGE
Counsel for Puget Sound Energy, Inc.
Attorney at Law
10885 NE 4th Street, Suite 700
Bellevue, WA 98004
(425) 635-1407

Date Signed: _____

Date signed: _____