

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	DOCKET UE-111048
)	DOCKET UG-111049
Complainant,)	(consolidated)
v.)	
)	MULTIPARTY SETTLEMENT RE:
PUGET SOUND ENERGY, INC.,)	ELECTRIC RATE SPREAD,
)	ELECTRIC RATE DESIGN AND
Respondent.)	RENEWABLE ENERGY CREDIT
)	TRACKER
)	

A. INTRODUCTION

1 This Multiparty Settlement is entered into pursuant to WAC 480-07-730(3) to compromise and settle all issues concerning electric rate spread, rate design and renewable energy credits that have been raised in this consolidated proceeding between the Settling Parties. This Multiparty Settlement sets forth the rate spread and rate design that the Settling Parties agree should be applied to any electric revenue requirement the Commission determines at the conclusion of litigation on contested revenue requirement issues. Additionally, it sets forth revised language for Schedule 40 (Large General Service Greater Than 3Amw) to account for customer implemented energy efficiency investment and the methodology by which renewable energy credit (“REC”) revenue will be passed back in rates through a separate tracker outside of general rates.

B. SETTling PARTIES

2 This Multiparty Settlement is entered into by: Puget Sound Energy, Inc. (“PSE”);
The Staff of the Washington Utilities and Transportation Commission (“Commission Staff”);
the Public Counsel Section of the Attorney General’s Office (“Public Counsel”); the
Industrial Customers of Northwest Utilities (“ICNU”), and The Kroger Co. (“Kroger”)
(collectively referred to hereinafter as the “Settling Parties” and each individually as a
“Settling Party”).

C. BACKGROUND

3 On June 13, 2011, PSE filed with the Washington Utilities and Transportation
Commission (“Commission”) certain tariff revisions designed to effect a general rate
increase in its rates for electric service (Docket UE-111048) and gas service (Docket UG-
111049) to customers in Washington. The proposed revisions provide for a general rate
increase of \$161.3 million (8.13 percent) for the electric tariffs. The Commission suspended
operation of the tariffs and consolidated these dockets by Order 02 entered in these dockets
following the open meeting on June 30, 2011. The consolidated dockets are collectively
referred to hereinafter as the “General Rate Case”.

4 A prehearing conference in the General Rate Case was held on July 20, 2011. The
Commission granted petitions to intervene of ICNU and Kroger.¹

5 On September 1, 2011, PSE filed a Motion for Leave to File Supplemental
Testimony. These supplemental direct testimony and exhibits reduced the proposed electric

¹ Other interveners that are not parties to this Multiparty Settlement are Northwest Industrial Gas Users (“NWIGU”), Nucor Steel Seattle, Inc. (“Nucor”), Federal Executive Agencies (“FEA”), The Energy Project, Cost Management Services, Inc. (“CMS”), Sierra Club and Northwest Energy Coalition (“NWEC”). Each of NWIGU, Nucor, FEA, The Energy Project, CMS, Sierra Club and NWEC has authorized the Settling Parties to represent that it does not oppose this Multiparty Settlement.

revenue deficiency from \$161.3 million to \$152.9 million. On November 9, 2011, PSE filed a Motion for Leave to File Supplemental Testimony. The supplemental direct testimony and exhibits were filed to include an additional customer that qualifies for Schedule 40.

6 The Settling Parties have reached a Multiparty Settlement pursuant to WAC 480-07-730(3) and now wish to present their agreement for Commission approval. In the interests of expediting the orderly disposition of the General Rate Case, the Settling Parties therefore adopt the following Multiparty Settlement which is entered into by the Settling Parties voluntarily to resolve matters in dispute among them regarding electric rate spread and rate design, Schedule 40, and REC revenues.

7 The Settling Parties understand that only Sections D through G of this Multiparty Settlement are subject to Commission approval and hereby respectfully request that the Commission issue an order approving Sections D through G of this Multiparty Settlement. The Settling Parties request that the Commission hear evidence concerning their stipulation of electric rate spread and rate design, Schedule 40, and REC revenue, as part of the hearings scheduled to commence before the Commission on February 14, 2012. The Settling Parties to this Multiparty Settlement are also filing Joint Testimony in support of their agreement, pursuant to WAC 480-07-740(2).

D. AGREEMENT – ELECTRIC RATE SPREAD

8 This Section D describes how the total electric revenue requirement increase determined by the Commission will be applied to each class of electric customers at the conclusion of the General Rate Case. For illustrative purposes only, page 1 of the

Attachment to this Multiparty Settlement shows the Settling Parties' agreed rate spread associated with a hypothetical final electric revenue requirement increase of \$152.9 million.

9 Schedule 40 rates shall be determined in accordance with the calculated rate methodology, in which Schedule 40 rates for power supply (generation and transmission) are set equal to Schedule 49 charges (adjusted for power factor and losses). In addition, delivery-related charges shall be derived based on customer specific costs of PSE distribution facilities used to provide delivery services directly to each Schedule 40 customer.

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

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

- Schedules 7, 24, 26, 31, 35, 43, 46, 49, 50-59, 448, and 449 shall each receive a rate increase equal to 100 percent of the uniform percentage increase; Schedules 25 and 29 shall each receive a percentage increase equal to 75 percent of the uniform percentage increase assigned to the other rates schedules above; and
- Firm Resale and Special Contract Classes shall receive an increase equal to the class revenue deficiency as determined in PSE's cost of service model provided with the final compliance filing in this proceeding.

12 For the purpose of preparing the Attachment, page 1, an estimated increase for Schedule 40 assuming the \$152.9 million hypothetical revenue increase used in this Multiparty Settlement is used as a placeholder.

E. AGREEMENT – ELECTRIC RATE DESIGN

13 This Section E describes how electric rates will be designed at the conclusion of the General Rate Case. The Settling Parties' rate design follows the methods proposed by PSE and detailed in PSE's direct testimony at Exhibit No. ____ (JAP-1T) and supporting exhibits. The rate design agreement is detailed in the Attachment and summarized in the Attachment, page 2.

F. AGREEMENT – SCHEDULE 40

14 This Section F describes agreements reached by the Settling Parties that pertain directly to Schedule 40. The Settling Parties agree that the following language should be added to the end of Section 1.b. of Schedule 40:

However, a Customer whose Schedule 40 usage falls below 2 aMW shall remain on Schedule 40 if the Customer has a designated energy manager and can document to the Company that the reduction in its energy usage below 2 aMW is directly attributable to energy efficiency investments undertaken by the Customer during the time the Customer has been served on Schedule 40.

15 The Settling Parties also agree to meet following the conclusion of this general rate case to discuss potential future revisions to Schedule 40, as explained in the response testimony of Commission Staff witness, Deborah Reynolds, in Exhibit No. ____ (DJR-1T), page 9, lines 8-12. However, such meetings are not intended to affect when PSE files a subsequent rate case, and PSE is not precluded from filing a subsequent rate case during the course of these meetings.

G. AGREEMENT – RENEWABLE ENERGY CREDIT TRACKER

16 This Section G describes a new rate tracker to flow the benefits of REC revenue collected by the Company to customers. The REC revenue included in this new rate tracker

would be credited to customers over a three-year amortization period, with deferred balances accruing interest at PSE's authorized net of tax rate of return. REC revenue will be provided to customers by means of bill credits. The deferred balance of RECs will include the deferred taxes associated with the timing difference between when REC income is received and when the REC credit provides the benefit to customers. Amounts included in the tracker will consist of three components: (1) continuation of the amortization of the REC regulatory liability balance, net of associated deferred taxes, existing at the start of the Tracker period; (2) addition of one-third of the amount of REC proceeds projected to occur in the Tracker period based on contracts in effect at the time of filing; and (3) a true-up described in the next paragraph.

17 The initial tracker rates will be set in May 2012, coincident with the effective date of rates in this proceeding. The tracker will then be reset annually and would become effective each January 1st. The first of these annual filings will be for new rates effective January 1, 2013. At the time of the annual filing, the tracker rates will be trued up for the actual deferred REC proceeds received to date, net of deferred taxes, within the then-current rate period and the interest thereon versus the amounts assumed when setting the rates. The rates will also be trued up for any variances between the amounts set in rates and the amount actually passed back to customers over that period due to variances in load.²

² The Settling Parties reserve the right to revisit issues regarding implementation details of the REC tracker, such as more frequent than annual reporting and showing the revenue pass-through as a separately identified bill credit, in PSE's next general rate case.

H. MISCELLANEOUS PROVISIONS

18 The Settling Parties agree to support the terms and conditions of this Multiparty Settlement as a settlement of all contested issues between them in the above-captioned consolidated proceedings regarding electric rate spread and rate design.

19 This Multiparty Settlement represents an integrated resolution of electric rate spread and rate design. Accordingly, the Settling Parties recommend that the Commission adopt and approve Sections D through G of this Multiparty Settlement in their entirety, including the Attachment.

20 The Settling Parties shall cooperate in submitting this Multiparty Settlement promptly to the Commission for approval of Sections D through G above, and shall cooperate in developing supporting testimony as required in WAC 480-07-740(2)(b). The Settling Parties agree to support the Multiparty Settlement throughout this proceeding, provide witnesses to sponsor such Multiparty Settlement at a Commission hearing, and recommend that the Commission issue an order adopting the Multiparty Settlement in its entirety.

21 In the event the Commission rejects Sections D, E, F or G of the Multiparty Settlement, the provisions of WAC 480-07-750(2)(a) shall apply. In the event the Commission accepts Sections D, E, F or G of the Multiparty Settlement, subject to conditions not proposed herein, each Party reserves the right, upon written notice to the Commission and all other Settling Parties to this proceeding within ten (10) days of the Commission order, to state its rejection of the conditions. In such event, the Settling Parties immediately will request that hearings be held on the appropriateness of the conditions or upon other electric rate spread proposals of the Settling Parties. In any further proceedings triggered by this paragraph, the Settling Parties agree to cooperate in development of a hearing schedule that

concludes such proceeding at the earliest possible date. Any further proceedings triggered by this paragraph shall not delay any compliance filing of PSE ordered by the Commission and such compliance filing shall remain in effect pending any further proceeding.

22 The Settling Parties enter into this Multiparty Settlement to avoid further expense, uncertainty, and delay. By executing this Multiparty Settlement, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Multiparty Settlement, and except to the extent expressly set forth in this Multiparty Settlement, no Party shall be deemed to have agreed that this Multiparty Settlement is appropriate for resolving any issues in any other proceeding. No Party shall represent that any of the facts, principles, methods, or theories employed by any Party in arriving at the terms of this Multiparty Settlement are precedents in any other proceeding or as to any matter remaining in dispute in this proceeding.

23 The Settling Parties agree to the admission into evidence of all pre-filed written testimony and exhibits of PSE, filed June 13, 2011, September 1, 2011 and November 9, 2011, and Staff, Public Counsel, ICNU and Kroger, filed December 7, 2011, to the extent all such documents pertain to electric rate spread, rate design, Schedule 40 and REC revenues.³

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

25 All Settling Parties agree:

- i. to provide all other Settling Parties the right to review in advance of publication any and all announcements or news releases that any other Party intends to make about the Multiparty Settlement. This right of advance review includes a reasonable opportunity for a Party to

³ Staff Exhibit No. ____ (RCM-2) will be updated to reflect the agreement regarding REC revenues, as set forth in Section H of this Multiparty Settlement.

request changes to the text of such announcements. However, no Party is required to make any change requested by another Party; and

- ii. to include in any news release or announcement a statement that Commission Staff's recommendation to approve the settlement is not binding on the Commission itself. This subsection does not apply to any news release or announcement that otherwise makes no reference to Commission Staff.

DATED this 17th day of January, 2012.

Respectfully submitted,

PUGET SOUND ENERGY, INC.

ROBERT M. MCKENNA
Attorney General

Tom De Boer

TOM DE BOER
Director, Federal and State Regulatory
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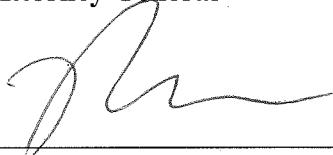
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ROBERT M. MCKENNA
Attorney General



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Director, Federal and State Regulatory
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DATED this 17th day of January, 2012.

Respectfully submitted,

PUGET SOUND ENERGY, INC.

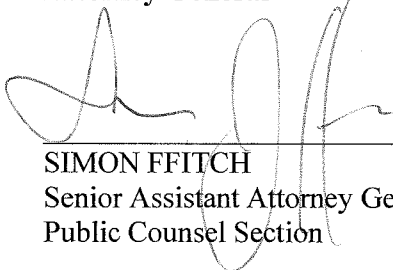
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DATED this _____ day of January, 2012.

Respectfully submitted,

PUGET SOUND ENERGY, INC.

ROBERT M. MCKENNA
Attorney General

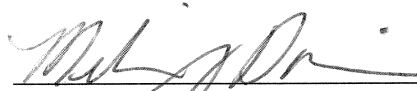
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- ii. to include in any news release or announcement a statement that Commission Staff's recommendation to approve the settlement is not binding on the Commission itself. This subsection does not apply to any news release or announcement that otherwise makes no reference to Commission Staff.

DATED this 16 day of January, 2012.

Respectfully submitted,

PUGET SOUND ENERGY, INC.

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Puget Sound Energy
 Twelve Months ended December 2010
 Summary - Rate Spread
 Multiparty Settlement Attachment Page 1

Line No.	Voltage Level	Schedule	kWh A	Proforma Revenue B	Hypothetical Proposed Increase C	Percent of Total w/o Schedule 40 D	Percent of Uniform Increase E	Proposed Revenue Increase (%) F	Proposed Revenue Increase (\$) G = B * F	Proposed Revenue H = B + G	
1	Residential	7	10,732,747,750	\$ 1,083,315,596		56.30%	100%	8.01%	\$ 86,734,238	\$ 1,170,049,834	
2											
3	Secondary Voltage										
4	Demand <= 50 kW	24	2,594,865,426	\$ 245,723,262		12.77%	100%	8.01%	\$ 19,673,510	\$ 265,396,772	
5	Demand > 50 kW but <= 350 kW	25 / 29	2,932,110,481	\$ 258,565,574		13.44%	75%	6.00%	\$ 15,526,284	\$ 274,091,859	
6	Demand > 350 kW	26 / 26P	1,986,740,729	\$ 159,253,099		8.28%	100%	8.01%	\$ 12,750,390	\$ 172,003,489	
7	Total Secondary Voltage		7,513,716,636	\$ 663,541,935					\$ 47,950,184	\$ 711,492,119	
8											
9	Primary Voltage										
10	General Service / Irrigation	31 / 35	1,311,816,705	\$ 104,109,165		5.41%	100%	8.01%	\$ 8,335,363	\$ 112,444,528	
11	Interruptible Total Electric Schools	43	148,958,013	\$ 12,686,207		0.66%	100%	8.01%	\$ 1,015,704	\$ 13,701,911	
12	Total Primary Voltage		1,460,774,718	\$ 116,795,372					\$ 9,351,068	\$ 126,146,439	
13											
14	Campus Rate	40	770,709,198	\$ 53,013,428				6.48%	\$ 3,433,422	\$ 56,446,851	
15											
16	Total High Voltage	46 / 49	576,524,279	\$ 36,438,105		1.89%	100%	8.01%	\$ 2,917,369	\$ 39,355,473	
17											
18	Choice / Retail Wheeling	448 / 449	1,954,913,504	\$ 7,033,519		0.37%	100%	8.01%	\$ 563,129	\$ 7,596,649	
19											
20	Lighting	50-59	81,494,849	\$ 16,975,574		0.88%	100%	8.01%	\$ 1,359,127	\$ 18,334,701	
21											
22	Total Jurisdictional Retail Sales		23,090,880,935	\$ 1,977,113,528				7.70%	\$ 152,308,538	\$ 2,129,422,066	
23											
24	Firm Resale / Special Contract		7,332,574	\$ 1,217,755				48.57%	\$ 591,462	\$ 1,809,217	
25											
26	Total Sales		23,098,213,509	\$ 1,978,331,283	\$ 152,900,000	100.00%		7.73%	\$ 152,900,000	\$ 2,131,231,283	
27											
28											
29	Average Increase Before Schedule 40, Firm Resale + Special Contract								100%	7.729%	
30	Average Increase After Schedule 40, Firm Resale + Special Contract									7.737%	
31	Adjustment to Average Increase for Unequal Allocation of Increase									1.034763554	
32	Average Increase After Schedule 40, Firm Resale + Special Contract adjusted for Unequal Allocation of Increase									8.006%	

Puget Sound Energy
Summary of Proposed Rate Design
Docket No. UE-111048
Multiparty Settlement Attachment, Page 2

Line No.	Rate Schedule	Tariff	Basic Charge	Demand Charge	Reactive Power Charge	Energy Charge	Lamp Charge
1	Residential	7	Class average increase	na	na	Remaining class average increase, 1st Block adjusted for residual	na
2	Sec Volt <= 50 kW Demand	24	Class average increase	na	na	Class average increase, Winter Block adjusted for residual	na
3	Sec Volt 50 > kW Demand <=350	25	Class average increase	Class average increase	Class Average Increase	Class average increase, adjusted for residual	na
4	Sec Volt > 350 kW Demand	26	Class average increase	Sch 31, adjusted for losses	Class Average Increase	Sch 31, adjusted for losses	na
5	Sec Volt, Irrigation	29	Class average increase	Class average increase	Class Average Increase	First Block Winter = Sch 25 First Block Summer = Class Avg Second Block = Class Avg	na
6	Pri Volt - Gen Svc	31	Class average increase	Class average increase	Class Average Increase	Class average increase, Adjusted for Residual	na
7	Pri Volt - Irrigation	35	Same as Schedule 31	Class average increase	Class Average Increase	Residual	na
8	Pri Volt - Interruptible Schools	43	Same as Schedule 31	Class average increase	Class Average Increase	Residual	na
9	Campus Rate	40	Sch 25, 26 or 31	Sch 49, Adjusted for Power Factor and Line Losses	Sch 26 or 31	Sch 49, Adjust for Line Losses	na
10	High Volt - Interruptible	46	na	Class average increase	na	Same as Schedule 49	na
11	High Volt - Gen Service	49	na	Class average increase	na	Class average increase, Adjusted for Residual	na
12	Lighting	50-59	na	na	na	na	Class Average Increase
13	Choice / Retail Wheeling	448/449	COS Basic Charge	Apply Residual as Equal \$ / kVa, PV Adjusted for Rounding	na	na	na