BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Rulemaking to Consider Possible Corrections and Changes in Rules in Chapter 480-07 WAC, Relating to Procedural Rules	DOCKET NO. A-050802 COMMENTS OF PUGET SOUND ENERGY, INC. ON SUPPLEMENTAL PROPOSAL

1. Puget Sound Energy, Inc. ("PSE") respectfully submits the following comments in response to the Commission's Notice of Opportunity to Comment on Supplemental Proposal in this Docket dated May 11, 2006. PSE's comments are limited to the supplemental proposal for revisions to WAC 480-07-700 regarding settlement conferences.

2. The Commission *should not* adopt the proposed supplemental revisions to the existing settlement rules. The proposed supplemental changes would establish procedural requirements for settlement discussions that are unecessary and unwise for the reasons set forth below and in the prior comments PSE has submitted in this docket. Having rejected such changes in the Discussion of Comments Concerning Procedural Rules Governing Settlement, Procedural Rules Tune-Up dated March 2, 2006, PSE is mystified as to why very similar restrictions were again proposed with the Notice of Comment dated May 11, 2006.

3. The supplemental proposal is better than the original proposal in that it would only require notice to all parties of the "initial settlement conference" and not all subsequent discussions regarding potential settlement. However, the proposal so broadly defines

"settlement conference" and is so burdensome with respect to notice that it would effectively prevent communications between parties regarding potential opportunities for settlement prior to a formal initial settlement conference.

4. This would be very unfortunate because the formal initial settlement conference is typically set relatively late in the procedural schedule. Discussions prior to that time between one or more parties (without the need to include all parties) can in some cases result in narrowing issues in a case or developing creative solutions to address issues or concerns implicated in a case. One example is the inclusion in PSE's 2004 general rate case settlement regarding rate spread and rate design of a new Schedule 40 for customers served in a campus-type setting. If such discussions are delayed until later in the case, the parties may have insufficient time to explore and resolve their differences and the parties may be less willing to do so because positions can tend to harden as deadlines and hearings in a proceeding near.

5. The supplemental proposal is also broader than the original proposal rejected in the March 2, 2006 Discussion paper because it would extend the restriction on settlement discussion to all parties, not just to discussion between Commission Staff and the regulated company. While this may be perceived as being more fair, PSE believes that *any* barriers to settlement discussions between the various parties to a case are unwise, and extending such barriers beyond Staff to other parties simply further reduces the likelihood of settlement.

6. PSE also continues to be concerned that mandating notice to all parties of settlement discussions will lead to increased gamesmanship in the negotiation process. For example, a party with no real interest in a particular issue could seek to extract some concession from Commission Staff, the regulated company, or the other parties as the cost of not interfering with a negotiated resolution that has been worked out between the party

that truly has an interest in an issue, the regulated Company, and Commission Staff. The Commission's very liberal intervention standard permits many parties with sometimes very narrow issues to participate in cases. PSE does not object to broad participation in cases by interested persons, but does not believe that the Commission's settlement rules should tie the Company's or other parties' hands with respect to how best to engage in settlement discussions with the various parties that may be participating in any particular case.

7. As stated in PSE's prior comments, the dynamics of multiparty settlement negotiations are such that it is often much more productive for the regulated company to have individual negotiations with the various parties than to gather all parties together in a room to negotiate the case. In all of PSE's recent rate cases, including the 2001 rate case that has been held up as an example of the benefits of bringing all parties together around the negotiating table, one-on-one discussions between PSE and all of the other parties were essentially ongoing throughout the process from the beginning of the case. In PSE's experience, while there is a place and time for all parties to be in the same room together, it would greatly interfere with the settlement process and the likelihood of reaching settlements in Commission proceedings to limit such negotiations between the parties to a case.

8. The supplemental proposed amendments to WAC 480-07-730 also contain the language previously objected to by PSE that would prevent the orderly resolution of the many minor disputes that arise in the course of the Commission Staff's audit work in adjudicative proceedings. The carve out in the proposed revision for information gathering is insufficient because after information is gathered about a topic, there may be a dispute between Commission Staff and a regulated company that needs to be resolved. For example, in a rate case, there may be a dispute as to the proper way to calculate or treat a

particular adjustment. Depending on the magnitude of the dispute and whether there are any other disputes that would have an offsetting impact, the Commission Staff and regulated company should remain free to settle such disputes as the audit work on the case proceeds.

DATED: June 16, 2006.

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