

**Exhibit No. ECO-26
Dockets UE-151871/UG-151872
Witness: Elizabeth C. O'Connell**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-151871/UG-151872
(consolidated)**

**EXHIBIT TO
TESTIMONY OF**

ELIZABETH C. O'CONNELL

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

PSE response to Staff Data Request 38, Attachment A

June 7, 2016

**ATTACHMENT A to PSE's Response to
WUTC STAFF Data Request No. 038**

From: McCulloch, Malcolm
Sent: Thursday, August 27, 2015 10:42 AM
To: 'Williams, Juliana (UTC)'; 'Reynolds, Deborah (UTC)'; Vasconi, Mark (UTC) (mvasconi@utc.wa.gov); 'TSchoole@utc.wa.gov'; 'Ball, Jason (UTC)' (Jball@utc.wa.gov)
Cc: Johnson, Kenneth S; Englert, Eric
Subject: RE: Equipment Lease Service Handout
Attachments: eSchedule xx 0 (Sheet xx) (8-28-15).docx; gSchedule xx 0 (Sheet 1xx) (8-28-15).docx

Dear Juliana, Deborah, Tom, Jason and Mark,

Wanted to follow-up with you on a few items from our discussion of our Equipment Lease Service a few weeks ago.

1) We wanted to incorporate your idea of considering the bill payment history of the customer. So we have made some changes to the draft tariff schedule sheets (see attached) in the availability section to allow for the consideration of PSE's internal credit worthiness criteria, which includes bill payment history.

2) We wanted to provide some background on the issues of partial payments and notice procedures.

The monthly lease charge is billed as a separate line item on the customer's (property owners) consumption account. PSE's dunning (collection notice) process is triggered by the past due balance of the total bill (the combined energy and leasing bill charges). PSE's dunning (notice) procedures on the total bill are then implemented in accordance with WAC 480-100-128.

If a customer were to choose not to specifically pay the lease charges, the *Terms and Conditions* allow PSE to terminate the lease and enact associated remedies for non-payment of the lease charges. Tariff section 11 "Default and Remedies", item (a) details that "*Customer will be in default under this Agreement, and PSE may terminate this lease at any time if: ... (2) Customer fails to pay the monthly lease payment for the Equipment within thirty (30) days after such charges become due and payable,*" and "*(5) Customer is more than sixty (60) days late on any other payments due from Customer to PSE*".

The more likely scenario is that a customer not paying their lease service fees is probably also not paying for their energy consumption. In that case, PSE can notice and disconnect for any unpaid regulated service balance per its existing dunning policy, as noted above.

Sincerely,

Malcolm McCulloch
Manager, Leasing
PUGET SOUND ENERGY
425-424-6530 tel
425-213-9839 cell
www.PSE.com

From: Englert, Eric
Sent: Friday, August 07, 2015 6:51 PM
To: 'Williams, Juliana (UTC)'; 'Reynolds, Deborah (UTC)'; Vasconi, Mark (UTC) (mvasconi@utc.wa.gov); 'TSchoole@utc.wa.gov'; 'Ball, Jason (UTC)' (Jball@utc.wa.gov)

Cc: Johnson, Kenneth S
Subject: Equipment Lease Service Handout

Juliana, Deborah, Tom, Jason and Mark,

Thank you again for taking the time today to review PSE's Lease Solutions service.

As discussed, this service will: provide customers with turn-key solutions they have been asking for; serve as an additional channel for PSE's Energy Efficiency programs; provide broader access to services and grow the existing market by stimulating replacement of inefficient equipment before failure. Your continued feedback is invaluable and we want to thank you for your engagement in the development of this new customer resource.

Attached is an electronic copy of the handout.

Thank you,
Eric

From: Englert, Eric
Sent: Friday, July 31, 2015 6:26 PM
To: 'Williams, Juliana (UTC)'; 'Reynolds, Deborah (UTC)'
Cc: McCulloch, Malcolm
Subject: RE: Questions Regarding Leasing-Type Programs

Juliana,

As indicated below, we are sending you (and Deborah) draft tariff schedules for the Equipment Lease Service (attached).

Below is a summary of public interest benefits, and the customer value of a those services being regulated.

Public Interest Benefits of Lease Services:

Customers look to PSE as a trusted energy partner to provide them with safe, reliable and efficient energy management options.

- Lease Services will:
 - provide customers with simple, affordable, and comprehensive turn-key solutions for obtaining energy systems without a significant upfront investment;
 - stimulate the replacement of inefficient equipment that has passed its useful life;
 - promote the installation of energy-efficient equipment and access to applicable energy efficiency rebates;
 - offer fixed monthly fees that include the cost of equipment, installation, and maintenance for the life of the lease;
 - optimize equipment performance with scheduled maintenance throughout the lease term;
 - facilitate the replacement of equipment should it fail under the product warranty term;
 - protect low income customers as lease agreements and associated bills will be issued in the name of the property owner, not the tenant;
 - fulfill customers' expectations for energy-efficient equipment and bundled scheduled maintenance and repair services; and
 - expand existing market and opportunities for our partners.

Value of Regulating Lease Services:

- Regulated service tied to the equipment location facilitates the ability to transfer the lease when the property is sold or tenants move.
- Regulated service supports fair pricing.
- Regulated service supports dedicated direct consumer protection oversight.

In terms of the structure of the filings, below is a description of the phases of the filings, which highlights what is essentially a two-step process. Since Phase 2 includes the actual prices to be charged – we are not going to have so-called “formula rates”.

Tariff Schedule Filings

- **Phase 1(a)**
New tariff schedules requesting approval for PSE to expand energy equipment lease services to both electric and natural gas customers. Rate methodology will be described, but rates will not be included at this time.
- **Phase 1(b)**
After Phase 1 is complete, update language on existing natural gas water heater program to detail lease transition to new program.
- **Phase 2**
File updated approved tariff schedules (from Phase 1(a)) with monthly lease prices, consistent with rate methodology, prior to offering service option to customers (in Q1 2016).

Thank you for your consideration,
Eric

From: Englert, Eric
Sent: Tuesday, July 28, 2015 4:54 PM
To: 'Williams, Juliana (UTC)'; Reynolds, Deborah (UTC)
Cc: McCulloch, Malcolm
Subject: RE: Questions Regarding Leasing-Type Programs

Thank you Juliana.

In regard to the timeframe question – we are hoping to send you a draft tariff schedule within the next few days. We want to minimize the number of changes between this draft and the final but need to balance that with wanting to get you something ASAP so you can provide feedback.

The filing timeframe will be dependent upon how soon we can schedule meetings with interested folks.

Thank you,
Eric

From: Williams, Juliana (UTC) [<mailto:jwilliam@utc.wa.gov>]
Sent: Tuesday, July 28, 2015 4:23 PM
To: Englert, Eric; Reynolds, Deborah (UTC)
Cc: McCulloch, Malcolm
Subject: RE: Questions Regarding Leasing-Type Programs

Good afternoon Eric,

Although the phrase formula rates does not appear in statute (to my knowledge), RCW 80.28.080(1)(a) states “Except as provided otherwise in this subsection, no gas company, electrical company...may charge, demand, collect or receive a greater or less or different compensation for any service rendered or to be rendered than the rates and charges applicable to such service as specified in its schedule filed and in effect at the time...” Staff understands this to mean that the rate amount must be in the tariff, not a formula for that rate. There is a fair amount of case history behind this, but it would take us time to track it down.

However, as you mention at the end of your email, this may be a moot point. What approach are you considering? What is the general timeframe for this filing?

Juliana Williams

Regulatory Analyst, Conservation & Energy Planning
Washington Utilities and Transportation Commission
(360) 664-1311

This e-mail states the informal opinions of commission staff, offered as technical assistance, and are not intended as legal advice. We reserve the right to amend these opinions should circumstances change or additional information be brought to our attention. Staff's opinions are not binding on the commission.

From: Englert, Eric [mailto:eric.englert@pse.com]
Sent: Thursday, July 23, 2015 6:06 PM
To: Williams, Juliana (UTC); Reynolds, Deborah (UTC)
Cc: McCulloch, Malcolm
Subject: Questions Regarding Leasing-Type Programs

Deborah, Juliana,

Thank you for discussing our proposed additions to our leasing program in mid-June.

One of the items you wanted us to look into and for our attorneys to do legal research on is whether or not "formula rates" are impermissible by a specific Commission Order.

We had our attorney search Commission cases for discussions of "formula rates".

The only case mentioning (not forbidding) "formula rates" is the PSE rate case that established Schedule 40, in which the Commission repeated parties' discussions of Schedule 40 as a "formula rate" that "charges energy at the Schedule 49 rate (adjusted for power factor and losses) and delivery-related charges based on customer-specific costs of PSE's distribution facilities used to provide delivery services directly to the Schedule 40 customers." There was no discussion in the case whether "formula rates" are permissible – it was simply a description of Schedule 40, which was offered pursuant to a settlement approved by the Commission. Our attorney did not find anything mentioning impermissibility of "formula rates".

Just as an update, the approach we intend to take with this program would not be considered a "formula rate" – so we believe that the issue is likely moot at this point. More detail will be provided at a later date, regarding the approach, but we wanted to convey this information sooner rather than later. As we discussed and you requested, we will send Juliana a draft tariff schedule(s) when they are near/at a final draft stage.

Thank you,

Eric Englert
Manager, Regulatory Initiatives & Tariffs

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Original Sheet No. 75

**PUGET SOUND ENERGY, INC.
Electric Tariff G**

**SCHEDULE NO. 75
Equipment Lease Service**

Section 1. Availability:

1. Service under this Schedule is not available until the Washington Utilities and Transportation Commission ("UTC") has approved rates that will be listed in Section 2 below.
2. Generally available throughout any territory served by the Company, however, at the option of the Company lease services may not be available in certain areas, for residential use in single- or multiple- dwelling units or for commercial or industrial use where the Customer qualifies for and has entered into an Equipment Lease Agreement with the Company in the form of Attachment A to this Schedule for each piece of Equipment that is initially owned and maintained by the Company; and
3. Lease services will be available where the Company believes that equipment can be delivered safely, is technically feasible, where the Company has a service provider capable of installing the equipment, the Customer has provided a safe, suitable and accessible location for installation, the requested equipment is available and is subject to the Company being able to obtain acceptable commercial terms, including price and warranty, for the equipment.
4. Lease services will only be available to Customers with a credit rating acceptable to the Company prior to the Company providing service, which may include review of the Company's internal credit worthiness criteria, a third party credit report , or a combination of both.
5. Leases are in addition to the charges for electric and/or natural gas service and are restricted to equipment listed below.

Section 2. Monthly Rates:

The Monthly Lease Charge rates below apply to Equipment Lease Agreements executed by the Company following the effective date of the rates. The rates below will be updated periodically based on the Model and equipment availability. The applicable Monthly Lease Charge rate will be based on the date the Equipment Lease Agreement is executed by the Company, provided that the equipment to be leased is installed within 30 days. The monthly rates will remain the same for the Lease Term of the lease.

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By:

Ken Johnson

Title: Director, State Regulatory Affairs

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**PUGET SOUND ENERGY, INC.
Electric Tariff G**

1. Water Heaters:

a.	Residential Size/type	Monthly Lease Charge
	Natural Gas Tank-Style	
	Xxx Gallon	\$xx.xx
	Xxx Gallon	\$xx.xx
	Electric Tank-Style	
	Xxx Gallon	\$xx.xx
	Xxx Gallon	\$xx.xx
b.	Commercial Size/type	Monthly Lease Charge
	Natural Gas Tank-Style	
	Xxx Gallon	\$xx.xx
	Xxx Gallon	\$xx.xx
	Electric Tank-Style	
	Xxx Gallon	\$xx.xx
	Xxx Gallon	\$xx.xx

2. Heating and Air Conditioning Systems:

a.	Residential Size/type	Monthly Lease Charge
	Natural Gas Furnace	
	Xxxx BTu	\$xx.xx
	Xxxx BTu	\$xx.xx
	Electric Air-source Heat Pump	
	Xx Ton	\$xx.xx
	XX Ton	\$xx.xx

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This space intentionally left blank for future use.

Other Charges, Taxes: Rates in this Schedule are subject to adjustment by such other schedules of the Company's Electric Tariff as may apply and by applicable taxes. On the effective date of this Schedule adjustments under Schedule 81 and Schedule 140 are applicable and State Sales Tax is applicable. The Customer shall be responsible for any taxes applicable to the service or charges under this Schedule.

Section 3. Company Obligations to and Obligations of Customers who Lease Facilities:

1. Company Obligations: Our obligation to you as a leasing Customer is fully described in Section 5, Lease Terms and Conditions, and include the obligations to provide, install (Section 6 of the Lease Terms and Conditions), service and repair (Section 7 of the Lease Terms and Conditions), replace (Section 8 of the Lease Terms and Conditions) and to provide an option to purchase or transfer Equipment (Sections 9 and 10 of the Lease Terms and Conditions).

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2. **Customer Obligations:** Your obligations as a leasing Customer is fully described in Section 5, Lease Terms and Conditions, which includes to pay lease charges when due (Section 3 of the Lease Terms and Conditions), use and maintain (Sections 4 and 5 of the Lease Terms and Conditions), abide by the transfer conditions (Section 10 of the Lease Terms and Conditions) and to abide by the default and remedies conditions (Section 11 of the Lease Terms and Conditions).

Section 4. Definitions:

1. **Company** – has the meaning set forth in Schedule 80. Under this Schedule the Company may act through its service provider to provide services under this Schedule.
2. **Equipment** – means the water heater, HVAC equipment or other equipment identified in the Equipment Lease Agreement, which is installed by and initially owned by the Company and shall at all times during the Lease Term be the property of the Company.
3. **Equipment Lease Agreement** – means the agreement attached as Attachment A to this Schedule together with the Lease Terms and Conditions.
4. **Lease Term** – means the term of the lease under each Equipment Lease Agreement. The Lease Term is specified in the Lease Terms and Conditions.
5. **Lease Terms and Conditions** – means the provisions in Section 5 of this Schedule that apply to all leases and are attached to each Equipment Lease Agreement.
6. **Model** – means the Leasing Monthly Price Model described in Attachment B to this Schedule.

Section 5. Lease Terms and Conditions:

The following terms and conditions apply to and are attached to each Equipment Lease Agreement. In case of any conflict between the provisions of other Sections of this Schedule, the provisions of this Section 5 shall control. These Lease Terms and Conditions are intended as a separate document that is part of each Equipment Lease Agreement, as such; the references to section numbers are to sections within these Lease Terms and Conditions, not sections within this Schedule, and words such as, but not limited to, "herein", "this Lease" and "this Agreement" should be interpreted as referring to the Equipment Lease Agreement rather than this Schedule. These Lease Terms and Conditions apply to Leases of both electric and natural gas equipment but do not change the Availability of Equipment under this Schedule.

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Lease Terms and Conditions

1. **General Agreement.** These Lease Terms and Conditions ("Terms & Conditions") apply to and are incorporated by reference into the Equipment Lease Agreement to which these Terms and Conditions are attached, and constitute a lease agreement (the "Agreement") between the customer identified on the front of the Equipment Lease Agreement (the "Customer") and Puget Sound Energy, Inc. ("PSE"). Pursuant to the Agreement, Customer hereby leases from PSE, and PSE hereby leases to Customer, the equipment identified on the front of the Equipment Lease Agreement (the "Equipment").
2. **Lease Term.** The lease term for the Equipment will be set forth on the front of the Equipment Lease Agreement (the "Lease Term"). If not described on the Agreement, then the Lease Term will be as follows:

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Installation Location	Equipment	Lease Term
Residential	Natural Gas Furnace	17 years
	Electric Air-source Heat Pump	18 years
	Natural Gas Tank-Style Water Heater	15 years
	Electric Tank-Style Water Heater	15 years
Commercial	Natural Gas Tank-Style Water Heater	10 years
	Electric Tank-Style Water Heater	10 years

This space intentionally left blank for future use.

3. **Monthly Lease Payment.** Customer agrees to pay to PSE the monthly lease rate for the Equipment as provided for in the PSE tariffs filed with the Washington Utilities and Transportation Commission ("WUTC"), as may be amended from time to time, plus taxes and any other charges approved by the WUTC, as applicable. At PSE's option, such lease charge may be included on Customer's utility bill. If the monthly lease payment is not received when due, PSE reserves the right to assess Customer a late fee as approved by the WUTC.

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4. Customer's Representations and Warranties (RESIDENTIAL ONLY). Customer represents and warrants to PSE as follows:

(a) Customer represents that he/she/it is the owner of the premises where the Equipment will be installed (the "Premises"). Customer hereby acknowledges and agrees that during the term of this Agreement PSE is and will remain the owner of, and holds legal title to, the Equipment. The Customer will not acquire by virtue of this Agreement any right, equity, title or interest in or to the Equipment, except the right to use the same under the terms hereof. Customer will not pledge or encumber the Equipment in any way, and will keep the Equipment free and clear of all liens, attachments, charges or encumbrances

(b) Customer acknowledges that PSE is legally permitted to, and at its sole discretion may, file a fixture filing in the real estate records of the county where the Equipment is installed to protect its ownership interest in the Equipment, and Customer agrees to promptly provide PSE upon request any information required in order for PSE to make such filing, including, without limitation, a legal description for the Premises. In addition, in the event this Agreement is determined to be a security agreement, to protect PSE's rights in the Equipment Customer hereby grants to PSE a security interest in the Equipment and all proceeds and products thereof, and authorizes PSE to cause this Agreement, or any statement or other instrument in respect of this Agreement showing the interest of PSE in the Equipment (including a Uniform Commercial Code financing statement) to be filed or recorded to protect PSE's interest therein.

(c) Customer agrees it will use the Equipment only for its ordinary intended purposes, in accordance with all applicable laws and regulations. Customer agrees not to, or authorize anyone else to, tamper with, adjust, repair or move or relocate the Equipment without prior written permission from PSE. Customer will comply with the maintenance schedule, as detailed in sub-sections (d)-(f) below, and/or attached hereto for the Equipment. Customer will maintain and provide access to the area around the Equipment at all times so that the Equipment is accessible to PSE and its contractors for maintenance, repair, replacement or removal.

(d) FOR HOT WATER HEATERS: Customer will use ordinary tap water and a non-corrosive air supply under standard atmospheric conditions. Customer will maintain effective operation of any plumbing and systems supplying water, fuel and/or electricity to the Equipment. Customer will ensure that the Equipment is located in an area with sufficient drainage in the vicinity, and that the drainage is open and unrestricted. Customers with Natural Gas hot water heaters will maintain adequate ventilation, keep the area around the water heater clear and unobstructed and must not store any combustible materials near the water heater. Customers with Natural Gas hot water heaters will maintain an operable Carbon Monoxide detector as required by law, presently RCW 19.27.530. Customer may readjust the temperature setting of the Equipment to the extent permitted by law, presently RCW 19.27A.060.

(e) FOR NATURAL GAS FURNACES: Customer will maintain effective operation of any plumbing and systems supplying fuel and/or electricity to the Equipment and ducts supplying heat within the structure. Customer will, at their own cost, clean or replace the air filter, in accordance with the manufacturer's

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specifications and operation instructions, no less than four (4) times each calendar year. Customer will maintain adequate ventilation, keep the area around the furnace clear and unobstructed and must not store any combustible materials near the furnace. Customer must maintain an operable Carbon Monoxide detector as required by law, presently RCW 19.27.530.

(f) FOR AIR-SOURCE HEAT PUMPS: Customer will maintain effective operation of any plumbing and systems supplying fuel and/or electricity to the Equipment. Customer will clean or replace the air filter, at their own cost, in accordance with the manufacture's specification and operation instructions, no less than four (4) times each calendar year. Customer will keep the outdoor unit clear of debris, in accordance with the manufacture's specification and operation instructions, which may include clearing away leaves, grass, weeds, plants, and other debris that can block airflow. Customer will not enclose or otherwise restrict the supply of outdoor air to the outdoor unit.

5. Customer's Representations and Warranties (COMMERCIAL ONLY). Customer represents and warrants to PSE as follows:

(a) Customer represents that he/she/it is the owner of the premises where the Equipment will be installed (the "Premises") or holds a valid leasehold interest in such Premises and has the authority to enter into this Agreement and allow for the installation of the Equipment on the Premises. If Customer holds a valid leasehold interest, Customer agrees to obtain the consent of the owner of the Premises prior to executing the Agreement and will provide PSE evidence of the same. Customer hereby acknowledges and agrees that during the term of this Agreement PSE is and will remain the owner of, and holds legal title to, the Equipment. The Customer will not acquire by virtue of this Agreement any right, equity, title or interest in or to the Equipment, except the right to use the same under the terms hereof. Customer will not pledge or encumber the Equipment in any way, and will keep the Equipment free and clear of all liens, attachments, charges or encumbrances

(b) Customer acknowledges that PSE is legally permitted to, and at its sole discretion may, file a fixture filing in the real estate records of the county where the Equipment is installed to protect its ownership interest in the Equipment, and Customer agrees to promptly provide PSE upon request any information required in order for PSE to make such filing, including, without limitation, a legal description for the Premises. In addition, in the event this Agreement is determined to be a security agreement, to protect PSE's rights in the Equipment Customer hereby grants to PSE a security interest in the Equipment and all proceeds and products thereof, and authorizes PSE to cause this Agreement, or any statement or other instrument in respect of this Agreement showing the interest of PSE in the Equipment (including a Uniform Commercial Code financing statement) to be filed or recorded to protect PSE's interest therein.

(c) Customer agrees it will use the Equipment only for its ordinary intended purposes, in accordance with all applicable laws and regulations. Customer agrees not to, or authorize anyone else to, tamper with, adjust, repair or move or relocate the Equipment without prior written permission from PSE. Customer will comply with the maintenance schedule, as detailed in sub-sections (d)-(f) below, and/or

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attached hereto for the Equipment. Customer will maintain and provide access to the area around the Equipment at all times so that the Equipment is accessible to PSE and its subcontractors for maintenance, repair, replacement or removal.

(d) Customer shall keep the Equipment insured against all risks of loss or damage from every cause whatsoever for not less than the full replacement value thereof, and shall carry general liability and property damage insurance covering the Equipment and its use in amounts customary for such Equipment, and name PSE as an additional insured under Customer's general liability insurance policy.

(e) FOR HOT WATER HEATERS: Customer will use ordinary tap water and a non-corrosive air supply under standard atmospheric conditions. Customer will maintain effective operation of any plumbing and systems supplying water, fuel and/or electricity to the Equipment. Customer will ensure that the Equipment is located in an area with sufficient drainage in the vicinity, and that the drainage is open and unrestricted. Customers with Natural Gas hot water heaters will maintain adequate ventilation, keep the area around the water heater clear and unobstructed and must not store any combustible materials near the water heater. Customers with Natural Gas hot water heaters will maintain an operable Carbon Monoxide detector as required by law, presently RCW 19.27.530. Customer may readjust the temperature setting of the Equipment to the extent permitted by law, presently RCW 19.27A.060.

6. **Installation.** Installation of the Equipment will be done by a contractor certified by PSE. Contractor will bill the cost to install the Equipment directly to PSE; provided, however, that for non-standard conditions ("Non-Standard Conditions") (as determined by PSE) the Customer will pay those costs either directly to the Contractor, or PSE will bill Customer for any excess installation charges. Non-standard conditions which may result in excess installation charges include, but are not limited to: installations which require code required equipment or modifications, additional man-power or special equipment, such as cranes or lifts, or installations which require structural changes or non-standard prep work, such as adding or removing walls or drywall, or adding, moving or extending electrical wiring, changing the electrical panel, venting, plumbing or Natural Gas lines. PSE shall not own any items added, installed, modified, changed, moved or extended to facilitate the connection of the Equipment.

7. **Maintenance and Repairs.**

(a) PSE will inspect, repair and perform any required maintenance on the Equipment to keep the Equipment in an efficient operating condition. Customer agrees to provide PSE with access to the Equipment in order to provide maintenance. PSE will perform maintenance on the Equipment in accordance with the manufacturer's specifications and operation instructions, a copy of which will be supplied to Customer at time of installation. The maintenance schedule for the Equipment will be set forth on the front

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of the Equipment Lease Agreement (the "Maintenance Schedule"). If not described on the Agreement, then the Maintenance Schedule will be as follows:

Installation Location	Equipment	Maintenance Schedule
Residential	Natural Gas Furnace	Every 2 years
	Electric Air-source Heat Pump	Every 2 years
	Natural Gas Tank-Style Water Heater	Years 6 and 15
	Electric Tank-Style Water Heater	Years 6 and 15
Commercial	Natural Gas Tank-Style Water Heater	Annual Maintenance
	Electric Tank-Style Water Heater	Annual Maintenance

This space intentionally left blank for future use.

(b) Customer acknowledges and agrees that it is Customer's responsibility to inspect the Equipment on a regular basis and if repairs are needed, to contact PSE immediately. During the Lease Term PSE will assume the costs of any repairs needed or as a result of findings from scheduled maintenance calls. PSE will not be responsible for repairs or maintenance necessitated by the Customer's breach of this Agreement, or as a result of causes or conditions that are external to the Equipment and not under PSE's control, including,

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without limitation, damage caused by fires, explosions, earthquakes, drought, tidal waves or floods, damage resulting from the operating environment or damage caused by Customer or third-parties. PSE is not responsible for maintaining Customer's fixtures or appurtenances, including, without limitation, those resulting from Non-Standard Conditions, piping to the Equipment, venting, valves, electrical wiring, earthquake strapping and similar items. Customer will pay those costs either directly to the Contractor, or PSE will bill Customer for any excess maintenance and repair charges. PSE shall not own any items added, installed, modified, changed, moved or extended to facilitate the installation, maintenance and repair of the Equipment. Customer will be responsible for any damage to the Equipment caused by maintenance or repairs conducted by Customer or a party other than PSE or a PSE authorized contractor. With respect to any replacement of the Equipment see section 8 below.

8. Equipment Replacement. Any replacement of Equipment shall be determined by PSE at its sole discretion, as provided for below.

(a) **Equipment failure during warranty period.** If the Equipment fails to operate in accordance with the manufacturer's specifications and operation instructions during the Warranty Period (listed below), and the failure is not due to Customer's misuse of the Equipment, then, subject to section 13, at Customer's request and option (i) PSE will replace the Equipment with identical or similar equipment or (ii) the Customer may terminate this Agreement by exercising the "Option to Purchase" function as detailed in Section 9 below. If the Customer chooses replacement Equipment, such replacement will be made as soon as is commercially reasonable after PSE is notified by Customer of the warranty issue. Upon installation of the new Equipment, this Agreement will continue without modification.

(b) The warranty period for the Equipment will be set forth on the front of the Equipment Lease Agreement (the "Lease Warranty"). If not described on the Agreement, the Lease Warranty will be as set forth below:

Installation Location	Equipment	Warranty Period
Residential	Natural Gas Furnace	10 years
	Electric Air-source Heat Pump	10 years
	Natural Gas Tank-Style Water Heater	6 years
	Electric Tank-Style Water Heater	6 years

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Electric Tariff G**

Commercial	Natural Gas Tank-Style Water Heater	3 years
	Electric Tank-Style Water Heater	3 years

This space intentionally left blank for future use.

(c) **Equipment failure outside of warranty period.** If the Equipment fails to operate in accordance with the manufacturer's specifications and operation instructions after the expiration of the Warranty Period, and the failure is not due to Customer's misuse of the Equipment or breach of this Agreement, then, at the Customer's request and option (i) PSE will replace the Equipment with identical or similar Equipment, and the Customer will enter into a new lease Agreement for the new Equipment at the then current, monthly lease payment and Lease Term, or (ii) the Customer may terminate this Agreement without further liability, other than for payment of any lease payments due and owing through the date of termination. If the Customer chooses replacement Equipment, such replacement shall be made as soon as is commercially reasonable after PSE is notified by Customer of the warranty issue. Prior to installation of the new Equipment, PSE and the Customer will execute a new Equipment Lease Agreement containing the new lease terms.

9. **Option to Purchase.** Provided this Agreement is in full force and effect and Customer is not in default hereunder, Customer shall have the option to purchase the Equipment at any time during the Lease Term in accordance with the following terms and conditions (the "Option"):

(a) Customer may exercise its Option by giving written notice (the "Option Notice") to PSE at any time during the Lease Term.

(b) The purchase price for the Equipment under the Option (the "Purchase Price") will equal the scheduled buy-out cost, which will be calculated based upon the number of months left in the original Lease Term and the depreciated value of the Equipment. PSE will provide the exact Purchase Price to Customer as soon as practicable after receipt of Customer's delivery of an Option Notice, and Customer will have the opportunity to either (i) accept the Purchase Price or (ii) withdraw its Option Notice and continue with the

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Agreement. Customer must provide notice of acceptance within 10 days of receipt of the Purchase Price from PSE or the Option Notice will be deemed withdrawn and the Agreement will continue in full force and effect.

(c) The sale of the Equipment under the Option will occur within thirty (30) calendar days after Customer's delivery of the Option Notice and acceptance of the Purchase Price, on a date set by PSE (the "Sale Date"). Customer shall be responsible for payment of all taxes associated with the transfer of the Equipment, including any Washington state sales tax due.

(d) On the Sale Date, (i) Customer will deliver to PSE the Purchase Price, plus Washington state sales tax, and (ii) PSE will deliver to Customer an executed bill of sale for the Equipment. Upon transfer of ownership of the Equipment on the Sale Date, this Agreement will terminate.

10. Transfer of Premises.

(a) If the Premises where the Equipment is located is sold or otherwise transferred, Customer must (a) notify PSE no later than thirty (30) days prior to such sale or transfer and (b) either (i) exercise the Option to purchase the Equipment by delivering to PSE an Option Notice or (ii) provide notice to the buyer or transferee (the "Buyer"), and such Buyer, PSE and Customer must enter into an assignment of this Agreement to the Buyer. PSE will be under no obligation to execute an assignment of this Agreement with the Buyer of the Premises if such Buyer does not qualify to participate in PSE's Equipment lease program. If the Buyer does not so qualify, the Customer must exercise its Option to purchase the Equipment prior to the transfer or sale of the Premises. For Commercial Leases only, if the Premises are being sold, Customer may assign its Option to Purchase to the Owner of the Premises, and the Owner may exercise the option to purchase the Equipment in connection with the sale or transfer of the Premises.

(b) Customer may not assign the Agreement or its interest in the Equipment without the prior written consent of PSE. In the event Customer fails to notify PSE of a sale or transfer of the Premises, PSE may, without Customer's prior written consent, (i) terminate this Agreement, (ii) declare all remaining obligations under this Agreement immediately due and payable, and (iii) enter the Premises and remove the Equipment. In addition, subject to all applicable laws and regulations, Customer shall be responsible for reimbursement to PSE for all removal costs and other expenses associated with the early termination of the Lease. Customer will further indemnify PSE from and against any and all losses, damages, injuries or liabilities arising from Customer's breach of this paragraph 10.

11. Default and Remedies.

(a) Customer will be in default under this Agreement, and PSE may terminate this lease at any time if: (1) Customer breaches or violates any of the terms of this Agreement; (2) Customer fails to pay the monthly lease payment for the Equipment within thirty (30) days after such charges become due and payable (3) Customer becomes insolvent or makes any assignment for the benefit of creditors; (4) the

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Premises is subject to foreclosure, condemnation or similar proceeding; (5) Customer is more than sixty (60) days late on any other payments due from Customer to PSE; or (6) PSE determines the Equipment is being used in violation of the requirements set forth in Section 4 or 5 above (each such event, a "Customer Default").

(b) Upon a Customer Default, PSE will be entitled, at its option, and in addition to and without prejudice to any other remedies:

(i) To terminate this Agreement;

(ii) To accelerate the lease payments due under this Lease through the end of the Lease

Term;

(iii) To demand reimbursement for any damages incurred by PSE that resulted from Customer's failure to fulfill all of the provisions of this Agreement, including without limitation collection costs (including reasonable attorney fees);

(iv) To demand Customer return the Equipment to PSE, and permit PSE or its agents to enter upon the Premises where the Equipment is located for the purpose of removing the same;

(v) To demand full compensation for replacement, removal and/or repair of any Equipment which is damaged and in need of repair, normal wear and tear excepted.

(c) All remedies of PSE hereunder are cumulative and may, to the extent permitted by law, be exercised concurrently or separately, and the exercise of any one remedy shall not preclude the exercise of any other remedy.

12. Termination.

(a) This Agreement will automatically terminate at the end of the Lease Term. Upon expiration of the Lease Term, PSE will transfer ownership of the Equipment to Customer by delivery of a bill of sale for the Equipment. Customer shall be responsible for payment of all taxes associated with the transfer of the Equipment, including Washington state sale tax. If Customer does not wish to take possession of the Equipment, Customer may contract with PSE or its contractors to remove the Equipment for a removal fee and disposal costs.

(b) PSE may terminate this Agreement at any time upon a Default by Customer, or pursuant to Section 11(b) above.

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(c) This Agreement will terminate upon the Sale Date (defined in Section 9 above).

13. Risk of Loss; Indemnification. Customer assumes all risk of loss, theft, damage or destruction of the Equipment while the Equipment is on the Premises. Customer hereby indemnifies and holds PSE harmless from and against any and all losses, damages, injuries or liabilities arising from the Customer's lease, use or operation of the Equipment.

14. DISCLAIMER OF WARRANTIES. PSE, BEING NEITHER THE MANUFACTURER, NOR A SUPPLIER, NOR A DEALER IN THE EQUIPMENT, MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, ITS DESIGN, ITS CAPACITY, ITS PERFORMANCE, ITS MATERIAL, ITS WORKMANSHIP, OR ITS FITNESS FOR ANY PARTICULAR PURPOSE. PSE FURTHER DISCLAIMS ANY LIABILITY WHATSOEVER FOR LOSS, DAMAGE, OR INJURY TO CUSTOMER, CUSTOMER'S PROPERTY, THE PREMISES OR ANY THIRD PARTIES AS A RESULT OF ANY DEFECTS, LATENT OR OTHERWISE, IN THE EQUIPMENT. CUSTOMER HEREBY ACCEPTS THE EQUIPMENT IN AN "AS IS" CONDITION AND AGREES THAT PSE SHALL NOT BE LIABLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGE TO PERSONS OR PROPERTY WHICH MAY ARISE IN CONNECTION WITH THE EQUIPMENT OR IN CONNECTION WITH ANY ACT, OMISSION OR DELAY BY PSE IN PERFORMING ITS DUTIES PURSUANT TO PARAGRAPH 6, 7 or 8 HEREOF.

15. Assignment; Relocation. This Agreement may not be assigned by Customer without the prior written consent of PSE. If Customer wishes to relocate the Equipment, it may do so upon PSE's written approval and such relocation must be done only by a contractor certified by PSE. Any such relocation will be solely at Customer's expense.

16. Consent for Use of Personal Information. Customer hereby consents to the disclosure to third parties of customer specific information in connection with this Agreement, including but not limited to the installation, maintenance and usage of Equipment.

17. Non-Waiver. PSE's failure to terminate this Lease by reason of any default by Customer shall not constitute a waiver of any other right PSE may have against Customer because of such default, nor a waiver of any subsequent default.

18. Entire Agreement. This Agreement contains the entire Agreement between Customer and PSE and supersedes all prior agreements, whether written or oral, and may be amended only by written document signed by both parties.

19. Governing Law. This Agreement shall be interpreted, construed and enforced in all respects in accordance with the laws of the State of Washington without reference to any choice of law principles to the contrary. Customer hereby irrevocably consents to the exclusive jurisdiction and venue of the federal, state and local courts located in King County, Washington, in connection with any action arising out of or in connection with this Agreement.

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20. **Headings.** Paragraph headings are for the convenience of the parties only and are not to be construed as part of this Agreement.

21. **Severability.** If any provision of this Agreement is deemed invalid by any court or administrative body having jurisdiction, such ruling shall not invalidate any other provision, and the remaining terms in this Agreement shall remain in full force and effect.

22. **Effective Date.** This Agreement shall become effective upon the delivery/installation of the Equipment at the Premises.

Section 7. General Rules and Provisions:

Service under this schedule is subject to the General Rules and Provisions contained in Company's tariff.

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**PUGET SOUND ENERGY, INC.
Natural Gas Tariff**

**SCHEDULE NO. 75
Equipment Lease Service**

Section 1. Availability:

1. Service under this Schedule is not available until the Washington Utilities and Transportation Commission ("UTC") has approved rates that will be listed in Section 2 below.
2. Generally available throughout any territory served by the Company, however, at the option of the Company lease services may not be available in certain areas, for residential use in single- or multiple- dwelling units or for commercial or industrial use where the Customer qualifies for and has entered into an Equipment Lease Agreement with the Company in the form of Attachment A to this Schedule for each piece of Equipment that is initially owned and maintained by the Company; and
3. Lease services will be available where the Company believes that equipment can be delivered safely, is technically feasible, where the Company has a service provider capable of installing the equipment, the Customer has provided a safe, suitable and accessible location for installation, the requested equipment is available and is subject to the Company being able to obtain acceptable commercial terms, including price and warranty, for the equipment.
4. Lease services will only be available to Customers with a credit rating acceptable to the Company prior to the Company providing service, which may include review of the Company's internal credit worthiness criteria, a third party credit report, or a combination of both.
5. Leases are in addition to the charges for electric and/or natural gas service and are restricted to equipment listed below.

Section 2. Monthly Rates:

The Monthly Lease Charge rates below apply to Equipment Lease Agreements executed by the Company following the effective date of the rates. The rates below will be updated periodically based on the Model and equipment availability. The applicable Monthly Lease Charge rate will be based on the date the Equipment Lease Agreement is executed by the Company, provided that the equipment to be leased is installed within 30 days. The monthly rates will remain the same for the Lease Term of the lease.

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1. Water Heaters:

a. Residential Size/type		Monthly Lease Charge
Natural Gas Tank-Style		
Xxx Gallon		\$xx.xx
Xxx Gallon		\$xx.xx
Electric Tank-Style		
Xxx Gallon		\$xx.xx
Xxx Gallon		\$xx.xx
b. Commercial Size/type		Monthly Lease Charge
Natural Gas Tank-Style		
Xxx Gallon		\$xx.xx
Xxx Gallon		\$xx.xx
Electric Tank-Style		
Xxx Gallon		\$xx.xx
Xxx Gallon		\$xx.xx

2. Heating and Air Conditioning Systems:

a. Residential Size/type		Monthly Lease Charge
Natural Gas Furnace		
Xxxxx BTu		\$xx.xx
Xxxxx BTu		\$xx.xx
Electric Air-source Heat Pump		
Xx Ton		\$xx.xx
XX Ton		\$xx.xx

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Other Charges, Taxes: Rates in this Schedule are subject to adjustment by such other schedules of the Company's Natural Gas Tariff as may apply and by applicable taxes. On the effective date of this Schedule adjustments under Schedule 1 and Schedule 140 are applicable and State Sales Tax is applicable. The Customer shall be responsible for any taxes applicable to the service or charges under this Schedule.

Section 3. Company Obligations to and Obligations of Customers who Lease Facilities:

1. Company Obligations: Our obligation to you as a leasing Customer is fully described in Section 5, Lease Terms and Conditions, and include the obligations to provide, install (Section 6 of the Lease Terms and

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Conditions), service and repair (Section 7 of the Lease Terms and Conditions), replace (Section 8 of the Lease Terms and Conditions) and to provide an option to purchase or transfer Equipment (Sections 9 and 10 of the Lease Terms and Conditions).

2. Customer Obligations: Your obligations as a leasing Customer is fully described in Section 5, Lease Terms and Conditions, which includes to pay lease charges when due (Section 3 of the Lease Terms and Conditions), use and maintain (Sections 4 and 5 of the Lease Terms and Conditions), abide by the transfer conditions (Section 10 of the Lease Terms and Conditions) and to abide by the default and remedies conditions (Section 11 of the Lease Terms and Conditions).

Section 4. Definitions:

1. Company – has the meaning set forth in Rule 2. Under this Schedule the Company may act through its service provider to provide services under this Schedule.
2. Equipment – means the water heater, HVAC equipment or other equipment identified in the Equipment Lease Agreement, which is installed by and initially owned by the Company and shall at all times during the Lease Term be the property of the Company.
3. Equipment Lease Agreement – means the agreement attached as Attachment A to this Schedule together with the Lease Terms and Conditions.
4. Lease Term – means the term of the lease under each Equipment Lease Agreement. The Lease Term is specified in the Lease Terms and Conditions.
5. Lease Terms and Conditions – means the provisions in Section 5 of this Schedule that apply to all leases and are attached to each Equipment Lease Agreement.
6. Model – means the Leasing Monthly Price Model described in Attachment B to this Schedule.

Section 5. Lease Terms and Conditions:

The following terms and conditions apply to and are attached to each Equipment Lease Agreement. In case of any conflict between the provisions of other Sections of this Schedule, the provisions of this Section 5 shall control. These Lease Terms and Conditions are intended as a separate document that is part of each Equipment Lease Agreement, as such; the references to section numbers are to sections within these Lease Terms and Conditions, not sections within this Schedule, and words such as, but not limited to, "herein", "this Lease" and "this Agreement" should be interpreted as referring to the Equipment Lease Agreement rather than this Schedule. These Lease Terms and Conditions apply to Leases of both electric and natural gas equipment but do not change the Availability of Equipment under this Schedule.

Lease Terms and Conditions

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Natural Gas Tariff**

- 1. General Agreement.** These Lease Terms and Conditions (“Terms & Conditions”) apply to and are incorporated by reference into the Equipment Lease Agreement to which these Terms and Conditions are attached, and constitute a lease agreement (the “Agreement”) between the customer identified on the front of the Equipment Lease Agreement (the “Customer”) and Puget Sound Energy, Inc. (“PSE”). Pursuant to the Agreement, Customer hereby leases from PSE, and PSE hereby leases to Customer, the equipment identified on the front of the Equipment Lease Agreement (the “Equipment”).
- 2. Lease Term.** The lease term for the Equipment will be set forth on the front of the Equipment Lease Agreement (the “Lease Term”). If not described on the Agreement, then the Lease Term will be as follows:

Installation Location	Equipment	Lease Term
Residential	Natural Gas Furnace	17 years
	Electric Air-source Heat Pump	18 years
	Natural Gas Tank-Style Water Heater	15 years
	Electric Tank-Style Water Heater	15 years
Commercial	Natural Gas Tank-Style Water Heater	10 years
	Electric Tank-Style Water Heater	10 years

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3. **Monthly Lease Payment.** Customer agrees to pay to PSE the monthly lease rate for the Equipment as provided for in the PSE tariffs filed with the Washington Utilities and Transportation Commission ("WUTC"), as may be amended from time to time, plus taxes and any other charges approved by the WUTC, as applicable. At PSE's option, such lease charge may be included on Customer's utility bill. If the monthly lease payment is not received when due, PSE reserves the right to assess Customer a late fee as approved by the WUTC.

4. **Customer's Representations and Warranties (RESIDENTIAL ONLY).** Customer represents and warrants to PSE as follows:

(a) Customer represents that he/she/it is the owner of the premises where the Equipment will be installed (the "Premises"). Customer hereby acknowledges and agrees that during the term of this Agreement PSE is and will remain the owner of, and holds legal title to, the Equipment. The Customer will not acquire by virtue of this Agreement any right, equity, title or interest in or to the Equipment, except the right to use the same under the terms hereof. Customer will not pledge or encumber the Equipment in any way, and will keep the Equipment free and clear of all liens, attachments, charges or encumbrances

(b) Customer acknowledges that PSE is legally permitted to, and at its sole discretion may, file a fixture filing in the real estate records of the county where the Equipment is installed to protect its ownership interest in the Equipment, and Customer agrees to promptly provide PSE upon request any information required in order for PSE to make such filing, including, without limitation, a legal description for the Premises. In addition, in the event this Agreement is determined to be a security agreement, to protect PSE's rights in the Equipment Customer hereby grants to PSE a security interest in the Equipment and all proceeds and products thereof, and authorizes PSE to cause this Agreement, or any statement or other instrument in respect of this Agreement showing the interest of PSE in the Equipment (including a Uniform Commercial Code financing statement) to be filed or recorded to protect PSE's interest therein.

(c) Customer agrees it will use the Equipment only for its ordinary intended purposes, in accordance with all applicable laws and regulations. Customer agrees not to, or authorize anyone else to, tamper with, adjust, repair or move or relocate the Equipment without prior written permission from PSE. Customer will comply with the maintenance schedule, as detailed in sub-sections (d)-(f) below, and/or attached hereto for the Equipment. Customer will maintain and provide access to the area around the Equipment at all times so that the Equipment is accessible to PSE and its contractors for maintenance, repair, replacement or removal.

(d) FOR HOT WATER HEATERS: Customer will use ordinary tap water and a non-corrosive air supply under standard atmospheric conditions. Customer will maintain effective operation of any plumbing and systems supplying water, fuel and/or electricity to the Equipment. Customer will ensure that the Equipment is located in an area with sufficient drainage in the vicinity, and that the drainage is open and unrestricted. Customers with Natural Gas hot water heaters will maintain adequate ventilation, keep the area around the water heater clear and unobstructed and must not store any combustible materials near the water heater.

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Customers with Natural Gas hot water heaters will maintain an operable Carbon Monoxide detector as required by law, presently RCW 19.27.530. Customer may readjust the temperature setting of the Equipment to the extent permitted by law, presently RCW 19.27A.060.

(e) FOR NATURAL GAS FURNACES: Customer will maintain effective operation of any plumbing and systems supplying fuel and/or electricity to the Equipment and ducts supplying heat within the structure. Customer will, at their own cost, clean or replace the air filter, in accordance with the manufacturer's specifications and operation instructions, no less than four (4) times each calendar year. Customer will maintain adequate ventilation, keep the area around the furnace clear and unobstructed and must not store any combustible materials near the furnace. Customer must maintain an operable Carbon Monoxide detector as required by law, presently RCW 19.27.530.

(f) FOR AIR-SOURCE HEAT PUMPS: Customer will maintain effective operation of any plumbing and systems supplying fuel and/or electricity to the Equipment. Customer will clean or replace the air filter, at their own cost, in accordance with the manufacturer's specification and operation instructions, no less than four (4) times each calendar year. Customer will keep the outdoor unit clear of debris, in accordance with the manufacturer's specification and operation instructions, which may include clearing away leaves, grass, weeds, plants, and other debris that can block airflow. Customer will not enclose or otherwise restrict the supply of outdoor air to the outdoor unit.

5. Customer's Representations and Warranties (COMMERCIAL ONLY). Customer represents and warrants to PSE as follows:

(a) Customer represents that he/she/it is the owner of the premises where the Equipment will be installed (the "Premises") or holds a valid leasehold interest in such Premises and has the authority to enter into this Agreement and allow for the installation of the Equipment on the Premises. If Customer holds a valid leasehold interest, Customer agrees to obtain the consent of the owner of the Premises prior to executing the Agreement and will provide PSE evidence of the same. Customer hereby acknowledges and agrees that during the term of this Agreement PSE is and will remain the owner of, and holds legal title to, the Equipment. The Customer will not acquire by virtue of this Agreement any right, equity, title or interest in or to the Equipment, except the right to use the same under the terms hereof. Customer will not pledge or encumber the Equipment in any way, and will keep the Equipment free and clear of all liens, attachments, charges or encumbrances.

(b) Customer acknowledges that PSE is legally permitted to, and at its sole discretion may, file a fixture filing in the real estate records of the county where the Equipment is installed to protect its ownership interest in the Equipment, and Customer agrees to promptly provide PSE upon request any information required in order for PSE to make such filing, including, without limitation, a legal description for the Premises. In addition, in the event this Agreement is determined to be a security agreement, to protect PSE's rights in the Equipment Customer hereby grants to PSE a security interest in the Equipment and all proceeds and products thereof, and authorizes PSE to cause this Agreement, or any statement or

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other instrument in respect of this Agreement showing the interest of PSE in the Equipment (including a Uniform Commercial Code financing statement) to be filed or recorded to protect PSE's interest therein.

(c) Customer agrees it will use the Equipment only for its ordinary intended purposes, in accordance with all applicable laws and regulations. Customer agrees not to, or authorize anyone else to, tamper with, adjust, repair or move or relocate the Equipment without prior written permission from PSE. Customer will comply with the maintenance schedule, as detailed in sub-sections (d)-(f) below, and/or attached hereto for the Equipment. Customer will maintain and provide access to the area around the Equipment at all times so that the Equipment is accessible to PSE and its subcontractors for maintenance, repair, replacement or removal.

(d) Customer shall keep the Equipment insured against all risks of loss or damage from every cause whatsoever for not less than the full replacement value thereof, and shall carry general liability and property damage insurance covering the Equipment and its use in amounts customary for such Equipment, and name PSE as an additional insured under Customer's general liability insurance policy.

(e) FOR HOT WATER HEATERS: Customer will use ordinary tap water and a non-corrosive air supply under standard atmospheric conditions. Customer will maintain effective operation of any plumbing and systems supplying water, fuel and/or electricity to the Equipment. Customer will ensure that the Equipment is located in an area with sufficient drainage in the vicinity, and that the drainage is open and unrestricted. Customers with Natural Gas hot water heaters will maintain adequate ventilation, keep the area around the water heater clear and unobstructed and must not store any combustible materials near the water heater. Customers with Natural Gas hot water heaters will maintain an operable Carbon Monoxide detector as required by law, presently RCW 19.27.530. Customer may readjust the temperature setting of the Equipment to the extent permitted by law, presently RCW 19.27A.060.

6. **Installation.** Installation of the Equipment will be done by a contractor certified by PSE. Contractor will bill the cost to install the Equipment directly to PSE; provided, however, that for non-standard conditions ("Non-Standard Conditions") (as determined by PSE) the Customer will pay those costs either directly to the Contractor, or PSE will bill Customer for any excess installation charges. Non-standard conditions which may result in excess installation charges include, but are not limited to: installations which require code required equipment or modifications, additional man-power or special equipment, such as cranes or lifts, or installations which require structural changes or non-standard prep work, such as adding or removing walls or drywall, or adding, moving or extending electrical wiring, changing the electrical panel, venting, plumbing or Natural Gas lines. PSE shall not own any items added, installed, modified, changed, moved or extended to facilitate the connection of the Equipment.

7. **Maintenance and Repairs.**

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(a) PSE will inspect, repair and perform any required maintenance on the Equipment to keep the Equipment in an efficient operating condition. Customer agrees to provide PSE with access to the Equipment in order to provide maintenance. PSE will perform maintenance on the Equipment in accordance with the manufacturer's specifications and operation instructions, a copy of which will be supplied to Customer at time of installation. The maintenance schedule for the Equipment will be set forth on the front of the Equipment Lease Agreement (the "Maintenance Schedule"). If not described on the Agreement, then the Maintenance Schedule will be as follows:

Installation Location	Equipment	Maintenance Schedule
Residential	Natural Gas Furnace	Every 2 years
	Electric Air-source Heat Pump	Every 2 years
	Natural Gas Tank-Style Water Heater	Years 6 and 15
	Electric Tank-Style Water Heater	Years 6 and 15
Commercial	Natural Gas Tank-Style Water Heater	Annual Maintenance
	Electric Tank-Style Water Heater	Annual Maintenance

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(b) Customer acknowledges and agrees that it is Customer's responsibility to inspect the Equipment on a regular basis and if repairs are needed, to contact PSE immediately. During the Lease Term PSE will assume the costs of any repairs needed or as a result of findings from scheduled maintenance calls. PSE will not be responsible for repairs or maintenance necessitated by the Customer's breach of this Agreement, or as a result of causes or conditions that are external to the Equipment and not under PSE's control, including, without limitation, damage caused by fires, explosions, earthquakes, drought, tidal waves or floods, damage resulting from the operating environment or damage caused by Customer or third-parties. PSE is not responsible for maintaining Customer's fixtures or appurtenances, including, without limitation, those resulting from Non-Standard Conditions, piping to the Equipment, venting, valves, electrical wiring, earthquake strapping and similar items. Customer will pay those costs either directly to the Contractor, or PSE will bill Customer for any excess maintenance and repair charges. PSE shall not own any items added, installed, modified, changed, moved or extended to facilitate the installation, maintenance and repair of the Equipment. Customer will be responsible for any damage to the Equipment caused by maintenance or repairs conducted by Customer or a party other than PSE or a PSE authorized contractor. With respect to any replacement of the Equipment see section 8 below.

8. Equipment Replacement. Any replacement of Equipment shall be determined by PSE at its sole discretion, as provided for below.

(a) **Equipment failure during warranty period.** If the Equipment fails to operate in accordance with the manufacturer's specifications and operation instructions during the Warranty Period (listed below), and the failure is not due to Customer's misuse of the Equipment, then, subject to section 13, at Customer's request and option (i) PSE will replace the Equipment with identical or similar equipment or (ii) the Customer may terminate this Agreement by exercising the "Option to Purchase" function as detailed in Section 9 below. If the Customer chooses replacement Equipment, such replacement will be made as soon as is commercially reasonable after PSE is notified by Customer of the warranty issue. Upon installation of the new Equipment, this Agreement will continue without modification.

(b) The warranty period for the Equipment will be set forth on the front of the Equipment Lease Agreement (the "Lease Warranty"). If not described on the Agreement, the Lease Warranty will be as set forth below:

Installation Location	Equipment	Warranty Period
P S E	Natural Gas Furnace	10 years

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	Electric Air-source Heat Pump	10 years
	Natural Gas Tank-Style Water Heater	6 years
	Electric Tank-Style Water Heater	6 years
Commercial	Natural Gas Tank-Style Water Heater	3 years
	Electric Tank-Style Water Heater	3 years

This space intentionally left blank for future use.

(c) **Equipment failure outside of warranty period.** If the Equipment fails to operate in accordance with the manufacturer's specifications and operation instructions after the expiration of the Warranty Period, and the failure is not due to Customer's misuse of the Equipment or breach of this Agreement, then, at the Customer's request and option (i) PSE will replace the Equipment with identical or similar Equipment, and the Customer will enter into a new lease Agreement for the new Equipment at the then current monthly lease payment and Lease Term, or (ii) the Customer may terminate this Agreement without further liability, other than for payment of any lease payments due and owing through the date of termination. If the Customer chooses replacement Equipment, such replacement shall be made as soon as is commercially reasonable after PSE is notified by Customer of the warranty issue. Prior to installation of the new Equipment, PSE and the Customer will execute a new Equipment Lease Agreement containing the new lease terms.

9. **Option to Purchase.** Provided this Agreement is in full force and effect and Customer is not in default hereunder, Customer shall have the option to purchase the Equipment at any time during the Lease Term in accordance with the following terms and conditions (the "Option"):

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(a) Customer may exercise its Option by giving written notice (the "Option Notice") to PSE at any time during the Lease Term.

(b) The purchase price for the Equipment under the Option (the "Purchase Price") will equal the scheduled buy-out cost, which will be calculated based upon the number of months left in the original Lease Term and the depreciated value of the Equipment. PSE will provide the exact Purchase Price to Customer as soon as practicable after receipt of Customer's delivery of an Option Notice, and Customer will have the opportunity to either (i) accept the Purchase Price or (ii) withdraw its Option Notice and continue with the Agreement. Customer must provide notice of acceptance within 10 days of receipt of the Purchase Price from PSE or the Option Notice will be deemed withdrawn and the Agreement will continue in full force and effect.

(c) The sale of the Equipment under the Option will occur within thirty (30) calendar days after Customer's delivery of the Option Notice and acceptance of the Purchase Price, on a date set by PSE (the "Sale Date"). Customer shall be responsible for payment of all taxes associated with the transfer of the Equipment, including any Washington state sales tax due.

(d) On the Sale Date, (i) Customer will deliver to PSE the Purchase Price, plus Washington state sales tax, and (ii) PSE will deliver to Customer an executed bill of sale for the Equipment. Upon transfer of ownership of the Equipment on the Sale Date, this Agreement will terminate.

10. Transfer of Premises.

(a) If the Premises where the Equipment is located is sold or otherwise transferred, Customer must (a) notify PSE no later than thirty (30) days prior to such sale or transfer and (b) either (i) exercise the Option to purchase the Equipment by delivering to PSE an Option Notice or (ii) provide notice to the buyer or transferee (the "Buyer"), and such Buyer, PSE and Customer must enter into an assignment of this Agreement to the Buyer. PSE will be under no obligation to execute an assignment of this Agreement with the Buyer of the Premises if such Buyer does not qualify to participate in PSE's Equipment lease program. If the Buyer does not so qualify, the Customer must exercise its Option to purchase the Equipment prior to the transfer or sale of the Premises. For Commercial Leases only, if the Premises are being sold, Customer may assign its Option to Purchase to the Owner of the Premises, and the Owner may exercise the option to purchase the Equipment in connection with the sale or transfer of the Premises.

(b) Customer may not assign the Agreement or its interest in the Equipment without the prior written consent of PSE. In the event Customer fails to notify PSE of a sale or transfer of the Premises, PSE may, without Customer's prior written consent, (i) terminate this Agreement, (ii) declare all remaining obligations under this Agreement immediately due and payable, and (iii) enter the Premises and remove the Equipment. In addition, subject to all applicable laws and regulations, Customer shall be responsible for reimbursement to PSE for all removal costs and other expenses associated with the early termination of the

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Lease. Customer will further indemnify PSE from and against any and all losses, damages, injuries or liabilities arising from Customer's breach of this paragraph 10.

11. Default and Remedies.

(a) Customer will be in default under this Agreement, and PSE may terminate this lease at any time if: (1) Customer breaches or violates any of the terms of this Agreement; (2) Customer fails to pay the monthly lease payment for the Equipment within thirty (30) days after such charges become due and payable (3) Customer becomes insolvent or makes any assignment for the benefit of creditors; (4) the Premises is subject to foreclosure, condemnation or similar proceeding; (5) Customer is more than sixty (60) days late on any other payments due from Customer to PSE; or (6) PSE determines the Equipment is being used in violation of the requirements set forth in Section 4 or 5 above (each such event, a "Customer Default").

(b) Upon a Customer Default, PSE will be entitled, at its option, and in addition to and without prejudice to any other remedies:

(i) To terminate this Agreement;

(ii) To accelerate the lease payments due under this Lease through the end of the Lease Term;

(iii) To demand reimbursement for any damages incurred by PSE that resulted from Customer's failure to fulfill all of the provisions of this Agreement, including without limitation collection costs (including reasonable attorney fees);

(iv) To demand Customer return the Equipment to PSE, and permit PSE or its agents to enter upon the Premises where the Equipment is located for the purpose of removing the same;

(v) To demand full compensation for replacement, removal and/or repair of any Equipment which is damaged and in need of repair, normal wear and tear excepted.

(c) All remedies of PSE hereunder are cumulative and may, to the extent permitted by law, be exercised concurrently or separately, and the exercise of any one remedy shall not preclude the exercise of any other remedy.

12. Termination.

(a) This Agreement will automatically terminate at the end of the Lease Term. Upon expiration of the Lease Term, PSE will transfer ownership of the Equipment to Customer by delivery of a bill of sale for the Equipment. Customer shall be responsible for payment of all taxes associated with the transfer of the Equipment, including Washington state sale tax. If Customer does not wish to take possession of the

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Equipment, Customer may contract with PSE or its contractors to remove the Equipment for a removal fee and disposal costs.

(b) PSE may terminate this Agreement at any time upon a Default by Customer, or pursuant to Section 11(b) above.

(c) This Agreement will terminate upon the Sale Date (defined in Section 9 above).

13. Risk of Loss; Indemnification. Customer assumes all risk of loss, theft, damage or destruction of the Equipment while the Equipment is on the Premises. Customer hereby indemnifies and holds PSE harmless from and against any and all losses, damages, injuries or liabilities arising from the Customer's lease, use or operation of the Equipment.

14. DISCLAIMER OF WARRANTIES. PSE, BEING NEITHER THE MANUFACTURER, NOR A SUPPLIER, NOR A DEALER IN THE EQUIPMENT, MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, ITS DESIGN, ITS CAPACITY, ITS PERFORMANCE, ITS MATERIAL, ITS WORKMANSHIP, OR ITS FITNESS FOR ANY PARTICULAR PURPOSE. PSE FURTHER DISCLAIMS ANY LIABILITY WHATSOEVER FOR LOSS, DAMAGE, OR INJURY TO CUSTOMER, CUSTOMER'S PROPERTY, THE PREMISES OR ANY THIRD PARTIES AS A RESULT OF ANY DEFECTS, LATENT OR OTHERWISE, IN THE EQUIPMENT. CUSTOMER HEREBY ACCEPTS THE EQUIPMENT IN AN "AS IS" CONDITION AND AGREES THAT PSE SHALL NOT BE LIABLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGE TO PERSONS OR PROPERTY WHICH MAY ARISE IN CONNECTION WITH THE EQUIPMENT OR IN CONNECTION WITH ANY ACT, OMISSION OR DELAY BY PSE IN PERFORMING ITS DUTIES PURSUANT TO PARAGRAPH 6, 7 or 8 HEREOF.

15. Assignment; Relocation. This Agreement may not be assigned by Customer without the prior written consent of PSE. If Customer wishes to relocate the Equipment, it may do so upon PSE's written approval and such relocation must be done only by a contractor certified by PSE. Any such relocation will be solely at Customer's expense.

16. Consent for Use of Personal Information. Customer hereby consents to the disclosure to third parties of customer specific information in connection with this Agreement, including but not limited to the installation, maintenance and usage of Equipment.

17. Non-Waiver. PSE's failure to terminate this Lease by reason of any default by Customer shall not constitute a waiver of any other right PSE may have against Customer because of such default, nor a waiver of any subsequent default.

18. Entire Agreement. This Agreement contains the entire Agreement between Customer and PSE and supersedes all prior agreements, whether written or oral, and may be amended only by written document signed by both parties.

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19. **Governing Law.** This Agreement shall be interpreted, construed and enforced in all respects in accordance with the laws of the State of Washington without reference to any choice of law principles to the contrary. Customer hereby irrevocably consents to the exclusive jurisdiction and venue of the federal, state and local courts located in King County, Washington, in connection with any action arising out of or in connection with this Agreement.

20. **Headings.** Paragraph headings are for the convenience of the parties only and are not to be construed as part of this Agreement.

21. **Severability.** If any provision of this Agreement is deemed invalid by any court or administrative body having jurisdiction, such ruling shall not invalidate any other provision, and the remaining terms in this Agreement shall remain in full force and effect.

22. **Effective Date.** This Agreement shall become effective upon the delivery/installation of the Equipment at the Premises.

Section 7. General Rules and Regulations:

Service under this schedule is subject to the rules and regulations contained in Company's tariff.

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