

APPENDIX A
SETTLEMENT STIPULATION

RECEIVED
02 MAR 20 11:10:56
PUBLIC COUNSEL SECTION

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NOS. UE-011570 and
UG-011571 (Consolidated)

SETTLEMENT STIPULATION AND
APPLICATION FOR COMMISSION
APPROVAL OF SETTLEMENT

PUBLIC COUNSEL SECTION OF THE
OFFICE OF THE WASHINGTON
ATTORNEY GENERAL,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NO. UE-011411

1. This Settlement Stipulation is entered into this 20th day of March, 2002, by
and between the following parties to the above referenced dockets: Puget Sound Energy, Inc.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

1 ("PSE" or the "Company"), the Staff of the Washington Utilities and Transportation
2 Commission ("WUTC Staff"), the Public Counsel Section of the Attorney General's Office
3 ("Public Counsel"), Intervenor Industrial Customers of Northwest Utilities ("ICNU"),
4 Intervenor the Kroger Co. ("Kroger"), Intervenor Northwest Industrial Gas Users
5 ("NWIGU"), Intervenor AT&T Wireless Services, Inc. ("AWS"), Intervenor Seattle Steam
6 Company, and Joint Intervenor NW Energy Coalition and Natural Resources Defense Council
7 ("NWECC/NRDC"), as represented by the undersigned (referred to hereinafter jointly as the
8 "Participating Parties" and individually as a "Participating Party").

9
10
11 2. The Participating Parties hereby voluntarily agree to this Settlement Stipulation
12 to resolve matters in dispute among them and to expedite the orderly disposition of this
13 proceeding. The Participating Parties understand that this Settlement Stipulation is subject to
14 Commission approval, and hereby respectfully request that the Commission issue an order
15 approving this Settlement Stipulation by March 29, 2002. The Participating Parties agree that
16 this Settlement Stipulation is in the public interest and will result in interim rates that are just,
17 fair, reasonable and sufficient.

18 19 20 21 22 23 24 25 26 27 28 29 30 31 I. INTRODUCTION

32
33 3. On November 26, 2001, PSE filed tariff revisions designed to effectuate a
34 general rate increase for electric and gas services. On December 3, 2001, PSE filed a request
35 for an interim electric rate increase of \$170.7 million. These proceedings have been
36 consolidated under Docket Nos. UE-011570 and UG-011571.

37
38
39 4. On October 8, 2001, the Public Counsel Section of the Attorney General's
40 Office filed with the Commission a complaint against PSE in Docket No. UE-011411. The
41 complaint alleges that PSE violated the Commission's Fourteenth Supplemental Order in the
42 Puget/WNG Merger proceeding (Docket No. UE-960195) and the Rate Plan in the underlying
43
44
45
46
47

1 merger settlement by failing to transfer the prior residential exchange credit to general rates on
2 July 1, 2001. The complaint is pending before the Commission.

3
4 5. Following settlement discussions among the Participating Parties in these
5
6 dockets, the Participating Parties have entered into the following agreement ("Settlement
7
8 Stipulation") regarding the resolution of the request for interim rate relief, the Public Counsel
9
10 complaint against PSE, and certain issues related to the General Rate Case. Accordingly, this
11
12 Settlement Stipulation is presented to the Commission. If this Settlement Stipulation is
13
14 approved, it would constitute a full settlement of all issues raised in the Interim Rate Case and
15
16 certain issues related to the pending General Rate Case in Docket Nos. UE-011570 and UG-
17
18 011571. It would also constitute a full and final settlement of the complaint filed by Public
19
20 Counsel in Docket No. UE-011411 regarding PSE's compliance with the Merger Order in
21
22 Docket Nos. UE-951270 and UE-960195 with respect thereto.

23
24 6. This Settlement Stipulation is presented under WAC 480-09-465 (Alternative
25
26 Dispute Resolution) for the Commission's approval of the issues specified below. The
27
28 Participating Parties agree that comments of the public, including those that were filed in
29
30 connection with the Interim Rate Case and that may be filed or made at any public hearing on
31
32 this Settlement Stipulation, may be admitted to the record without objection.

33 34 35 **II. RESOLUTION OF ISSUES**

36 37 **A. Resolution of Interim Rate Case**

38
39 7. No later than March 29, 2002, the Company will file tariff schedules to effect
40
41 collection by PSE of \$25 million in interim electric rate relief. Such relief will not be subject
42
43 to refund. Interim rates will go into effect on April 1, 2002 and will terminate on June 30,
44
45 2002. The interim increase will be allocated to rate schedules (except Schedules 448 and 449
46
47 and PSE's special contract customers) in proportion to the total annual kWh sales to each rate

1 schedule during 2001 to total retail sales (except Schedules 448 and 449 and PSE's special
2 contract customers). The dollars allocated to the non-residential rate schedules will be
3 collected by increasing each component of the bill by an equal percent. The dollars allocated
4 to the residential rate schedules will be collected by increasing each component of the bill
5 (except the customer charge) by an equal percent. Implementation of the interim increase will
6 not change the current peak/off peak differential in the current TOU pilot. Any 2001 loads of
7 former Schedule 48 customers that have returned to core tariffs will be added to the loads of
8 their current schedules for purposes of allocating the interim increase.
9

10
11 8. Approval of this Settlement Stipulation and the interim relief described in the
12 foregoing paragraph resolves all issues concerning or related to the Company's Accounting
13 Petition in Docket No.UE-011600. PSE's power cost deferrals will terminate effective upon
14 approval of the Settlement Stipulation. PSE will not seek recovery of any power costs
15 deferred since January 1, 2002.
16

17
18
19
20
21
22
23
24
25
26
27 **B. Resolution of Certain Issues in General Rate Case**

28
29 **1. Stipulated Reduction in Filed Revenue Requirement**

30
31 9. The Company will remove the electric real-time pricing mechanism and
32 associated electric hedge option from its proposed rate filing, thus decreasing PSE's proposed
33 revenue requirement by (1) the costs associated with the real-time pricing mechanism, (2) the
34 costs associated with the electric hedge option, and (3) the \$5 million common costs related
35 to implementation of the real-time pricing mechanism and proposed natural gas hedging and
36 monthly purchased gas adjustments. The Participating Parties have not agreed that gas hedge
37 options should be included or excluded from PSE's final rates; this issue will be addressed in
38 the negotiation and collaborative process described below. With these adjustments and the
39
40
41
42
43
44
45
46
47

1 Return on Equity and Equity Capital Ratio reflected in paragraph 13 of this Settlement
2
3 Stipulation, PSE's proposed revenue requirement increase is the following:
4

5 Electric Rate Increase: \$89,725,197
6 6.49 %
7

8 Gas Rate Increase: \$56,246,305
9 9.14%
10

11 10. The foregoing electric and gas rate increases are the maximum amounts that
12 PSE will seek in the event of litigation, i.e. PSE will not unilaterally propose additional
13 increases to its revenue requirement. However, this provision does not preclude an increase in
14 PSE's revenue requirement beyond the foregoing increases in the event that issues raised by
15 other parties in the General Rate Case increase PSE's costs and related revenue requirement.
16 The foregoing increases may be lower based upon the results of the review of revenue
17 requirement in the collaborative or litigation processes described below.
18
19
20
21
22
23
24

25 **2. Implementation of Expanded Time of Use Program**
26

27 11. PSE agrees that further implementation of its optional Time of Use program to
28 new and additional customers, including customers relocating to premises previously served
29 under the TOU program, shall operate as an opt-in program for customers rather than an opt-
30 out program. The rate design and customer notification for the TOU rates will be determined
31 pursuant to the rate design collaborative and litigation options contained in Section II.C of
32 this Settlement Stipulation.
33
34
35
36
37
38

39 12. The Participating Parties agree to use good faith to address the issues relating
40 to the participation of current TOU pilot customers in the further implementation of the TOU
41 program, including but not limited to notice content and procedures, through negotiation or
42 other structured collaborative process by the conclusion of the existing TOU pilot. In the
43
44
45
46
47

1 event these issues are not resolved, the Participating Parties will resort to the expedited
2 procedural schedule for litigation adopted pursuant to Section II.C.
3

4
5 **3. Equity Capital and Return on Equity**
6

7 13. The issue of a fair rate of return on equity (i.e., cost of common equity and
8 equity capital structure) for purposes of the pending General Rate Case will be resolved as
9 follows: pro forma Equity Capital Ratio shall be set at 40%, and Return on Equity (ROE)
10 shall be set at 11%. The 11% ROE takes into account the development and implementation
11 of a Power Cost Adjustment (PCA) consistent with the principles stated herein for a PCA, as
12 described in Section II.C.1, below.
13
14
15
16
17

18
19 14. The cost of equity capital determined pursuant to this Section II.B.3. shall be
20 applicable to rates from the effective date of rates arising out of the pending General Rate
21 Case until the cost of equity capital is addressed by the Commission in a subsequent PSE rate
22 case.
23
24
25

26
27 **4. Equity Growth Tracking**
28

29 15. The Participating Parties hereby agree to a mechanism that will both verify and
30 enforce PSE's obligation to achieve an equity capital ratio based on the following target
31 threshold schedule:
32

- 33
34
35
 - December 31, 2003: 34%
 - 36
 - 37 • December 31, 2004: 36%
 - 38
 - 39 • December 31, 2005: 39%
 - 40
 - 41 • December 31 of Subsequent Years: 39 %
 - 42

43 16. Such mechanism is set forth in the form of the gas and electric discount tariff
44 schedules attached to this Settlement Stipulation as Exhibit A. If the Company fails to reach a
45 target threshold, the overall general rates will be reduced by 2%, as set forth in Exhibit A.
46
47

1 After approval of this Settlement Stipulation, the discount tariffs are self-executing and, once
2 approved as part of approval of this Settlement Stipulation, will not require Commission
3 approval to implement any rate reduction or increase.
4
5

6
7 17. PSE and all other Participating Parties agree not to seek or support any
8 amendment, modification, alteration or rescission of the settlement terms establishing the
9 equity capital ratio mechanism before the Commission or any other forum by any form of
10 application, petition, complaint, request, or any other formal or informal procedure. Nothing
11 in this Section II.B.4. precludes the filing of a general rate case or a complaint against general
12 rates and should not be construed as a stay-out period or rate plan. By entering into this
13 Settlement Stipulation, no party waives its right to seek judicial enforcement of the equity
14 growth tracker mechanism, or of the order approving the equity growth tracker in the
15 Settlement Stipulation.
16
17

18
19 18. Once a 39% equity capital ratio is achieved, PSE will maintain at least that
20 equity capital ratio until the conclusion of its next general rate case. Failure to do so will
21 result in a 2% overall reduction in general rates pursuant to the discount tariffs in Exhibit A.
22
23

24
25
26
27
28
29
30
31 **C. Issues to Be Addressed in Collaborative Processes**

32
33 19. The Participating Parties agree to use good faith efforts to resolve all
34 remaining issues in the General Rate Case through negotiation or other structured
35 collaborative process. It is the intent of the Participating Parties to resolve issues so that
36 general electric rates will go into effect no later than July 1, 2002 and general gas rates will go
37 into effect no later than September 1, 2002. Any resolution of any issue that results from
38 these collaborative or negotiation processes would be subject to Commission review and
39 approval. In those instances, if any, where agreement cannot be reached after good faith
40
41
42
43
44
45
46
47

1 negotiations, the Participating Parties will resort to the expedited procedural schedule
2 developed in accordance with this Settlement Stipulation.
3

4
5 20. The Participating Parties will, after consultation and coordination with other
6 parties involved, develop an expedited, informal procedural schedule for each identified
7 collaborative process. Such schedule shall include, but not be limited to, scheduling guidelines
8 aimed to achieve the applicable goal on a timely basis, discovery pursuant to WAC 480-09-
9 480 with expedited turn-around for responses to data requests, and issue identification. Upon
10 consensus of the parties participating in a collaborative process, the terms and conditions of
11 such process may be changed and memorialized in writing.
12
13
14
15
16
17

18
19 21. The parties will consult with the Administrative Law Judge on or before April
20 1, 2002, to develop an appropriate litigation schedule, to be implemented if it becomes
21 necessary, consistent with the terms and conditions of this Settlement Stipulation.
22
23

24
25 **1. Power Cost Adjustment Mechanism**
26

27 22. The Participating Parties agree that a power cost adjustment mechanism (PCA)
28 which properly shares the risk of power cost variations between customers and shareholders is
29 appropriate and will be implemented as part of the General Rate Case. The Participating
30 Parties will provide notice to all parties and include all interested parties in an attempt in good
31 faith pursuant to a collaborative process to resolve the design of such PCA no later than May
32 31, 2002. If the parties are unable to agree on the design of a PCA, that issue will be litigated
33 and resolved on a schedule that would place a PCA in effect on or before September 1, 2002.
34
35
36
37
38
39
40

41 **2. Revenue Requirement, Rate Spread and Rate Design**
42

43 23. The Participating Parties will provide notice to all parties and include all
44 interested parties in an attempt in good faith pursuant to a collaborative process to resolve
45
46
47

1 remaining electric and gas revenue requirement, rate spread and rate design issues in the
2 following order:
3

- 4 1. issues concerning the Company's revenue requirement with respect to its
5 electric operations, except for allocation of common costs between the gas
6 and electric operations;
7
- 8 2. issues concerning allocation of common costs between the Company's gas
9 and electric operations;
10
- 11 3. issues concerning electric rate spread and rate design;
12
- 13 4. issues concerning the Company's revenue requirement with respect to its
14 gas operations; and
15
- 16 5. issues concerning gas rate spread and rate design.
17
18
19
20
21
22

23 **The Participating Parties may address issues outside of the order set forth above if it is**
24 **deemed efficient to do so by all impacted parties. In addition, adjustments to electric or gas**
25 **revenue requirements may be addressed outside of the order set forth above in order to**
26 **accommodate collaborative resolution of issues raised by other parties in the General Rate**
27 **Case that increase PSE's costs and related revenue requirement, including but not limited to:**
28 **cost, revenue and incentive recovery mechanisms; energy efficiency and affordability programs**
29 **for low-income customers; energy efficiency programs for all customer classes; and gas Rule**
30 **No. 28 and electric Schedules 70, 71 and 72 (underground conversions and facility**
31 **relocations). The inability to resolve one or more of the above listed five issues shall not**
32 **preclude resolution of any other issue.**
33
34
35
36
37
38
39
40
41

42 24. Electric rate spread and design shall be based on the net rate in effect on July 1,
43 2001 after transfer of the former Schedule 94 residential exchange credit to general rates in
44
45
46
47

1 Schedules 7, 8, 10, 11, 12, 29, 35, 56, 59, and the TOU residential customers covered by
2
3 Schedule 307.

4
5 25. The Participating Parties intend to resolve the electric portion of the revenue
6 requirement, rate spread and rate design collaborative by May 31, 2002, so that electric
7
8 general rates will be put into effect on or before July 1, 2002. The Participating Parties intend
9
10 to resolve the gas portion of this collaborative by July 31, 2002, so that natural gas general
11
12 rates will be put into effect on or before September 1, 2002. If the parties are unable to agree
13
14 on revenue requirements, rate spread or rate design for electric or gas or both, the unresolved
15
16 issues will be litigated and resolved on a schedule that would put electric general rates into
17
18 effect on or before September 1, 2002 and gas rates into effect on or before November 1,
19
20 2002.
21

22
23 **3. Good Faith Negotiations Over Remaining Issues in General Rate**
24 **Case**

25
26 26. The Participating Parties will negotiate in good faith with the remaining parties
27
28 to the General Rate Case to resolve other issues and concerns by May 31, 2002, including but
29
30 not limited to issues regarding: cost, revenue and incentive recovery mechanisms; energy
31
32 efficiency and affordability programs for low-income customers; energy efficiency programs
33
34 for all customer classes; and gas Rule No. 28 and electric Schedules 70, 71 and 72
35
36 (underground conversions and facility relocations). If the parties are unable to agree on an
37
38 issue, it shall be litigated and resolved on a schedule that would put general electric rates into
39
40 effect on or before September 1, 2002 and general gas rates into effect on or before
41
42 November 1, 2002.
43
44
45
46
47

1 4. Effective Date of Rates in General Rate Case

2
3 27. New general electric rates will go into effect on or before July 1, 2002 if the
4 remaining issues in the pending General Rate Case are settled through the collaborative
5 process or negotiations. New general gas rates will go into effect on or before September 1,
6 2002 if the remaining issues in the pending General Rate Case are settled through the
7 collaborative process or negotiation.
8
9

10
11
12 28. If the parties are unable to agree with respect to any of the remaining issues,
13 the unresolved issues will be litigated and resolved on a schedule that will result in general
14 electric rates with an effective date on or before September 1, 2002 and general gas rates with
15 an effective date on or before November 1, 2002.
16
17
18
19

20
21 **D. Additional Matters**

22
23 1. Special Contracts

24
25 29. PSE and Weyerhaeuser will enter into a special contract that will permit
26 Weyerhaeuser to supply the power requirements of its PSE-served facilities on Schedule 49
27 from generation owned by Weyerhaeuser, or if necessary, from market purchases. The pricing
28 for such contract will be based on Schedule 449, without additional charges. Following the
29 initial term, the special contract shall provide for successive renewal terms of one year. Upon
30 termination of the special contract, Weyerhaeuser shall have the following options:
31
32

33 1) purchase pursuant to any retail access tariff then available, or 2) return to service under
34 Schedule 49 or the otherwise applicable cost-based tariff. If Weyerhaeuser elects to return to
35 a cost-based power supply tariff, it shall compensate PSE for any long-run incremental
36 resource costs that PSE incurs to provide such service.
37
38

39 30. This special contract will be subject to the provisions of WAC 480-80-335, and
40 it will be filed for Commission approval by April 1, 2002, with a request for consideration at
41
42
43
44
45
46
47

1 the April 10, 2002 open meeting, and for an effective date of May 1, 2002. PSE will make all
2 reasonable efforts to obtain timely approval of the special contract. Assuming that the special
3 contract complies with the principles set forth in this Settlement Stipulation, WUTC Staff and
4 Public Counsel will not oppose the special contract before the Commission.
5
6
7

8
9 **2. Settlement of Docket No.UE-011411**

10
11 31. Public Counsel will dismiss its merger violation/residential exchange complaint
12 in Docket No.UE-011411 with prejudice upon Commission approval of this Settlement
13 Stipulation. The schedule in that case shall be held in abeyance until the proceeding is
14 dismissed.
15
16
17

18
19 **E. Miscellaneous Provisions**

20
21 32. The Participating Parties agree to the following miscellaneous terms with
22 respect to the Settlement Stipulation:
23

24
25 33. **Binding on Parties:** The Participating Parties agree to support the terms and
26 conditions of the Settlement Stipulation as described above. The Participating Parties
27 understand that this Settlement Stipulation is subject to Commission approval.
28
29

30
31 34. **Integrated Terms of Settlement:** The Participating Parties have negotiated
32 this Settlement Stipulation as an integrated document. Accordingly, the Participating Parties
33 recommend that the Commission adopt this Settlement Stipulation in its entirety.
34
35

36
37 35. **Procedure:** The Participating Parties shall cooperate in submitting this
38 Settlement Stipulation promptly to the Commission for acceptance so that it may be approved
39 and implemented no later than March 29, 2002. The Participating Parties shall request that a
40 hearing be set no later than March 25, 2002, to present the Settlement Stipulation, and shall
41 each make a witness or witnesses available to answer questions in support of this Settlement
42 Stipulation or provide such other indication of support as the Commission or ALJ requests.
43
44
45
46
47

1 The Participating Parties agree to cooperate, in good faith, in the development of such other
2 information as may be necessary to support and explain the basis of this Settlement Stipulation
3 and to supplement the record accordingly. Any Participating Party may elect to file with the
4 Commission, on or before March 25, 2002, a memorandum explaining this Settlement
5 Stipulation. The Participating Parties agree to recommend the suspension of all existing due
6 dates and hearing dates in Docket Nos. UE-011570 and UG-011571 and Docket No. UE-
7 011411. The Participating Parties also agree to support scheduling general public hearings to
8 solicit comments on issues pertaining to the General Rate Case before general rates go into
9 effect.
10

11
12
13
14
15
16
17
18
19 36. If the Commission rejects all or any material portion of this Settlement
20 Stipulation, or adds additional material conditions, each Participating Party reserves the right,
21 upon written notice to the Commission and all Parties to this proceeding within seven (7) days
22 of the date of the Commission's Order, to withdraw from the Settlement Stipulation. If any
23 Participating Party exercises its right of withdrawal, this Settlement Stipulation shall be void
24 and of no effect, and the Participating Parties will support a joint motion to reinstate an
25 expedited procedural schedule for those dates specifically suspended by the Commission
26 pursuant to the above request.
27
28
29
30
31
32
33

34
35 37. **No Precedent:** The Participating Parties enter into this Settlement Stipulation
36 to avoid further expense, uncertainty, and delay. By executing this Settlement Stipulation, no
37 Participating Party shall be deemed to have accepted or consented to the facts, principles,
38 methods, or theories employed in arriving at the Settlement Stipulation, and except to the
39 extent expressly set forth in this Settlement Stipulation, no Participating Party shall be deemed
40 to have agreed that such a Settlement Stipulation is appropriate for resolving any issues in any
41 other proceeding.
42
43
44
45
46
47

1 38. Execution: This Settlement Stipulation may be executed by the Participating
2 Parties in several counterparts, through original and/or facsimile signature, and as executed
3 shall constitute one agreement.
4

5
6 DATED this 20th day of March, 2002.
7

8
9
10
11 PUGET SOUND ENERGY, INC.

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION
STAFF

12
13
14
15
16
17 By *Kimberly Harris*
18 Kimberly Harris
19 Vice President of Regulatory Affairs
20

By _____
Robert Cedarbaum
Shannon Smith
Assistant Attorneys General

21
22
23 PUBLIC COUNSEL SECTION, OFFICE
24 OF THE ATTORNEY GENERAL OF
25 THE STATE OF WASHINGTON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

26
27
28
29 By _____
30 Simon fitch
31 Assistant Attorney General
32 Public Counsel Section Chief
33

By _____
Bradley Van Cleve
Attorney for ICNU

34
35 KROGER CO.

NORTHWEST INDUSTRIAL
GAS USERS

36
37
38
39
40 By _____
41 Michael L. Kurtz
42 Attorney for Kroger Co.
43

By _____
Edward A. Finklea
Attorney for NWIGU

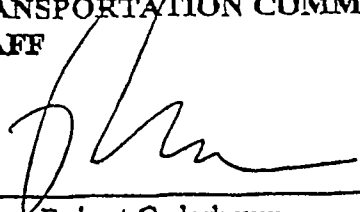
38. Execution: This Settlement Stipulation may be executed by the Participating Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.

DATED this 20th day of March, 2002.

PUGET SOUND ENERGY, INC.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF

By _____
Kimberly Harris
Vice President of Regulatory Affairs

By _____

Robert Cedarbaum
Shannon Smith
Assistant Attorneys General

PUBLIC COUNSEL SECTION, OFFICE OF THE ATTORNEY GENERAL OF THE STATE OF WASHINGTON

INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

By _____
Simon fitch
Assistant Attorney General
Public Counsel Section Chief

By _____
Bradley Van Cleve
Attorney for ICNU

KROGER CO.

NORTHWEST INDUSTRIAL GAS USERS

By _____
Michael L. Kurtz
Attorney for Kroger Co.

By _____
Edward A. Finklea
Attorney for NWIGU

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

38. Execution: This Settlement Stipulation may be executed by the Participating Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.

DATED this 20th day of March, 2002.

PUGET SOUND ENERGY, INC.

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION
STAFF

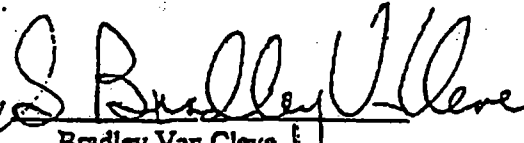
By _____
Kimberly Harris
Vice President of Regulatory Affairs

By _____
Robert Cedarbaum
Shannon Smith
Assistant Attorneys General

PUBLIC COUNSEL SECTION, OFFICE
OF THE ATTORNEY GENERAL OF
THE STATE OF WASHINGTON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

By _____
Simon fitch
Assistant Attorney General
Public Counsel Section Chief

By  _____
Bradley Van Cleve
Attorney for ICNU

KROGER CO.

NORTHWEST INDUSTRIAL
GAS USERS

By _____
Michael L. Kurtz
Attorney for Kroger Co.

By _____
Edward A. Finklea
Attorney for NWIGU

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

38. Execution: This Settlement Stipulation may be executed by the Participating Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.

DATED this 20th day of March, 2002.

PUGET SOUND ENERGY, INC.

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION
STAFF

By _____
Kimberly Harris
Vice President of Regulatory Affairs

By _____
Robert Cedarbaum
Shannon Smith
Assistant Attorneys General

PUBLIC COUNSEL SECTION, OFFICE
OF THE ATTORNEY GENERAL OF
THE STATE OF WASHINGTON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

By _____
Simon fitch
Assistant Attorney General
Public Counsel Section Chief

By _____
Bradley Van Cleve
Attorney for ICNU

KROGER CO.

NORTHWEST INDUSTRIAL
GAS USERS

By Michael L. Kurtz
Michael L. Kurtz
Attorney for Kroger Co.

By _____
Edward A. Fiolka
Attorney for NWIGU

1 38. Execution: This Settlement Stipulation may be executed by the Participating
2 Parties in several counterparts, through original and/or facsimile signature, and as executed
3 shall constitute one agreement.
4
5

6 DATED this 20th day of March, 2002.
7
8
9

10
11 PUGET SOUND ENERGY, INC.
12

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION
STAFF

13
14
15
16
17 By _____
18 Kimberly Harris
19 Vice President of Regulatory Affairs
20
21

By _____
Robert Cedarbaum
Shannon Smith
Assistant Attorneys General

22
23 PUBLIC COUNSEL SECTION, OFFICE
24 OF THE ATTORNEY GENERAL OF
25 THE STATE OF WASHINGTON
26

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

27
28
29 By _____
30 Simon fitch
31 Assistant Attorney General
32 Public Counsel Section Chief
33
34

By _____
Bradley Van Cleve
Attorney for ICNU

35
36 KROGER CO.
37

NORTHWEST INDUSTRIAL
GAS USERS

38
39
40 By _____
41 Michael L. Kurtz
42 Attorney for Kroger Co.
43
44
45
46
47

By Edward A. Finklea
Edward A. Finklea
Attorney for NWIGU

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

AT&T WIRELESS SERVICES, INC.

SEATTLE STEAM COMPANY

By Kris Calvin C.P.M.
Kris Calvin, C.P.M.

By _____
James G. Young

Its: Commodity Manager

Its: President

NW ENERGY COALITION and
NATURAL RESOURCES DEFENSE
COUNCIL

By _____
Danielle Dixon
Policy Associate, NW Energy Coalition

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

AT&T WIRELESS SERVICES, INC.

SEATTLE STEAM COMPANY

By _____
Kris Calvin, C.P.M.
Its: Commodity Manager

By James G. Young
James G. Young
Its: President

NW ENERGY COALITION and
NATURAL RESOURCES DEFENSE
COUNCIL

By _____
Danielle Dixon
Policy Associate, NW Energy Coalition

SETTLEMENT STIPULATION AND
APPLICATION FOR COMMISSION
APPROVAL OF SETTLEMENT - 15

[07771-0032/BA020660.033]

PERKINS COIE LLP
One Bellevue Center, Suite 1800
411 - 108th Avenue Northeast
Bellevue, WA 98004-5584
(425) 453-6980

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

AT&T WIRELESS SERVICES, INC.

SEATTLE STEAM COMPANY

By _____
Kris Calvin, C.P.M.
Its: Commodity Manager

By _____
James G. Young
Its: President

NW ENERGY COALITION and
NATURAL RESOURCES DEFENSE
COUNCIL

By *Danielle Dixon*
Danielle Dixon
Policy Associate, NW Energy Coalition

SETTLEMENT STIPULATION AND
APPLICATION FOR COMMISSION
APPROVAL OF SETTLEMENT - 15

[07771-0082/BA020660.035]

PERKINS COIE LLP
One Bellevue Center, Suite 1800
411 - 108th Avenue Northeast
Bellevue, WA 98004-5584
(425) 453.6000

ADDITIONAL PARTICIPATING PARTIES
SIGNING AFTER MARCH 20, 2002

COGENERATION COALITION OF
WASHINGTON

By Donald Brookhyser
Donald Brookhyser
Attorney for Cogeneration
Coalition of Washington

SETTLEMENT STIPULATION AND
APPLICATION FOR COMMISSION
APPROVAL OF SETTLEMENT - 15

[07771-0082/BA020660.035]

PERKINS COIE LLP
One Bellevue Center, Suite 1800
411 - 108th Avenue Northeast
Bellevue, WA 98004-5584
(425) 453-6980

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

EXHIBIT A

[Gas and Electric Schedules 119]

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

PUGET SOUND ENERGY
SCHEDULE NO. 119
Capital Structure Tracker Rate Adjustment

Section 1: Purpose

(N)

The purpose of this schedule is to establish a mechanism to both verify and enforce the Company's obligation to achieve a specific equity capital ratio and to adjust rates if the Company fails to attain specific equity ratios in its capital structure, as required by the Settlement Stipulation in Docket Nos. UE-011570 and UG-011571, and as required in the ___th Supplemental Order accepting said Settlement Stipulation in those dockets.

Section 2: Minimum Capital Structure Targets

The following equity capital structure ratios, measured by year-end financial statements, will be applied for purposes of this tariff:

December 31, 2003, Minimum Equity Ratio:	34%
December 31, 2004, Minimum Equity Ratio:	36%
December 31, 2005, Minimum Equity Ratio:	39%
December 31 of Subsequent Years:	39%

Section 3: Determination of Whether Rate Adjustment Applies

No later than two days following the Company's release of Puget Sound Energy, Inc.'s, 10K filing with the SEC, the Company will provide such statements to the Commission, together with a calculation of the actual equity ratio reflected in the 10K as defined below. The actual equity ratio for comparison with the Minimum Capital Structure Targets defined in the section above will be calculated as follows: common equity will be divided by the sum of total capitalization and current liabilities consisting of short-term debt and current maturities of long-term debt. The terms used in the preceding calculation shall be as defined in the PSE 2001 10K.

(N)

(Continued on Sheet No. 1119-A)

ADVICE NO: 2002-__

Issued: ____, 2002

Effective: With all service on and after ____, 2002

Issued By: Puget Sound Energy

By: _____ Steve Secrist

Title: Director, Rates & Regulation

PUGET SOUND ENERGY
SCHEDULE NO. 119
Capital Structure Tracker Rate Adjustment
(Continued)

The following provides a sample calculation based upon the Company's 2001 10K:

Common Equity	\$1,267,654,000
Total Capitalization	\$3,732,131,000
Current Maturity LT Debt	\$ 117,000,000
Short-Term Debt	<u>\$ 338,168,000</u>
Total:	<u>\$4,187,299,000</u>

Actual Equity Ratio Per Settlement Stipulation as of 12/31/2001: 30.3%

If the actual equity ratio so calculated is less than the Target Minimum Equity Ratios defined above, the rate adjustment, described below, will be applied on April 1 of that year. If a rate adjustment is required pursuant to this tariff, the Company will file a statement with the Commission confirming the date and amount by which customer bills have been adjusted to reflect the rate change.

Section 4: Rate Adjustment

If a rate adjustment is applicable according to the Determination of Whether Rate Adjustment Applies section above, the Company's general rates for gas service shall be reduced by 2% on April 1 of that year as described in the table below, and shall remain in effect for a full calendar year. If the Company's 10K filing is delayed so as to prevent an April 1 rate adjustment, any rate adjustment required by the "Determination of Whether Rate Adjustment Applies" section of this tariff will be in effect for a full calendar year.

The following table is based on the total rates, not including conservation rider Schedule 120, as filed in the Company's prefiled case which shall be revised based on the final rates approved by the Commission in Docket UG-011571:

(Continued on Sheet No. 1119-B)

ADVICE NO: 2002-__

Issued: ____, 2002

Effective: With all service on and after ____, 2002

Issued By: Puget Sound Energy

By: _____ Steve Secrist

Title: Director, Rates & Regulation

(N)

(N)

WN U-2

Original Sheet No. 1119-B

PUGET SOUND ENERGY
SCHEDULE NO. 119
Capital Structure Tracker Rate Adjustment
(Continued)

		<u>Equity Tracker</u> <u>Adjustment</u> <u>(if applicable)</u>
23/24	Customer charge: per month	\$ (0.15)
	Firm Gas: All therms @ ___ per therm	\$ (0.01762)
RS 31	Customer charge: per month	\$ (0.40)
	Firm Gas: All therms @ ___ per therm	\$ (0.01373)
RS 36	Customer charge: per month	\$ (0.40)
	Firm Gas: All therms @ ___ per therm	\$ (0.01333)
RS 41	Customer charge: per month	\$ (5.20)
	Firm Gas: First 500 therms @ ___ per therm	\$ (0.00974)
	Next 4,500 therms @ ___ per therm	\$ (0.00874)
	All over 5,000 therms @ ___ per therm	\$ (0.00834)
	Firm demand charge:	
	All therms per day @ ___ per therm	\$ (0.04520)
RS 50	Customer charge: per unit, per month	\$ (3.00)
	Firm Gas: All therms @ ___ per therm	\$ (0.01509)
RS 51	Customer charge: per unit, per month	\$ (0.15)
	Firm Gas: All therms @ ___ per therm	\$ (0.01452)
RS 85	Customer charge: per month	\$ (5.50)
	Minimum Monthly Volume Charge greater of 50% of highest volume in last 12 mo. or 15,000 therms per month	\$ (0.00159)
	Interruptible gas:	
	First 25,000 therms @ ___ per therm	\$ (0.00998)
	Next 25,000 therms @ ___ per therm	\$ (0.00938)
	All over 50,000 therms @ ___ per therm	\$ (0.00898)
	Firm demand charge:	
	All therms per day @ ___ per therm	\$ (0.06080)

(N)

(N)

(Continued on Sheet No. 1119-C)

ADVICE NO: 2002-__

Issued: ____, 2002

Effective: With all service on and after ____, 2002

Issued By: Puget Sound Energy

By: _____ Steve Secrist

Title: Director, Rates & Regulation

PUGET SOUND ENERGY
 SCHEDULE NO. 119
 Capital Structure Tracker Rate Adjustment
 (Continued)

		<u>Equity Tracker</u> <u>Adjustment</u> <u>(if applicable)</u>
RS 86	Customer charge: per month	\$ (5.50)
	Minimum Annual Volume Charge	\$ (0.00212)
	10,000 therms per year @ ___ per therm on deficiency	
	Interruptible gas:	
	First 1,000 therms @ ___ per therm	\$ (0.01060)
	All over 1,000 therms @ ___ per therm	\$ (0.00920)
	Firm demand charge:	
All therms per day @ ___ per therm	\$ (0.06080)	
RS 87	Customer charge: per month	\$ (6.00)
	Contract volume charge:	
	___ per therm times (a)- (b) when (a) = monthly contract volume and (b) = actual volume	\$ (0.00020)
	Interruptible gas:	
	First 100,000 therms @ ___ per therm	\$ (0.00992)
	Next 100,000 therms @ ___ per therm	\$ (0.00896)
	Next 300,000 therms @ ___ per therm	\$ (0.00876)
	All over 500,000 therms @ ___ per therm	\$ (0.00856)
Firm demand charge:		
All therms per day @ ___ per therm	\$ (0.12440)	
RS 57	Customer charge: per month	\$ (16.00)
	Interruptible commodity charge:	
	First 25,000 therms @ ___ per therm	\$ (0.00158)
	Next 25,000 therms @ ___ per therm	\$ (0.00158)
	Next 50,000 therms @ ___ per therm	\$ (0.00158)
	Next 100,000 therms @ ___ per therm	\$ (0.00061)
	Next 300,000 therms @ ___ per therm	\$ (0.00041)
	All over 500,000 therms @ ___ per therm	\$ (0.00021)
	Firm demand charge:	
All therms per day @ ___ per therm	\$ (0.02000)	

(N)

(N)

ADVICE NO: 2002-__

Issued: ____, 2002

Effective: With all service on and after ____, 2002

Issued By: Puget Sound Energy

By: _____ Steve Secrist

Title: Director, Rates & Regulation

PUGET SOUND ENERGY
Electric Tariff G

SCHEDULE 119
CAPITAL STRUCTURE TRACKER RATE ADJUSTMENT

(N)

1. PURPOSE:

The purpose of this schedule is to establish a mechanism to both verify and enforce the Company's obligation to achieve a specific equity capital ratio and to adjust rates if the Company fails to attain specific equity ratios in its capital structure, as required by the Settlement Stipulation in Docket Nos. UE-011570 and UG-011571, and as required in the ___th Supplemental Order accepting said Settlement Stipulation in those dockets.

2. MINIMUM CAPITAL STRUCTURE TARGETS

The following equity capital structure ratios, measured by year-end financial statements, will be applied for purposes of this tariff:

- December 31, 2003, Minimum Equity Ratio: 34%
- December 31, 2004, Minimum Equity Ratio: 36%
- December 31, 2005, Minimum Equity Ratio: 39%
- December 31 of Subsequent Years: 39%

3. DETERMINATION OF WHETHER RATE ADJUSTMENT APPLIES

No later than two days following the Company's release of Puget Sound Energy, Inc.'s, 10K filing with the SEC, the Company will provide such statements to the Commission, together with a calculation of the actual equity ratio reflected in the 10K as defined below. The actual equity ratio for comparison with the Minimum Capital Structure Targets defined in the section above will be calculated as follows: common equity will be divided by the sum of total capitalization and current liabilities consisting of short-term debt and current maturities of long-term debt. The terms used in the preceding calculation shall be as defined in the PSE 2001 10K.

The following provides a sample calculation based upon the Company's 2001 10K:

Common Equity	\$1,267,654,000
Total Capitalization	\$3,732,131,000
Current Maturity LT Debt	\$117,000,000
Short-Term Debt	\$ 338,168,000
Total:	\$4,187,299,000

Actual Equity Ratio Per Settlement Stipulation as of 12/31/2001: 30.3 %

(N)

Issued: _____, 2002
Advice No. 2002-__

Effective: _____, 2002

Issued By Puget Sound Energy

By: _____ Director, Rates & Regulation
Steve Secrist

PUGET SOUND ENERGY
Electric Tariff G

SCHEDULE 119
CAPITAL STRUCTURE TRACKER RATE ADJUSTMENT
(Continued)

(N)

If the actual equity ratio so calculated is less than the Target Minimum Equity Ratios defined above, the rate adjustment, described below, will be applied on April 1 of that year. If a rate adjustment is required pursuant to this tariff, the Company will file a statement with the Commission confirming the date and amount by which customer bills have been adjusted to reflect the rate change.

4. RATE ADJUSTMENT

If a rate adjustment is applicable according to the Determination of Whether Rate Adjustment Applies section above, the Company's general rates for electric service shall be reduced by 2% on April 1 of that year and shall remain in effect for a full calendar year. This reduction shall be reflected in the energy, customer, basic, demand, and reactive energy charges as applicable for the following rate schedules: 7, 24, 25, 26, 29, 31, 35, 43, 46, 49, 50, 52, 53, 54, 55, 56, 57, 58, 59, 307, 324, 325, 326, 331, 448, 449, except that for under Schedules 448 and 449, the rate adjustment will not apply to energy or imbalance energy credit or surcharge rates. The actual adjustments per rate element per rate schedule will be set forth in a table below upon Commission approval of final rates in Docket No. UE-011570.

If the Company's 10K filing is delayed so as to prevent an April 1 rate adjustment, any rate adjustment required by the "Determination of Whether Rate Adjustment Applies" section of this tariff will be in effect for a full calendar year.

5. TABLE OF RATE ADJUSTMENTS PER SCHEDULE

(N)

Issued: _____, 2002
Advice No. 2002-__

Effective: _____, 2002

Issued By Puget Sound Energy

By: _____ Director, Rates & Regulation
Steve Secrist

