

1 **PROCEEDINGS. Docket Nos. UE-011570/UG-011571:** On November 26, 2001, PSE filed tariff revisions designed to effectuate a general rate increase for electric and gas services. On December 3, 2001, PSE filed a request for an interim electric rate increase of \$170.7 million. These proceedings have been consolidated under Docket Nos. UE-011570 and UG-011571.¹

2 **Docket No. UE-011411:** On October 8, 2001, the Public Counsel Section of the Attorney General’s Office filed with the Commission a complaint against PSE in Docket No. UE-011411. The complaint alleges that PSE violated the Commission’s Fourteenth Supplemental Order in the Puget/WNG Merger proceeding (Docket No. UE-960195) and the Rate Plan in the underlying merger settlement by failing to transfer the prior Bonneville Power Administration residential exchange credit to general rates on July 1, 2001.

3 **Joint and Consolidated Proceedings:** On March 20, 2002, Puget Sound Energy, Inc., the Commission’s regulatory staff, Public Counsel, Industrial Customers of Northwest Utilities, Northwest Industrial Gas Users, Kroger Co., AT&T Wireless, Northwest Energy Coalition, Natural Resources Defense Council, and Seattle Steam Company filed a partial settlement in Docket Nos. UE-011570/UG-011571 and a full settlement in Docket No. UE-011411.² The Commission conducted an evidentiary hearing on the proposed settlement agreement on March 25, 2002.

4 **LATE-FILED PETITIONS TO INTERVENE.** The Commission considered and granted the unopposed, late-filed Petitions to Intervene filed by Sound Transit and the City of Burien in Docket Nos. UE-011570/UG-011571. The Commission grants these late-filed petitions to intervene, subject to conditions. Participation by these parties is limited to the issues that remain contested following this Order approving and adopting a Settlement Stipulation that resolves the interim rate issues and certain issues in the general rate phase of these proceedings. Sound Transit and the City of Burien will not be permitted to participate actively in any proceedings related to the

¹ We refer to these consolidated proceedings in the body of this Order as “Docket Nos. UE-011570/UG-011571.”

² These parties refer to themselves in the Settlement Stipulation as “Participating Parties.” The Cogeneration Coalition of Washington, the Multi-Service Center, the Opportunity Council, and the Energy Project stated their intention to become Participating Parties.

Settlement Stipulation, except in connection with prospective discussions among the parties as provided in Section II.C. of the Settlement Stipulation.

5 **SUBSTITUTE TARIFF SHEET:** The Commission considered and approved Puget Sound Energy Inc.'s request to replace First Revised Tariff Sheet No. 194, which was included in the original tariff filing in Docket No. UE-011570 and suspended by Commission Order entered on December 12, 2001, with Substitute First Revised Tariff Sheet No. 194.

6 **PARTIES.** Markham Quehrn and Kirstin Dodge, Perkins Coie LLP, Bellevue, Washington, represent Puget Sound Energy, Inc. (PSE or the Company) in Docket Nos. UE-011570/UG-011571. Steven C. Marshall and William R. Maurer, Perkins Coie LLP, Seattle, Washington, represent PSE in Docket No. UE-011411. John A. Cameron and Traci Kirkpatrick, Davis Wright Tremaine, represent AT&T Wireless and the Seattle Times Company. Danielle Dixon, Policy Associate, Northwest Energy Coalition (NVEC), represents that organization and the Natural Resources Defense Council (NRDC). Carol S. Arnold, Preston Gates Ellis, Seattle, Washington, represents Cost Management Services, Inc., and the cities of Auburn, Des Moines, Federal Way, Redmond, Renton, SeaTac, Tukwila, Bellevue, Maple Valley, and Burien (Auburn, *et al.*). Dini Duclos, CEO, Multi-Service Center, represents that organization, the Opportunity Council, and the Energy Project; Mr. Charles M. Eberdt, Manager, Energy Project also entered his appearance for the Energy Project. Angela L. Olsen, Assistant City Attorney, McGavick Graves, Tacoma, Washington, represents the City of Bremerton. Donald C. Woodworth, Deputy Prosecuting Attorney, Seattle, Washington, represents King County. Melinda Davison and S. Bradley Van Cleve, Davison Van Cleve, P.C., Portland, Oregon, represent Industrial Customers of Northwest Utilities (ICNU). Judith A. Endejan and Michael Tobiason, Graham & Dunn, Seattle, Washington, represent Seattle Steam Company. Edward A. Finklea, Energy Advocates, LLP, represents the Northwest Industrial Gas Users (NWIGU). Donald Brookhyser, Alcantar & Kahl, Portland, Oregon, represents the Cogeneration Coalition of Washington. Michael L. Charneski, Attorney at Law, Woodinville, Washington, represents the City of Kent. Norman J. Furuta, Associate Counsel, Department of the Navy, represents the Federal Executive Agencies (FEA). Michael L. Kurtz, Boehm, Kurtz & Lowry, Cincinnati, Ohio, represents Kroger Company. Kirk H. Gibson, Ater Wynne LLP, Portland, Oregon, represents WorldCom, Inc. Elizabeth Thomas, Preston Gates Ellis LLP, Seattle, Washington,

represents Sound Transit. Simon ffitich, Assistant Attorney General, Seattle, Washington, represents the Public Counsel Section, Office of Attorney General. Robert D. Cedarbaum, Senior Assistant Attorney General, and Shannon Smith, Assistant Attorney General, Olympia, Washington, represent the Commission's regulatory staff (Staff).³

7 **COMMISSION:** The Commission approves and adopts the Participating Parties' unopposed Settlement Stipulation as a full and final resolution of the interim rate issues in Docket No. UE-011570. The Commission also approves and adopts the Settlement Stipulation with respect to certain issues pending in the general rate phase of Docket Nos. UE-011570/UG-011571. The Commission approves and adopts the Settlement Stipulation as a full and final resolution of the issues in Docket No. UE-011411. The Commission incorporates the Settlement Stipulation by reference and makes it a part of this Order. *Appendix A, infra*. The Commission authorizes and requires PSE to make any compliance filings required to effectuate the terms of the Settlement Stipulation and this Order.

MEMORANDUM

I. Introduction.

8 This Order, approving and adopting a Settlement Stipulation negotiated among and executed by a significant number of the numerous parties who are participating in these dockets, and not opposed by any party, represents a positive step in the direction of maintaining PSE's financial integrity and simultaneously helps to ensure that PSE's customers continue to receive reliable service at reasonable rates. The Commission is encouraged by the approach of the Company's new management in meeting its public service obligation, which includes the obligation to improve PSE's financial condition and restore the Company's financial vitality. Steps taken or to be taken by PSE both as a result of the terms of settlement, and independently, demonstrate the Company's commitment to building and maintaining greater financial strength on a prospective basis. The Settlement Stipulation shows that PSE will continue to act responsibly by, among other things, working diligently and in

³ In formal proceedings, such as this case, the Commission's regulatory staff (Staff) functions as an independent party with the same rights, privileges, and responsibilities as any other party to the proceeding. There is an "*ex parte* wall" separating the Commissioners, the presiding ALJ, and the Commissioners' policy and accounting advisors from all parties, including Staff. *RCW 34.05.455*.

good faith with all parties to develop and propose solutions to the remaining complex issues in these dockets that can be presented for the Commission's consideration under governing standards of law.

II. Background and Procedural History.

A. Rate Proceedings, Docket Nos. UE-011570/UG-011571.

- 9 PSE filed a general rate case on November 26, 2002. The Company seeks permanent increases in both electric and gas rates in the amounts of \$228.3 million and \$85.9 million, respectively, for an aggregate amount of \$314.2 million. On December 3, 2001, PSE filed both a Petition for Interim Rate Relief and an Electric Tariff Filing in Advice No. 2001-51. The Company seeks to implement a temporary rate increase, subject to refund, to obtain immediate rate relief in the amount of \$170.7 million. PSE requests the Commission to approve Tariff Schedule 128, which would implement an Electric Energy Cost Surcharge rate of \$1.4568¢ per kWh.
- 10 Both the interim and general rate filings are docketed as Nos. UE-011570 and UG-011571. The Commission convened a prehearing conference in these proceedings on December 20, 2001, in Olympia, Washington, before Chairwoman Marilyn Showalter, Commissioner Richard Hemstad, Commissioner Patrick J. Oshie, and Administrative Law Judge Dennis J. Moss. The dockets were consolidated by the Commission's Second Supplemental Order: Prehearing Conference, entered on December 28, 2001. A procedural schedule for both the interim and general phases of these proceedings was set by the Second Supplemental Order, as later amended by the Commission's Fifth and Seventh Supplemental Orders.
- 11 The Commission conducted evidentiary hearings on the interim rate issues in Olympia from February 18, 2002, through February 22, 2002. The Commission heard public testimony in Olympia on the issues related to interim rate relief on February 21, 2002. The Parties requested several continuances of the date established for filing briefs (*i.e.*, March 1, 2002), to permit them an opportunity to conduct settlement negotiations with the assistance of Administrative Law Judge C. Robert Wallis as mediator.
- 12 On March 20, 2002, Puget Sound Energy, Inc., the Commission's regulatory staff, Public Counsel, Industrial Customers of Northwest Utilities, Northwest Industrial Gas

Users, Kroger Co., AT&T Wireless, Northwest Energy Coalition, Natural Resources Defense Council, and Seattle Steam Company filed a partial settlement in Docket Nos. UE-011570/UG-011571.⁴ These parties request that the Commission enter an order by March 29, 2002, approving and adopting the settlement agreement as a full and final resolution of the interim rate issues, as a resolution of certain other issues pending in Docket Nos. UE-011570/UG-011571, and as full and final resolution of all issues pending in Docket No. UE-011411. The Commission conducted an evidentiary hearing on the proposed settlement agreement on March 25, 2002.

B. Complaint Proceedings, Docket No. UE-011411.

- 13 On October 8, 2001, the Public Counsel Section of the Attorney General's Office filed with the Commission a complaint against PSE in Docket No. UE-011411. The complaint alleges that PSE violated the Commission's Fourteenth Supplemental Order in the Puget/WNG Merger proceeding (Docket No. UE-960195), and the Rate Plan in the underlying merger settlement, by failing to transfer the prior Bonneville Power Administration residential exchange credit to general rates on July 1, 2001. The complaint docket is not consolidated with Docket Nos. UE-011570/UG-011571, but is considered jointly here with those proceedings in connection with a proposed settlement agreement that addresses issues in all three dockets.
- 14 On March 20, 2002, the parties to Docket No. UE-011411 proposed a full settlement of their dispute as part of the Settlement Stipulation filed by them, and other parties, in Docket Nos. UE-011570/UG-011571. The Commission conducted an evidentiary hearing on the proposed settlement of Docket No. UE-011411 in joint session with the settlement hearing in Docket Nos. UE-011570/UG-011571, which was conducted on March 25, 2002, as previously discussed.

III. Governing Statutes and Rules.

- 15 The following statutory provisions and rules are most central to our discussion and decision:

⁴ See notes 2 and 3, *supra*.

RCW 80.01.040 General Powers and Duties of Commission.

The utilities and transportation commission shall:

* * *

(3) Regulate in the public interest, as provided by the public service laws, the rates, services, facilities, and practices of all persons engaging within this state in the business of supplying any utility service or commodity to the public for compensation, and related activities; including, but not limited to, electrical companies

RCW 80.04.130 Suspension of tariff change

(1) Whenever any public service company shall file with the commission any schedule, classification, rule or regulation, the effect of which is to change any rate, charge, rental or toll theretofore charged, the commission shall have power, either upon its own motion or upon complaint, upon notice, to enter upon a hearing concerning such proposed change and the reasonableness and justness thereof, and pending such hearing and the decision thereon the commission may suspend the operation of such rate, charge, rental or toll for a period not exceeding ten months from the time the same would otherwise go into effect, and after a full hearing the commission may make such order in reference thereto as would be provided in a hearing initiated after the same had become effective. . . .

(2) At any hearing involving any change in any schedule, classification, rule or regulation the effect of which is to increase any rate, charge, rental or toll theretofore charged, the burden of proof to show that such increase is just and reasonable shall be upon the public service company.

RCW 80.28.010 Duties as to rates, services, and facilities

(1) All charges made, demanded or received by any gas company, electrical company or water company for gas, electricity or water, or

for any service rendered or to be rendered in connection therewith, shall be just, fair, reasonable and sufficient.

(2) Every gas company, electrical company and water company shall furnish and supply such service, instrumentalities and facilities as shall be safe, adequate and efficient, and in all respects just and reasonable.

(3) All rules and regulations issued by any gas company, electrical company or water company, affecting or pertaining to the sale or distribution of its product, shall be just and reasonable. . . .

RCW 80.28.020 Commission to fix just, reasonable, and compensatory rates.

Whenever the commission shall find, after a hearing had upon its own motion, or upon complaint, that the rates or charges demanded, exacted, charged or collected by any gas company, electrical company or water company, for gas, electricity or water, or in connection therewith, or that the rules, regulations, practices or contracts affecting such rates or charges are unjust, unreasonable, unjustly discriminatory or unduly preferential, or in any wise in violation of the provisions of the law, or that such rates or charges are insufficient to yield a reasonable compensation for the service rendered, the commission shall determine the just, reasonable, or sufficient rates, charges, regulations, practices or contracts to be thereafter observed and in force, and shall fix the same by order.

Additional parts of Chapters 80.01, 80.04, and 80.28 RCW and Chapters 480-09, 480-80, and 480-100 WAC apply generally. We note that the Commission's authority to authorize interim rate relief is a power necessarily incident to the exercise of the Commission's express statutory authority to regulate the rates of jurisdictional utilities. *State ex rel. Puget Sound Navigation Company v. Department of Transportation*, 33 Wn.2d 448, 206 P.2d 456 (1949).

IV. Discussion and Decision.

16 On March 20, 2002, PSE, Staff, Public Counsel, ICNU, NWIGU, Kroger, AT&T Wireless, NWEA, NRDC, and Seattle Steam (collectively the “Participating Parties”) filed a Settlement Stipulation. They request that the Commission approve and adopt the Settlement Stipulation by March 29, 2002. The Participating Parties propose to resolve fully the interim rate issues and to resolve some issues pending in the general rate phase of the consolidated rate dockets. The Participating Parties also propose to resolve fully the pending complaint docket. During hearings held on March 25, 2002, to consider the proposed settlement, the Cogeneration Coalition of Washington, the Multi-Service Center, the Opportunity Council, and the Energy Project stated their respective intentions to subscribe to the Settlement Stipulation. The original ten Participating Parties also filed a Memorandum in Support of Settlement Stipulation. The Participating Parties submit that the “Settlement Stipulation is in the public interest and will result in interim rates that are just, fair, reasonable and sufficient.” *Exhibit No. 465 (Stipulation) at 2; Memorandum at 8-9.* No one stated opposition to the Participating Parties’ request that the Commission approve and adopt the Settlement Stipulation.

A. Resolution of Interim Rate Case.

17 The Settlement Stipulation, in Section II.A., would resolve the interim rate issues as follows:

No later than March 29, 2002, the Company will file tariff schedules to effect collection by PSE of \$25 million in interim electric rate relief. Such relief will not be subject to refund. Interim rates will go into effect on April 1, 2002 and will terminate on June 30, 2002. The interim increase will be allocated to rate schedules (except Schedules 448 and 449 and PSE's special contract customers) in proportion to the total annual kWh sales to each rate schedule during 2001 to total retail sales (except Schedules 448 and 449 and PSE's special contract customers). The dollars allocated to the non-residential rate schedules will be collected by increasing each component of the bill by an equal percent. The dollars allocated to the residential rate schedules will be collected by increasing each component of the bill (except the

customer charge) by an equal percent. Implementation of the interim increase will not change the current peak/off peak differential in the current TOU pilot. Any 2001 loads of former Schedule 48 customers that have returned to core tariffs will be added to the loads of their current schedules for purposes of allocating the interim increase.

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

- 18 We find that the proposed interim revenue increase of \$25 million is adequately supported by the record in this proceeding. Considered as a whole, the record shows that PSE's financial condition is not what it should be to ensure its continued ability to fulfill its public service obligation. There is evidence that shows a decline in PSE's financial condition to the point that, absent some interim relief, the Company would not be able to access financial markets at reasonable rates beginning this year. *See, e.g., Exhibit No. 25T (D. Gaines) at 2-5.* The two most important financial rating agencies, Standard & Poor's and Moody's, both have issued a number of unfavorable reports on PSE and have downgraded PSE's bond ratings over time. *Exhibit 1B.* Further downgrades are a possibility if steps are not taken to improve the Company's financial condition. *Id.* PSE's financial condition is precarious in the sense that it is not well-positioned to respond if faced with another round of financial challenges attributable to, for example, circumstances like those that occurred in recent periods due to unsettled conditions in wholesale power markets and low hydro-power conditions. *See, Exhibit No. 401T (Steel) at 42.*
- 19 During evidentiary hearing proceedings conducted on February 18 – 22, 2002, we heard proposals from various parties that supported giving PSE some interim rate relief. The Company's witnesses, particularly Mr. Donald Gaines, presented testimony and exhibits in support of the PSE's original request for \$170 million in interim relief to be collected during the pendency of the general rate phase, a period expected to be approximately seven months from the date of a Commission Order on interim rates. *Exhibit Nos. 21T-27.* On rebuttal, Mr. Donald Gaines presented the

Company's revised proposal to collect \$136 million during the period March 15, 2002, through October 31, 2002, with another \$34 million proposed to be deferred and subsequently recovered over a one-year period. *Exhibit No. 25T*. This, if approved, would have yielded the Company a bit more than \$17.5 million in additional revenue, on average, during each month of the interim rate period.

20 Staff presented substantial evidence, principally through Ms. Lisa Steel's testimony and exhibits, that supported allowing PSE to recover an additional \$42 million during an interim period of approximately seven months. *Exhibit Nos. 401T-415C, 426-431*. By comparison to PSE's proposal, this would result in approximately \$5.5 million in additional revenue, on average, during each month of the interim rate period.

21 Mr. Donald Schoenbeck, testifying for ICNU, presented his analysis that supported an interim increase of approximately \$58 million. *Exhibit Nos. 271T-280*. Again considering this on a comparable basis to the other recommendations, the additional revenue PSE would collect during each month of the interim rate period would be about \$7.6 million, on average.

22 The Settlement Stipulation, as previously discussed, provides for \$25 million in interim relief over a three-month period. This amounts, on average, to approximately \$8.3 million per month in increased revenue to PSE over this shorter period. Considered on this comparative basis, the result is less than half of what the Company proposed on rebuttal and is in line with the smaller amounts recommended by Staff and ICNU. Considered on the basis of the gross amount the Commission is asked to authorize for interim relief, of course, \$25 million is substantially less than what any of these parties proposed and supported through their testimony and exhibits as appropriate relief for PSE on an interim basis.⁵ PSE's agreement to this level of revenue recovery during the agreed time-frame signals that \$25 million is adequate to meet the Company's immediate financial need, pending final resolution of the general rate proceeding. This protects customers by enhancing PSE's ability to continue to provide reliable service at reasonable rates.

⁵ We acknowledge that Public Counsel's primary litigation position was that the Commission should not authorize any interim relief. Public Counsel's alternative argument, however, would have allowed for \$30.1 million in interim relief. *Exhibit No. 350T at 3*.

23 By ending PSE's deferral of power costs as authorized in Docket No. UE-011600, and by virtue of PSE's agreement not to seek recovery of any power costs deferred since January 1, 2002, a degree of uncertainty is removed from PSE's financial picture. Reduced uncertainty is generally recognized as a desirable end in itself in the financial marketplace. Coupled with the assured recovery of \$25 million in interim relief that is not subject to a refund condition, this aspect of the interim rate settlement is likely to be viewed by the financial community, including the major ratings agencies, as a positive step that strengthens PSE's financial position.

24 We find and conclude, for the reasons stated above, that it is reasonable, and in the public interest, to resolve the interim rate phase of this proceeding on the basis indicated in Section II.A. of the Settlement Stipulation. It became apparent at hearing, however, that the language in Section II.A. may not capture precisely what the Participating Parties intended. Ms. Kimberly Harris testified for the Company that the Participating Parties intend that PSE will recover exactly the stated revenue amount, \$25 million. Clearly, though, since interim rates will be set now and collected prospectively on the basis of projected use, it is possible that PSE will collect the full \$25 million before June 30, 2002. It is equally possible that PSE will not collect the full \$25 million before June 30, 2002. Accordingly, it is necessary that we condition our approval and adoption of the Settlement Stipulation in a fashion that will result in PSE collecting exactly \$25 million in additional revenue, as the parties intended to propose in Section II.A. of the Settlement Stipulation.

25 We will not prescribe here the precise means by which this result will be achieved.⁶ Instead, we require that the tariff sheets PSE files in compliance with the terms of this Order include an appropriate true-up mechanism. The true-up mechanism must ensure that any revenue collection in excess of \$25 million is returned to customers. This could be done, for example, either through a refund or bill credit to be applied after June 30, 2002. Similarly, the tariff sheets should provide a mechanism for PSE

⁶ We recognize that timing is a key issue here. Indeed, Ms. Harris's testimony concerning the parties' intention that PSE collect precisely \$25 million related to a concern that we might not be able to act on the proposed settlement by March 29, 2002. Since that can no longer concern the parties, they may wish to reconsider whether it is important that PSE collect precisely \$25 million, or whether it might be more appropriate to simply implement the interim rate surcharge for the period April 1, 2002, through June 30, 2002, and allow for the risk that there might be a slight over-recovery or under-recovery. If the parties reconsider, they may jointly propose via the compliance filing to not include a true-up mechanism and the Commission will favorably consider waiving the condition stated in this Order.

to recover any undercollection relative to the authorized amount that is apparent as of June 30, 2002. This could be done, for example, by a surcharge to be applied after June 30, 2002. The implementation of interim relief via PSE's compliance filing, including the necessary true-up mechanism, remains subject to our approval.

B. Resolution of Certain General Rate Case Issues.

26 By Section II.B. of the Settlement Stipulation, the Participating Parties request our endorsement of what are essentially a set of stipulated results with respect to certain issues that are pending in the general rate phase of this proceeding. We will not summarize those provisions here, but reiterate that in approving and adopting the Settlement Stipulation, which is attached as Appendix A to this Order, we incorporate the parties' agreement by reference. Some of these stipulated results depend to one degree or another on various assumptions and conditions, as described in the Settlement Stipulation. It follows that our endorsement of these stipulated results must be contingent on the underlying assumptions and conditions being met prior to the conclusion of the general rate phase either on the record of further proceedings in connection with additional settlement proposals, or through litigation. We can, at this juncture, do no more than approve and adopt Section II.B. of the Settlement Stipulation as a reflection of the parties' progress toward resolving a larger, more complex set of issues, the resolution of which may, collectively, support a final, comprehensive order in this proceeding.

27 We find and conclude that it is in the public interest to approve the parties' agreements to bind themselves to certain principles and limitations on their positions with respect to the issues addressed in Section II.B. of the Settlement Stipulation for purposes of going forward with their efforts toward settlement or adjudicated results. In approving and adopting Section II.B. of the Settlement Stipulation, however, we observe that the final outcome of the broader set of issues before us must also meet the public interest standard, and the ultimate results must satisfy the fair, just, reasonable, and sufficient standards for rates, terms, and conditions of service that are fundamental requirements under our governing statutes.

C. Issues To Be Addressed in Collaborative Processes.

- 28 According to the Settlement Stipulation, the Participating Parties will use good faith efforts to resolve all remaining issues in the general rate case so that general electric rates can go into effect by July 1, 2002, and general gas rates by September 1, 2002. The Settlement Stipulation provides that the parties will develop among themselves an expedited, informal procedural schedule for collaborative processes that might lead to settlement.
- 29 Commission action will be required on any additional settlement agreement(s) the parties may file. To protect against the possible results that settlement of all issues cannot be achieved, or that a proposed settlement is rejected and litigation thus is required, the parties commit to “consult with the Administrative Law Judge on or before April 1, 2002, to develop an appropriate litigation schedule, to be implemented if it becomes necessary . . .”
- 30 The collaborative process and the litigation options the parties outline in Section II.C. of the Settlement Stipulation appear to be consistent with our rules governing alternative dispute resolution, settlement conferences, and settlements. *WAC 480-09-465; WAC 480-09-466*. These options also appear to be consistent with our procedural requirements generally. *Chapter 480-09 WAC*. We find and conclude that it is in the public interest to approve the processes the parties have agreed among themselves are best suited to the current needs of the case.

FINDINGS OF FACT

- 31 Having discussed above all matters material to our decision, and having stated general findings, the Commission now makes the following summary findings of fact. Those portions of the preceding discussion that include findings pertaining to the ultimate decisions of the Commission are incorporated by this reference.
- 32 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including electric companies.

- 33 (2) Puget Sound Energy, Inc., is a “public service company” and an “electrical company” as those terms are defined in RCW 80.04.010, and as those terms otherwise may be used in Title 80 RCW. Puget Sound Energy, Inc., is engaged in Washington State in the business of supplying utility services and commodities to the public for compensation.
- 34 (3) Puget Sound Energy, Inc., filed on November 26, 2001, certain tariff revisions that were suspended by Commission Orders entered in Docket Nos. UE-011570 and UG-011571 on December 12, 2001. The general rates proposed by Puget Sound Energy, Inc.’s, as-filed tariff revisions are the principal subject matter of the Commission’s inquiry in these proceedings.
- 35 (4) In connection with its general rate filing of November 26, 2001, Puget Sound Energy, Inc., filed on December 3, 2001, revisions to its currently effective electric Tariff WN U-60, designated as Original Sheet No. 128. The stated effected date of the proposed tariff revisions is March 1, 2002. The proposed revisions would implement an interim rate increase of approximately 21.6%. The Commission entered its Complaint and Order Suspending Tariff Revisions on December 12, 2001. The proposed revisions, if implemented, would not result in rates that are fair, just, and reasonable.
- 36 (5) The existing rates for electric service provided in Washington State by Puget Sound Energy, Inc., are insufficient to yield reasonable compensation for the service rendered. Puget Sound Energy, Inc., requires immediate relief with respect to the rates it charges for electric service provided in Washington State.
- 37 (6) The rates, terms, and conditions of service that result from adoption of the Settlement Stipulation that is attached to this Order as Appendix A and incorporated into the body of this Order as if set forth in full, conditioned as stated in the body of this Order, are fair, just, reasonable, and sufficient.
- 38 (7) The rates, terms, and conditions of service that result from adoption of the Settlement Stipulation, conditioned as stated in the body of this Order, are neither unduly preferential nor discriminatory.

- 39 (8) The Settlement Stipulation, considered as a whole, and in its individual parts
as discussed in the body of this Order, is in the public interest.

CONCLUSIONS OF LAW

40 Having discussed above in detail all matters material to our decision, and having
stated general findings and conclusions, the Commission now makes the following
summary conclusions of law. Those portions of the preceding detailed discussion
that state conclusions pertaining to the ultimate decisions of the Commission are
incorporated by this reference.

- 41 (1) The Washington Utilities and Transportation Commission has jurisdiction
over the subject matter of, and Parties to, this proceedings. *Title 80 RCW.*
- 42 (2) The rates proposed by tariff revisions (Original Sheet No. 128) filed by Puget
Sound Energy, Inc., on December 3, 2001, and suspended by prior
Commission order, are not just, fair, or reasonable and should be rejected.
RCW 80.28.010.
- 43 (3) The existing rates for electric service provided in Washington State by Puget
Sound Energy, Inc., are insufficient to yield reasonable compensation for the
service rendered. *RCW 80.28.010; RCW 80.28.020.*
- 44 (4) Puget Sound Energy, Inc., requires immediate relief with respect to the rates it
charges for electric service provided in Washington State. *RCW 80.01.040;*
RCW 80.28.060.
- 45 (5) The Commission must determine the fair, just, reasonable, and sufficient rates
to be observed and in force under Puget Sound Energy, Inc.'s, tariffs that
govern its rates, terms, and conditions of service for providing electricity and
natural gas to customers in Washington State. *RCW 80.28.020.*
- 46 (6) The Settlement Stipulation filed by the Parties on March 20, 2002, which is
attached to this Order as Appendix A and incorporated by reference as if set
forth in full in the body of this Order, considered as a whole, and in its
individual parts as discussed in the body of this Order, is in the public interest.

The Settlement Stipulation should be approved and adopted by the Commission as a reasonable resolution of the issues presented by its terms. *WAC 480-09-465; WAC 480-090-466.*

- 47 (7) The rates, terms, and conditions of service that result from this Order are fair, just, reasonable, and sufficient. *RCW 80.28.010; RCW 80.28.020.*
- 48 (8) The rates, terms, and conditions of service that result from this Order are neither unduly preferential nor discriminatory. *RCW 80.28.020.*
- 49 (9) The Commission's prior orders in this proceeding, and in any related proceedings discussed in the body of this Order, should be amended to the extent necessary, or rescinded to the extent required, to effectuate the provisions of this Order. *RCW 80.04.210; WAC 480-09-815.*
- 50 (10) The Commission Secretary should be authorized to accept by letter, with copies to all Parties to this proceeding, a filing that complies with the requirements of this Order. *WAC 480-09-340.*
- 51 (11) The Commission should retain jurisdiction over the subject matters and the Parties to this proceeding to effectuate the terms of this Order. *Title 80 RCW.*

ORDER

- 52 (1) THE COMMISSION ORDERS That the proposed tariff revisions filed by Puget Sound Energy, Inc., on December 3, 2001, as Original Sheet No. 128 and suspended by prior Commission order, are rejected.
- 53 (2) THE COMMISSION ORDERS FURTHER That the Settlement Stipulation filed by the Parties on March 20, 2002, which is attached to this Order as Appendix A and incorporated by reference as if set forth in full in the body of this Order, is approved and adopted.

- 54 (3) THE COMMISSION ORDERS FURTHER That Puget Sound Energy, Inc., is authorized and required to file tariff sheets following the effective date of this Order that are necessary and sufficient to effectuate its terms.
- 55 (4) THE COMMISSION ORDERS FURTHER That the Commission Secretary is authorized to accept by letter, with copies to all Parties to this proceeding, a filing that complies with the requirements of this Order.
- 56 (5) THE COMMISSION ORDERS FURTHER That the matters pending on Public Counsel's Complaint in Docket No. UE-011411 are resolved by the terms of this Order and the Complaint, accordingly, is dismissed.
- 57 (6) THE COMMISSION ORDERS FURTHER That it retains jurisdiction over the subject matter and the Parties to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this 28th day of March 2002.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner

NOTICE TO PARTIES: This is a final order of the Commission with respect to certain issues resolved. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-09-820(1).

APPENDIX A

SETTLEMENT STIPULATION