Schwerin Campbell Barnard Iglitzin & Lavitt LLP
ATTORNEYS AT LAW
Of Counsel Lawrence Schwerin
James D. Oswald

DANIELLE FRANCO-MALONE
franco@workerlaw.com

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Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250 Olympia, WA 98504-7250

RE: Puget Sound Energy's Proposed Sale of Interests in Puget Holdings LLC
Docket U-180680

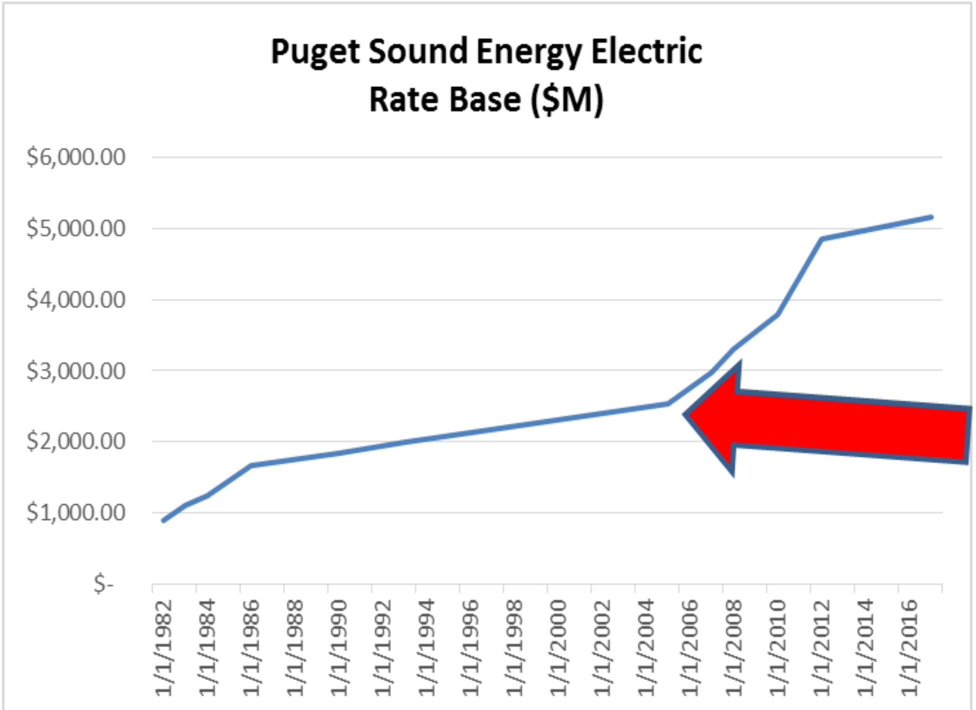
Dear Washington Utility & Transportation Commission,

After reviewing the application filed on September 5, 2018 by Puget Sound Energy ("PSE"), jointly with Alberta Investment Management Corporation ("AIMCo"), British Columbia Investment Management Corporation ("BCICM"), OMERS Administration Corporation ("OMERS"), and PGGM Vermogensbeheer B.V. ("PGGM"), for approval to sell PSE's interest in Puget Holdings LLC ("PSE's Application"), Washington and Northern Idaho District Council of Laborers ("WNIDCL") respectfully submits the following comments with respect to the proposed transaction.

A. A Full Review of This Transaction Is Necessary to Ensure that Rate Payers Receive a Net Benefit and/or That the Transaction Will Meet the "No Harm" Test.

During Macquarie's and their Canadian co-investors' tenure, PSE was a highly successful investment. Rate base on both the electric and gas side grew significantly, leading to increased revenue growth for PSE.[1] This rise in PSE's profits since Macquarie's tenure is demonstrated in the following chart:

[1] Rates have climbed from $2,977.32 million in 2007 (Docket D-UE-06-0266), $3,303.57 million in 2008 (D-UE-07-2300), $3.796.61 million in 2010 (D-UE-090704), $4,853.00 million in 2012 (D-UE-111048), and $5,166.53 in 2017 (D-UE-170033).



Macquarie's 10-year closed-end fund structure meant additional management fees for Macquarie.

Macquarie Infrastructure Partners Fund I closed in 2007 as a $4 billion infrastructure vehicle. Using an assumed MIP base management fee of between one and two percent (a conservative estimate) would yield between $40-80 million annually in investment management fees from PSE and other investments in the same fund.[2] Macquarie Infrastructure Partners Fund II closed in 2007 as a $1.6 billion fund and also would have generated management fees based on its interest in PSE. In addition, the total fees earned from the investment in PSE over the life of both funds could well have been even greater in light of the fact that Macquarie was eligible for a 20% carry of returns for all returns in excess of a certain performance hurdle.[3]

While groups like the Office of Public Counsel and other intervenors have done an excellent job protecting rate-payers from rising rates, rates have nonetheless risen during Macquarie, BcIMC's, AIMCo's and CPPIB's tenure. WNIDCL estimates that the distribution charge for gas rates has risen approximately 27% in the last ten years (not including changes that

[2] Information obtained from Preqin's Fund Term's Database, *available at* https://www.preqin.com/user/INF/FTA_SearchResults.aspx?FundType=40&fundsize=&fundfocus=US (last accessed October 22, 2018).

[3] *Id. See also* Kissel, Mary. "Macquarie's 'Specialist Funds' Could Get More Competition." *The Wall Street Journal*, 19 July 2005.

occurred after the tax cut of 2018).[4] In the same period, average monthly electric rates for customers grew by 22%.[5]

B. In the Absence of Commitments Regarding PSE's Contracted Workforce, PSE Has Failed to Use Its Increasing Revenues to Ensure That Its Supply Chain Adequately Protects Rate Payers.

In 2008, PSE made merger commitments related to low-income customers, charitable contributions, staffing, ring-fencing provisions, and a local presence. Left out in the original merger commitments, however, was a clear recognition that contracted-out labor performs a significant amount of work on PSE's system, including gas distribution pipe replacement and installation programs and traffic control. No supply chain or workforce training standards were included in the 2008 merger commitment, despite the fact that productivity and turnover rates of the contracted-out labor force is a key metric that determines whether rate-payers are getting the best value from PSE's capital expenditure programs.

The lack of merger commitments related to standards for the contracted out workforce has led to a race to the bottom contracting strategy in traffic control firms utilized by PSE. Traffic control personnel have one of the most dangerous jobs on PSE's system. They are the first line of defense for the general public, PSE's own employees, and other contracted-out construction crews. Unfortunately, low wages (at or close to minimum wage), high turnover, and safety problems have characterized PSE's approach to traffic control. A survey of traffic control employees during September 2018 showed they consistently face dangerous work-place conditions – many observed distracted drivers and traffic accidents – and understaffing of both traffic control personnel and supervisory staff was widespread.[6]

C. Inadequate Standards for Contracted Out Labor Means Compromises Safety and Reliability for Rate Payers.

PSE's utilization of contractors with low standards has a direct impact on the safety and reliability of the system for rate payers. For instance, PSE has utilized traffic control firms like K&D Services and Altus in the past. Those firms, in turn obtain labor through temporary labor agencies like People Ready (formerly known as Labor Ready). The Washington Department of Labor & Industries reports that People Ready's current worker's compensation Employer

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[4] Assuming usage of 68 therms per month, natural gas customer charges and delivery charges for residential customers have increased 27% in the last ten years. See Puget Sound Energy Natural Gas Schedule No. 23, Residential General Service, Fiftieth Revision of Sheet No. 123, Effective January 13, 2007; Puget Sound Energy Natural Gas Schedule No. 23, Residential General Service, Fifty-seventh Revision of Sheet No. 123, Effective December 19, 2017; and Puget Sound Energy Natural Gas Schedule No. 23, Residential General Service, Fifty-eighth Revision of Sheet No. 123, Effective May 1, 2018.

[5] This figure represents electric basic and energy delivery charges for residential customers assuming usage of 1000 kWh/month. Prior to the 2018 tax cut, average monthly rates for customers grew by 22% in the last 10 years. After the tax cut, growth was approximately 17%. See Puget Sound Energy Electric Tariff G, Schedule 7, Residential Service, Twenty-seventh Revision of Sheet No. 7, Effective January 13, 2007; Puget Sound Energy Electric Tariff G, Schedule 7, Residential Service, Thirty-fourth Revision of Sheet No. 7, Effective December 19, 2017; and Puget Sound Energy Electric Tariff G, Schedule 7, Residential Service, Thirty-fifth Revision of Sheet No. 7, Effective May 1, 2018.

[6] Surveys of non-union traffic control personnel on PSE worksites conducted during September 2018.

Modification Rate is 1.4288 which means injuries and accidents are almost *43% higher* than the industry norm.[7] It also means that PSE ratepayers are not getting the best "bang for their buck," as having a high EMF means that contractors like those performing work on the PSE system are paying increased workers compensation premiums, in recognition of the fact that they are providing a more dangerous workplace.

A ProPublica analysis of millions of workers' compensation claims shows that in five states, representing more than a fifth of the U.S. population, temporary workers like those performing work on the PSE system face a significantly greater risk of getting injured on the job than permanent employees.[8] Washington State's Department of Labor & Industries duplicated these findings four years later in 2017, finding temporary workers experience about twice the rate of time-loss claims per 100 full-time equivalent (FTE) workers compared to their permanent peer-workers.[9] The gap in claim rate between temporary workers and permanent peers is greater in high hazard sectors such as agriculture, manufacturing, and construction.

This trend, of employers of temporary and low-wage workforces having higher rates of workplace injuries, is the logical and predictable outcome of failing to invest in employees. Contractors that pay low wages and do not provide benefits have more difficulty retaining experienced workers. Well-tenured employees have a better understanding of safety protocols, and develop ongoing relationships with other employees on the crew, leading to better communication and understanding of procedures and protocols, and ultimately, fewer safety incidents. Traffic control firms that do not invest in their workforces are also less likely to provide employees with superior training that also results in fewer safety incidents.

The WUTC has a clear mandate to ensure all work PSE performs is done in the safest possible way. We urge the Commission to evaluate whether the proposed transaction will mean more of the same approach – high profits for investors, yet dangerous working conditions and a lack of livable wages for workers on PSE's own system, which translates into less safety and reliability for PSE rate payers.

Sincerely,

Danielle Franco-Malone
Counsel for Washington and Northern Idaho District Council of Laborers

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[7] PEOPLEREADY INC, Account no. 586,711-11, category 7116–00 Temp Help Flagging Utility Svc https://secure.lni.wa.gov/verify/Details/workersCompRates.aspx?UBI=601898135&LIC=&VIO=&SAW=false&ACCT=58671111. PSE traffic control contractors have also obtained temporary labor through FlexxStaff, another staffing agency.

[8] https://www.propublica.org/article/temporary-work-lasting-harm

[9] https://www.lni.wa.gov/Safety/Research/Files/75_27_2017_Foley_TempsWorkers.pdf