

### **Lauckhart written comments in Docket 180680 (PSE Ownership Transfer Proceeding)**

I am an energy consultant and past employee of Puget Power. I was a VP of Power Planning at Puget for the last 5 years of my 22 years of employment there until I took an exit package during their merger with WNG and became an energy consultant.

Based on my involvement in transmission planning matters at PSE in the last 3.5 years, it is apparent that foreign ownership under Macquarie has been very problematic. Foreign ownership prioritizes financial returns for distant investors over local community values. A foreign investor that is investing retirement fund monies has the primary goal of maximizing the return they make on those invested funds. This becomes particularly problematic when it comes to Transmission Planning of PSE's internal transmission system since these owners, with a primary goal of maximizing profit, have worked to avoid knowledgeable review of their desired plans to build transmission lines in PSE's service territory. In pursuing profit, the foreign owners have the incentive to build large transmission projects that are not needed in order to increase ratebase and reap the WUTC regulated return on those unneeded investments.

I have insights and expertise regarding these matters as evidenced in part by the 17 documents I submitted in the most recent PSE Integrated Resource Plan. My resume' is included as Appendix H to the **Lauckhart-Schiffman Load Flow Study** report that is the first of these 17 documents (see attached list of the 17 documents). The Commissioners themselves have acknowledged these problems in their "*Acknowledgment Letter Attachment Puget Sound Energy's 2017 Electric and Natural Gas Integrated Resource Plan Dockets UE-160918 and UG-160919.*" [e.g. at Page 10 et seq in that document.]

Given what we now know about foreign investors, it is my belief that the WUTC needs to place more conditions on any transfer of ownership that continues to result in foreign investors. Conditions need to be placed on this new ownership arrangement in order to make sure a sale wouldn't harm PSE customers.

I have over three years of first-hand knowledge of these problems since I first became involved in Macquarie transmission planning matters in May of 2015. Foreign ownership under Macquarie has resulted in a number of abuses that need to be protected against in any new ownership arrangement with another foreign owner.

A high-level overview of the abuses of the transmission planning process by Macquarie are:

- 1) Failure to examine a distribution system backup option as an alternative to the proposed Lake Hills-Phantom Lake 115 KV looping line.
- 2) Failure to request that ColumbiaGrid include Energize Eastside (EE) as a part of a regional plan despite the fact the line allegedly would enhance BPAs ability to move power to Canada and would avoid reconductoring the SCL 230 KV line through the eastside. Macquarie chose not to request EE be a part of a regional plan because to be included in a regional plan ColumbiaGrid would have been required to study the need

for the line in an open and transparent fashion with stakeholder input. ColumbiaGrid did not do that. Further, FERC would have determined how much each entity (PSE and SCL and BPA) would be required to pay for the line. Further, if the EE line were ever permitted PSE would have been required to let Independent Transmission Companies bid to build and own the line...making its capacity available for use as needed by PSE and BPA under the ITCs Open Access Transmission Tariff. Macquarie wanted none of that to happen because Macquarie wanted to spend the money itself and have it included in PSE's ratebase by the WUTC.

- 3) Macquarie also did not want BPA to be identified with paying for the line because then BPA would have been required to do the Environmental Impact Study. I believe that Macquarie preferred to have the City of Bellevue do the EIS work because PSE could more easily influence that work.
- 4) Macquarie chose not to use PSEs transmission planning experts to study the need for EE. Instead, Macquarie hired an east coast consulting firm to study the need for EE, a consulting firm that Macquarie uses for other purposes outside of its PSE involvement. There is no evidence that this outside consulting firm has adequate knowledge of the northwest power grid and there is an appearance that the firm is very interested in keeping Macquarie happy rather than performing an appropriate study of the need for EE. Their studies are clearly flawed as I have pointed out in the 17 documents I filed in the PSE IRP.
- 5) Macquarie refused to let the EE line be studied in the PSE IRP in an open and transparent fashion with stakeholder input. They simply (a) refused to answer questions placed by non-PSE individuals and (b) refused to show their studies to stakeholders who requested them and who had CEII clearance from FERC.
- 6) Macquarie could have chosen to use EFSEC to do the permitting work on the line. Instead they chose to have 5 different jurisdictions each separately perform permit hearings. And they chose to have the City of Bellevue actually conduct two separate hearings...one for the line in the south half of Bellevue and one for the line in the north half of Bellevue. Through this problematic approach the interested public (e.g. PSE customers) would be required to participate in all of these hearings. And if one jurisdiction rejects the permit, then PSE can appeal that rejection to EFSEC. PSE customers are harmed by having to participate in all of these permitting proceedings in order to make their points.

There are current mechanisms in place in Washington State to avoid these abuses. PSE owners should be using these mechanisms. Macquarie chose not to use them. The WUTC should be requiring any new owner to agree in writing to use these mechanisms in the future.

I am proposing seven conditions to be added to the list of conditions proposed by the purchasing parties. These proposed conditions will ensure that the sale will not harm PSE customers when it comes to the new owners proposed transmission projects. These conditions require the new owner to make better use of existing mechanisms available to transmission owners.

**These seven conditions are:**

- 1) If PSE believes it may need to make major improvements to its Transmission System in order to meet reliability requirements, PSE will first address the matter in the IRP. PSE will provide their studies to interested parties in the IRP process for review and inspection and will answer questions from those parties. The process will include a robust analysis of alternatives to any proposed transmission line. If necessary, the interested parties will get CEI approval from FERC and/or sign non-disclosure agreements with PSE in order to get the information they think they need about the justification of the line and alternatives to it. This process is the same process that FERC calls "***an open and transparent process with stakeholder input.***" This is required by FERC for FERC jurisdictional transmission studies. It would be consistent with the PSE IRP rule regarding transmission needs. The WUTC should require the new owner to agree in writing that the new owner will do this.
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- 3) If after review in the IRP process PSE believes that a transmission project is necessary, then PSE will put the construction of the line out to bid so that third parties (i.e. Independent Transmission Companies...aka ITCs) can bid to do the construction and own the line with PSE getting use of the line under that company's FERC approved Open Access Transmission Tariff. That is consistent with FERC rules on building transmission lines for Regional Transmission projects. That is also consistent with the WUTC competitive bidding rule for needed new generation under which the WUTC wants to ensure that ratepayers get the needed infrastructure at the lowest cost.
- 4) Whether an ITC is selected to build the line or PSE itself will be building the line, the builder will attempt to get needed permits for building the line through EFSEC if EFSEC is authorized by law to permit the line. It makes no sense for PSE to go to five jurisdictions for a permit (and require PSE customers to participate in all these hearings) when EFSEC has the authority to grant the permit. EFSEC is much more knowledgeable about transmission needs studies and has an appropriate procedure where parties can submit testimony and cross examine PSE witnesses under oath. That is where the permitting should be done.
- 5) PSE will not tell WECC and/or ColumbiaGrid that they have committed to build a line until they have received permits for the line. They can advise WECC and/or

ColumbiaGrid that they intend to build the line if they can get permits, but WECC and ColumbiaGrid should run some base cases without any PSE proposed line until permits to build the line are granted.

- 6) With respect to Energize Eastside, Macquarie/PSE have spent a lot of money trying to permit the line through filings with three of the 5 cities where they would need permits, but have not followed through on requesting all the permits. They have not asked EFSEC to permit the line. If the new owners believe that Energize Eastside is needed, they will request that EFSEC approve the line under the EFSEC procedures. PSE will make available to interested parties their load flow studies they believe justify the new line. Then parties can testify themselves at EFSEC on the need for the line and cross examine PSE witnesses under oath on their studies.
  
- 7) Also, with respect to Energize Eastside, PSE will never request inclusion in ratebase of any dollar amounts that PSE has spent on their failed effort to get CUP permits from 5 different jurisdictions. It was imprudent to start down that path and then simply stop. And it was not prudent to refuse to show their studies to stakeholders who wanted to review the studies.

**Supportive Documents provided by Richard Lauckhart in Docket No. UE-160918**  
**[Related to the need for Energize Eastside (EE)]**

<u>Date document filed</u>	<u>Brief Document Description...See full Document in UE-160918 record</u>
July 25, 2017	Several documents filed as follows:  <b>Supporting Document 1</b> -Lauckhart-Schiffman Load Flow study showing EE is not needed (includes my resume')  <b>Supporting Document 2</b> - Rebuttal to PSE criticisms of Lauckhart-Schiffman including Q's and challenges to PSE  <b>Supporting Document 3</b> -Part 3: Email demonstrating that there is no Firm Requirement to deliver Canadian Entitlement Power to the Canadian Border  <b>Supporting Document 4</b> -Copy of "Agreement on Disposals of the Canadian Entitlement within the United States" covering the years 1998-2024 referred to in the email above  <b>Supporting Document 5</b> -Blowing the Whistle Slide show questioning PSE's motive and proof of the need for EE  <b>Supporting Document 6</b> -Backstory on PSE's motive to build EE  <b>Supporting Document 7</b> -Setting the record straight on EE Technical Facts
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August 21, 2017	<b>Supporting Document 12</b> -Document describing the "fatal flaws" in the Load Flow studies PSE ran in an attempt to justify EE. Documents filed this day also include the documents

that PSE has alleged show the need for EE because these documents are referenced in the “fatal flaws” write-up

- August 22, 2017 **Supporting Document 13**-Document providing further evidence that the ColumbiaGrid System Assessment write-up stating there exists a Firm Commitment to deliver 1,350 MW of Treaty Power to the Canadian Border is not correct. Includes an email from ColumbiaGrid stating that BPA was the one that told them that such a Firm Commitment exists [even though BPA responded in a Public Record Act request that no such Firm Commitment exists]. ColumbiaGrid explains that it makes no check on what BPA tells them when they write their System Assessment document. They just include the BPA un-validated allegation in their System Assessment write-up. This allegation has subsequently been refuted by BPA in their response to the Public Records Act request
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- October 6, 2017 **Supporting Document 17**-Comments Lauckhart made at the October 5, 2017 PSE IRP Advisory Group meeting

# Citizens for Sane Eastside Energy (CSEE)

8505 129th Ave. SE  
Newcastle, WA 98056  
tel.: 425 227-3352  
[www.sane-eastside-energy.org](http://www.sane-eastside-energy.org)

October 17, 2018

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

submitted by email to [records@utc.wa.gov](mailto:records@utc.wa.gov)

Received  
Records Management  
10/17/18 08:14  
State Of WASH.  
UTIL. AND TRANSP.  
COMMISSION

Re: Puget Sound Energy's Proposed Sale of Non-Controlling Interest in Puget Holdings LLC  
Docket U-180680

To the Commission:

Citizens for Sane Eastside Energy (CSEE) is an Eastside citizen's action group committed to safe and sound Washington energy policies. Unfortunately, as evidenced by PSE's persistent foot-dragging in providing the WUTC a long-overdue, transparent and meaningful IRP as repeatedly requested by the WUTC, PSE has not been serving the public interest. This irresponsible resistance is primarily motivated by and connected to PSE's proposed Energize Eastside project. If PSE ever comes clean with the substantial amounts of data it has managed to hide regarding this project and as demanded by the WUTC to be included in PSE's IRP, it would become crystal clear that there is no need for it, and in any event there are far better least-cost alternatives.

For further technical and historical detail regarding much of the information PSE has kept hidden about this project, CSEE refers you to and endorses the comments submitted in this Docket by retired former PSE Vice President for Power Planning, Richard Lauckhart, attached hereto for your convenience.

For numerous reasons outlined at our web site at [www.sane-eastside-energy.org](http://www.sane-eastside-energy.org), CSEE submits Energize Eastside is a massive fraud, driven solely for the purpose of maximizing profits for PSE's foreign owners. It does not serve the public interest for its Washington ratepayers.

WAC 480-100-238 - "Integrated resource planning," provides *inter alia* the following:

"(6) The commission will consider the information reported in the integrated resource plan when it evaluates the performance of the utility in rate **and other proceedings**." (emphasis added).

This Docket is such an "other proceeding." Clearly implicit in subsection (6) is the obvious fact that WUTC can and should impose consequences and conditions *if insufficient information exists* in a regulated utility's defective IRP, such as is the case with PSE. The WUTC should condition its approval of the sale subject to approval in this Docket on receiving a complete, overdue, and transparent PSE IRP.

The WUTC has now the rare opportunity to exercise meaningful regulation to exact IRP compliance from a rogue utility *before* its disastrous project is built. If there is to be a successor to Macquarie as a major investor in PSE, then it should not get entry into Washington State without the WUTC's first obtaining from PSE a compliant IRP.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry G. Johnson", with a long horizontal flourish extending to the right.

Larry G. Johnson  
Attorney at Law, WSBA #5682  
Citizens for Sane Eastside Energy (CSEE), [www.sane-eastside-energy.org](http://www.sane-eastside-energy.org)  
8505 129th Ave. SE  
Newcastle, WA 98056  
tel.: 425 227-3352  
[larry.ede@gmail.com](mailto:larry.ede@gmail.com)

cc: CENSE



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Under the Macquarie foreign ownership group, PSE has (and still is) abusing the transmission planning process. I have submitted written comments in this proceeding detailing those abuses and suggesting that this commission put a stop to these abuses by putting seven additional conditions on your approval of this ownership transfer to another foreign owner group.

Your trial staff advises me that this is the wrong forum to raise these matters. They say I should raise these matters in the IRP or in a prudency hearing. Of course, the problem with raising these matters in a prudency hearing is that the environmental damage does not get fixed if this Commission does not approve the expenditures on a transmission line after the line is built.

One would think that the IRP process should be able to address these matters. But if PSE refuses to cooperate in an IRP process and the WUTC does not require them to cooperate, then that is not a remedy.

As you know, this year the Commission has admonished PSE for not properly dealing with transmission matters in their last IRP. That was done in your Acknowledgement Letter Attachment in PSE's last IRP (UE-160918).

I have submitted comments on PSE's new IRP (UE-180607) that the deficiencies articulated by this Commission in their Acknowledgement Letter need to be addressed in this next IRP. **But I see nothing in the 2019 IRP workplan that indicates these deficiencies will be addressed.**

And more telling, PSE is still telling IRP Advisory Group members that they will not be answering questions on their justification for EE. In a Sept 19, 2018 letter, in response to an information request from Don Marsh, PSE has declined to answer questions for CEII reasons or confidentiality reasons.

CEII reasons: In that Sept 19, 2018 letter PSE stated that even though the member has CEII clearance from FERC, that ***“Please note that FERC approval does not constitute PSE approval. FERC jurisdictional entities such as PSE have their own CEII processes and procedures that are meant to function and be applied for separately and independently from those of FERC.”*** And PSE refused to give their CEII approval and answer questions.

Confidentiality reasons: In that same Sept 19, 2018 letter PSE stated that ***“Historical loading on individual substations is confidential in order to protect customer sensitive information so this request is denied “***

It appears that once again the IRP process is being abused by PSE by their refusal to conduct IRP related analysis in an open and transparent manner with stakeholder input. **This PSE continued refusal to provide information is unacceptable.**

I am suggesting in this proceeding that the Commission place “conditions” on your ownership transfer approval that fix these problems. If you feel the matter does not need to be dealt with here because it can be addressed in the IRP itself, then you need to step up and demand that PSE conduct their IRP analysis in an open and transparent manner with stakeholder input. You could have a confidentiality agreement process in the IRP proceeding if necessary. If PSE refuses to answer questions you could set a “fact finding” hearing under which PSE witnesses answer questions under oath on the studies they include in the IRP. Or there is another possibility to assure the need for Energize Eastside is studied appropriately in the IRP in an open and transparent fashion with stakeholder input. That would entail the WUTC, as a part

of the IRP, making a FERC Order 1000 request to ColumbiaGrid to include Energize Eastside as a part of a Regional Plan and hence have ColumbiaGrid study the need for Energize Eastside in accordance with FERC Order 1000 rules. The results of that study would be brought to the IRP. I have separately filed comments on that possibility in PSE IRP Docket UE-180607.

I agree that conditions in this hearing would not be necessary if the IRP was conducted in an open and transparent matter with stakeholder input. I believe that is what is supposed to happen in the IRP. But it is not happening.

In order to protect PSE customers, you need to address these problems with PSE transmission planning that have arisen under foreign ownership. You could do it by placing the conditions I propose on your approval of the ownership transfer. Or you could do it by requiring PSE to conduct their IRP process in an open and transparent fashion with stakeholder input. Or in conjunction with the IRP you could request that ColumbiaGrid do the studies of the need for Energize Eastside.

You need to do at least one of these things in order to protect PSE customers.



Sue Stronk  
12917 SE 86th Place  
Newcastle, WA 98056

October 18, 2018

Washington Utilities and Transportation Commission  
PO Box 47250  
Olympus, WA 98504-7250

Comments for Docket No. U-180680  
PSE Ownership transfer proceeding on November 5, 2018 WUTC Hearing Room

Dear WUTC Commission,

I am a taxpayer and ratepayer of PSE and will admit I started out as a NIMBY (Not in my Backyard) when I learned almost 5 years ago that PSE was proposing to build “Energize Eastside” adjacent to my property within only a 100 foot right of way space between homes—100’ roof to roof from my house to my neighbor’s house. Taller towers, power from 115kV to 230kV—in the same space that two Olympic Pipelines exist—carrying 13 million gallons of jet fuel daily.

PSE, by allowing the Olympic Pipeline to construct pipelines of 16” and 20” diameters years ago, gave up their rights to construct another project safely in such a small space. Yet they continue to say that all is well. They can do it! When AEP-OHIO says they need 120’-150’ right of way space to build a 230kV project—which one pole would be centered in that ROW space and totally without any pipelines down the center! PSE is doing everything— safe or not, and when not even needed—to force this project into this space!

What I have learned in these 5 years truly baffles me and ANGERS me—to see the lack of control and oversight of PSE. Yet again, we face more foreign ownership to control PSE. It is high time the commission steps in to assure me that I have protections—for my safety, against lies and corporate greed, and consumer fraud if this project cost is passed to me and all ratepayers when the EE project is not needed.

What I have learned:

- PSE is 100% foreign owned. Amazing to me that government would allow something as important as power infrastructure to be completely foreign owned.
- Then to learn “investor owned” for profit ownership! Great reason to only allow PUD’s in our state.
- Then I learn the WUTC really has no oversight or can tell PSE what to do—only pass along rate increases AFTER a project is complete. So backwards—this needs to change!! Sweet deal for PSE. You have never denied them passage of rates for a project.
- Then to learn you allow them almost 10% return to build infrastructure projects! What an incentive for PSE not to look into 21st century solutions to power needs! Where can I invest with such grace? And atop all this—PSE keeps projects in house and is not required to do a competitive bidding practice. So much room for corruption! I hear you say PSE must use “least-cost alternatives”. Why when 21st century power solutions are available, they not required to use them?
- You must insist on PSE transparency. In IRP meetings, I have heard you say PSE should be transparent and allow those with proper clearances to access their numbers on Energize Eastside. PSE will not share their data—and they know you can’t force them. What is wrong with this picture?

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—When I learn of PSE advertisement lies: The grid on Eastside has not been updated since the 60's-FALSE. The area is growing so fast, look at all the cranes and construction, we need more power—FALSE again! Power needs everywhere are leveling off due to conservation and modern equipment. This is your business—you should know this!

—Why does PSE continue over the 4-5 years to change the EE story? First it was a winter peak need and sending 1500MW power to Canada? Soon PSE dropped talking about power to Canada since FERC defined EE as a local project. Now PSE says it is a winter peak problem! Also last minute, PSE has bifurcated the project into south of Bellevue first, then north of Bellevue later! This is one project from the beginning—this should not be allowed.

—When I learn that PSE could take Energize Eastside to EFSEC for quick approval if this project is truly so “essential”. Oh—they would have to testify under oath that it is needed? Of course they choose to burden 5 municipalities for 5 years of their time and effort to deal with something so complex.

—How can PSE have spent \$54 million to date on Energize Eastside before it is vetted as a viable project? I have said to PSE employees that I hope the UTC does not allow you to charge us for this travesty. And they say to me—“you are already paying for it!” How do you think I feel? PSE is rolling the dice again—that they will get lucky that no one will question this project with a critical eye—and again get another project built, costs passed to ratepayers, so PSE investors can reap the \$billion dollar profit of this project over its lifetime.

—WHY do I as a taxpayer and ratepayer have to pay thousands of dollars out of pocket—my money— to have this project vetted by experts who agree—this project is not needed. And there is no oversight by you and there is no stopping PSE from creating an industrial scale project through Eastside neighborhoods, unsafely built within feet of hazardous high pressure petroleum pipelines in a earthquake fault zone! PSE says—Safety is number one! Yet they continue to get fined for poor safety practices.

This is where you—the WUTC—must now make sure that PSE is forever transparent, honest, consumer driven, not investor profit driven. You need to control a runaway utility and protect your citizens from harm with your oversight and control. Now is the perfect time to exercise oversight and control over these new PSE owners for my protection as well as all ratepayers protection. This is your job.

Thank you for listening—

Sue Stronk

20 October 2018

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

Submitted by email to [records@utc.wa.gov](mailto:records@utc.wa.gov)

**Re: Puget Sound Energy's Proposed Sale of Non-Controlling Interest in Puget Holdings LLC  
Docket U-180680**

To the Commission:

The sale of Puget Sound Energy to Macquarie Infrastructure Partners ten years ago was a huge mistake. Allowing Macquarie to exit and grant majority control to the Canadians and the Netherlands compounds that mistake.

The acquisition of PSE by private equity shareholders of Macquarie in 2008-2009 narrowly passed the WUTC by a split vote. When Puget Sound Energy was being acquired by Macquarie Infrastructure Partners, the WA Attorney General's office opposed the sale of PSE to Macquarie citing, "...it will place great pressure on the Commission to approve the necessary large and frequent rate increases on a consistent basis...**reduce the Commission's ability to effectively regulate PSE...**"

WUTC Commissioner Philip Jones also opposed the sale. He said, "The settlement agreement in its current form **creates too much risk and potential harm for ratepayers and stakeholders**. The proposed agreement sets forth a capital structure with excessive debt for Puget Energy and PSE, and creates a privately held investor consortium that lacks sufficient transparency compared to the status quo."

Jones said that he believes "the increased debt load creates undue risk for ratepayers by requiring PSE to create sufficient cash flow to service the substantial amounts of new debt" and "it will **place great pressure on the commission to approve the necessary large and frequent rate increases on a consistent basis.**"

<http://wutc.wa.gov/webimage.nsf/0/282DEDF46BFA989B8825753000005D8F>

Sadly, those prescient words have become a reality. This is a nightmare for PSE ratepayers. Is it any wonder why Jefferson County disconnected from PSE? Or why Microsoft pulled the plug from PSE after paying \$23M? Or why Bainbridge Island sought to form its own PUD last year? The message is clear: PSE is a monopoly that flaunts a blatant disregard for regulatory authority.

Let's learn valuable lessons from this recent history and not repeat the same mistakes.

The sale of PSE to foreign entities should require a rigorous review by the Committee of Foreign Investment (CFIUS). This sale warrants a full investigation of national economic security risks, cyber-security risks, and physical security risks posed by foreign, privatized ownership of a utility critical to the Puget Sound economy. In 2014, the Federal Energy Regulatory Commission (FERC) tasked the U.S. Senate Energy & Natural Resources Committee (Sen. Maria Cantwell, Ranking Member) to stop leaks of sensitive information after a series of *Wall Street Journal* articles provided hints at grid vulnerabilities.

- How much does foreign ownership of critical U.S. infrastructure compromise grid vulnerability and provide undue economic leverage?
- How are foreign entities equipped to guarantee the protection of sensitive Critical Energy Infrastructure Information (CEII) grid data?

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- How are foreign entities motivated to encourage 21st century renewable energy generation and technology solutions that decrease local greenhouse gas emissions to protect the environment? Canada has demonstrated it has no interest in preserving the environment based on recent federal actions taken with regard to the Alberta tar sands, the Canadian Kinder Morgan Trans Mountain Pipeline, and Site C.
- Why wasn't Macquarie subject to CFIUS review during the sale of PSE in 2008?
- How did Macquarie reduce its majority ownership in PSE from 51.4% in 2008, to 44% in 2018, giving Canadian pension plans further leverage, without public comment and rigorous review by the WUTC?
- How will foreign ownership of PSE serve the best interests of ratepayers and local communities when those foreign entities are beholden to prioritizing financial returns for distant shareholders and investors?

Total PSE ownership by Canadian Pension Plans and the Netherlands Pension Plan compounds Puget Sound's energy issues. The *Fortune* article, ***These Canadians Own Your Town***, provides perspective on the financial motivations of PSE's Canadian owners. "The Canadian Model" has been perfected, and we are watching it unfold before our eyes. <http://fortune.com/2015/12/02/ontario-teachers-pension-fund/>

*"Canadian - model investing means minimizing passive stocks-and-bonds portfolios and buying sizable direct stakes -- in companies, in infrastructure, in property. It also means running a pension fund as an independent business: no handing management reins to political cronies, no farming out research to expensive outside advisers. It means bringing in top pros and paying them handsomely, the better to keep them on board."*

*"In its hunt for cash flow, the fund is increasingly deploying those boots in infrastructure deals... Infrastructure hits a sweet spot for managers who need to pay for teacher pensions 50, 60 or 70 years out.... It's a 'critical asset' that will provide inflation-protected returns to match our liabilities..."*

*"... it means higher-than-average returns paired with lower-than-average risk." .... "If you execute the Canadian model correctly -- and there is 20 years of data on this -- it is worth an extra 2% every year ... Compound that every year, and then look at your returns...The Koreans are doing it, the Singaporeans are doing it, **the Dutch** are doing it... All the largest sovereign funds are trying to do it. **The Canadians have figured it out—and they have the returns to prove it...**"*

*"If the fund buys a stake in your private firm, they explain, it would like to help call the shots. No 5% or 10%, slice thanks; more likely it will shell out for 30%, 40 or 50% or more .... and Board seats ....It's not unusual for us to have absolute control."*

*"If [the pension fund] doesn't like what it sees ....heads may roll."*

The Canadians are NOT our friends in this proposed sale. Total PSE ownership by the Canadian Pension Plan Investment Board (CCPIB, BC investment board and Alberta Investment Board, and the Dutch Pension Plan) only compounds the Puget Sound's energy issues. Foreign ownership escalates costs to ratepayers while providing lower levels of service and decreased electricity reliability. Service and reliability metrics under PSE's current foreign ownership during the past 10 years clearly illustrate these facts. **"It creates too much risk and potential harm for ratepayers and stakeholders."** - *WUTC Commission Philip Jones*

PSE is pushing at least two major, unnecessary, infrastructure projects to prop up declining revenues – the Tacoma LNG plant and the Energize Eastside transmission line. Has the ORENS group been informed of the overwhelming independent evidence showing that Energize Eastside not needed? Is ORENS aware of the permitting problems posed by these projects? Would ORENS seek to request that Energize

Eastside permitting be done at EFSEC rather than seeking to overwhelm (and influence) 5 city jurisdictions with technical details those cities are ill-equipped to analyze? Is the ORENS group committed to addressing the list of deficiencies highlighted by the WUTC regarding the Energize Eastside project in the last IRP? Projects like Energize Eastside are extremely profitable to PSE because they are not required to be competitively bid and they reap an additional guaranteed rate of return for nearly 40 years (a perfect pension plan investment) – whether the infrastructure is necessary or not. It is very unlikely that the Energize Eastside project would pass a Prudency Review by the WUTC, nor would it pass muster with EFSEC.

Sen. Cantwell opposed the privatization of Bonneville Power Administration (BPA), proposed by President Trump earlier this year. Allowing Canada and the Netherlands to gain further control of PSE is akin to that privatization. I urge you to intervene and investigate this proposed sale, before it is approved.

I wrote Sen. Cantwell's office and the U.S. Senate Energy and Natural Resources Committee in 2014 warning of the current and future dangers to foreign ownership of PSE. Sadly those concerns have only grown since then, with the impending sale of PSE that increases Canadian ownership to 90% and 10% ownership by the Dutch.

This Docket is subject to WAC 480-100-238 and clearly indicates that the WUTC can – and should, as a bare minimum – condition its approval of the sale of PSE, requiring PSE to update and provide accurate information in PSE's deficient IRP. The WUTC has a timely opportunity to exercise meaningful regulatory authority. If there is to be any successor owner as a major investor in PSE, the WUTC should first hold PSE accountable to clean up its mess of an IRP before new ownership is granted. It is the right and logical thing to do for ratepayers, and for any new owners and stakeholders.

**It's time to get answers from CFIUS, the U.S Senate Energy and Natural Resources Committee, Senator Cantwell, the WA AG's office, and the WUTC. I ask the WUTC (state) and CFIUS (federal) to intervene and block this acquisition - and future acquisitions - until these questions and concerns can be addressed.** Selling PSE to controlling foreign interests poses too much risk and potential harm for ratepayers, stakeholders, and the environment.

Sincerely,

Russell Borgmann  
2100 120<sup>th</sup> Place SE  
Bellevue, WA 98005  
425.445.4298  
rborgmann@hotmail.com

<https://realassets.ipe.com/news/omers-and-pggm-invest-in-puget-sound-energy-as-macquarie-exits/realassets.ipe.com/news/omers-and-pggm-invest-in-puget-sound-energy-as-macquarie-exits/10026167.fullarticle>

<https://pse.com/aboutpse/PseNewsroom/NewsReleases/Pages/Puget-Sound-Energy-welcomes-new-investment.aspx>

<https://omersprivatemarkets.com/omers-infrastructure-announces-investment-puget-sound-energy>

<https://www.pggm.nl/english/who-we-are/press/Pages/Puget-Sound-Energy-welcomes-new-investment.aspx>

**From:** [Lori E](#)  
**To:** [UTC DL Records Center](#)  
**Subject:** Public Comment -Puget Sound Energy's Proposed Sale of Non-Controlling Interest in Puget Holdings LLC Docket U-180680  
**Date:** Sunday, October 21, 2018 2:48:39 PM

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October 21, 2018

Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250 Olympia, WA 98504-7250  
Submitted by email to [records@utc.wa.gov](mailto:records@utc.wa.gov)

Re: Puget Sound Energy's Proposed Sale of Non-Controlling Interest in Puget Holdings LLC  
Docket U-180680

Dear WUTC Commission:

As a citizen, ratepayer, and taxpayer I oppose the ownership of our utility Puget Sound Energy (PSE) being controlled by any foreign entity. It is concerning now with the sale of PSE to Canadian and the Netherland majority control. The decision in 2008-2009 allowing acquisition by a private equity of shareholders -Macquarie passed by a narrow margin. The acquisition was opposed by our Washington Attorney General with concern over the commissions ability to regulate the utility. The WUTC must regain proper control now and regulate to protect citizens from unnecessary rate increase and the safety of our grid.

Please consider this sale by requiring a rigorous review by the Committee of Foreign Investment (CFIUS). With all the risks of national security, cyber security, and physical security all causing our electric grid vulnerable.

PSE has become a monopoly with little oversight. Foreign ownership of PSE fails to serve the best interests of the people and communities it serves. I have written to you before with concern. For the last five years i have been involved with a group of citizens fighting a PSE project called "Energize Eastside". This sale should be stopped. The citizens do not want the risk, or harm being caused by this company. They have us hostage.

Sincerely,

Lori Elworth

8605 129th Ct SE  
Newcastle WA 98056

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10/22/18 08:17

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22 October 2018

Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250 Olympia, WA 98504-7250  
Submitted by email to [records@utc.wa.gov](mailto:records@utc.wa.gov)

Re: Puget Sound Energy's Proposed Sale of Non-Controlling Interest in Puget Holdings LLC  
Docket U-180680

To the Commission:

Foreign ownership of our electrical generation, transmission, and distribution systems puts the Puget Sound region at grave risk of being a target of foreign adversarial actions. Any one of these generation, transmission, or distribution elements can be exploited to cause harm. Worse, all three elements are controlled by a single foreign owned monopoly which presents a single point for coordinated manipulation of the infrastructure. The opportunities for exploitation are numerous, and range from economic manipulation to disruption of service. Whether there every was a time where we could trust the benevolence of foreign strangers controlling our electrical power infrastructure, we cannot do so now.

Long ago, a monopoly across the region and layers of generation, transmission, and distribution may have been of value, but it now to our detriment. Foreign ownership compounds the ills of zero competition and unilateral decision making. Energize Eastside is a case in point where the foreign owned monopoly has been opaque, misleading, and worse. We need to restore US ownership so we have better accountability and more assured protection against economic manipulation.

Worse than manipulation is outright attack. Cybersecurity is a critical risk. Cybersecurity breaches are not a matter of 'if', they are a matter of 'when' and 'how bad'. A basic tenant of cybersecurity is to employ multiple layers of protection such that an attack is slowed, detected and defeated. By allowing foreign ownership, we strip away the most fundamental outer layer of protection, i.e., prevention of foreign access. We need to maintain a defensive stance and be proactive in protection of our infrastructure by putting the safeguards in place before they're needed. What this means, in part, is removing any possible access by non-US persons to any control of the infrastructure, including design, planning, and operation. With foreign ownership, there are no means by which the WUTC or any other agency can enforce a protection boundary, Foreign ownership leaves the backdoor wide open for state actors or other entities to adversely affect our infrastructure. Can we know for sure that the hooks to launch a zero day exploit are not already in place? We'll never find that out from a foreign owned monopoly.

The WUTC should not abdicate its responsibility to protect us. Please fully consider the risk and do not make the foreign sale mistake twice.

Sincerely,

Brian Elworth  
8605 129<sup>th</sup> Ct SE  
Newcastle, WA 98056

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October 23, 2018

Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250 submitted by email to records@utc.wa.gov and  
Utility@ATG.WA.GOV

To: Washington Utilities and Transportation Commission,  
Docket U-180680

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10/24/18 08:01  
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COMMISSION

Subject: Comments on Proposed Sale of Puget Sound Energy (PSE)

I am a citizen of Bellevue, Washington, Electrical Engineer and PSE ratepayer. I have worked with PSE for many years in the slow process of improving the Reliability in our Bridle Trails Neighborhood of 9000 plus residents. I currently serve as a Technical Advisory Group Member for the 2019 Integrated Resource Plan (IRP).

I am asking the commission to do a thorough review to establish conditions of sale to improve the customer experience for ratepayers. This sale proposes to conduct "Business As Usual" and "Cause No Harm". "Business As Usual" could mean continuing old practices and could cause harm by not embracing improvements in a timely manner. Following are Conditions of Sale for your consideration:

1/ **National Security:** The Commission should require that the transaction be reviewed by the Committee on Foreign investment in the U.S (Cfius). PSE possesses important technology and infrastructure investments that could not be guarded by foreign owners to US standards. This certainly would be to the detriment of ratepayers.

2/ **Customer Satisfaction Goals:** J.D. Power Associates rates electrical power customer satisfaction ratings with peers yearly. PSE's latest rating is 671 points



out of a possible 1000. This shows that there is much room for improvement. As a condition of the sale there needs to be a do better process in working with ratepayers. See <https://www.jdpower.com/business/press-releases/jd-power-2016-electric-utility-residential-customer-satisfaction-study>

**3/ Transparency of Electrical Power Needs:** To protect ratepayers this is essential when reviewing projects. Current projects such as Energize Eastside and 148th Ave NE Transmission Lines do not have this benefit of fairness review by sharing data. This has occurred even though appropriate security clearances have been obtained.

**4/ Charity Equity:** Because of Foreign Ownership there is a tendency to not provide contributions to local causes on a par with other US corporations of similar size, especially local large businesses.

**5/ Need to Update Antiquated State Regulations:** As a condition to the sale establish a Good Neighbor Policy. This involves working with the UTC, legislature and stakeholders to update outdated laws that constrain and essentially block needed improvement, such as competitive bidding etc.

**6/ Permitting Process:** Most local governments do not have full technological expertise to evaluate complex projects such as a transmission line. As a condition of sale, the Commission should require these projects to be reviewed by the Energy Facility Site Evaluation council (EFSEC).

**7/ Board:** Names of Board members should be shared with the public. Currently this does not seem to be the case.

Respectively,

Norman Hansen

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Bellevue,WA 98005

425-861-7333

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October 24, 2018

Mr. Mark L. Johnson  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

Submitted via E-mail:  
records@utc.wa.gov

Re: Docket U-180680

Dear Mr. Johnson:

This office represents CENSE, the Coalition of Eastside Neighbors for Sensible Energy, a Washington non-profit corporation organized in 2013. CENSE was formed to address the regulatory, financial and environmental impacts of an eighteen mile 230 kV transmission line proposed by Puget Sound Energy which would pass through the cities of Redmond, Kirkland, Bellevue, Newcastle and Renton, which has been branded as a part of PSE's lobbying campaign as "Energize Eastside." Over the past years, CENSE has been an active participant in the review of this proposal regarding local permitting, environmental (SEPA) review and proceedings before this Commission.

CENSE has retained several experts in the field of electrical transmission and generation to assist in their review of the PSE proposal. In addition, our firm has been retained as legal counsel.

CENSE has been recently notified that PSE has filed an application requesting the Commission approve new owners of Puget Holdings LLC, the parent company of PSE. The Commission has requested that comments from interested parties be submitted by October 24, 2018.

This letter constitutes the comments of CENSE on the pending application. These comments express concerns regarding the expressed intentions of the new foreign ownership and request that, if the transfer is approved, conditions be placed on the transfer to assure consistency with the public interest.

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The application is chiefly supported by the Prefiled Direct Testimony of PSE, including its president and chief executive officer (CEO), its chief financial officer (CFO), and its vice president for energy supply, Mr. Mills. Their testimony claims that PSE has been a good corporate citizen and will continue to be such after the transfer of ownership. For example Ms. Harris, the CEO, indicates that “many of our customers are focused on preserving and protecting the beautiful, natural environment we enjoy” and claims PSE is also focused on this objective. Harris Testimony at 11, line 3-8. She further claims that PSE has “taken actions and made investments that benefit its customers and the community and has worked constructively with the Commission and stakeholders.” Harris Testimony at 11, lines 15-17. Mr. Mills indicates PSE customers “have a growing interest in the environmental impacts of their energy consumption.” Mills Testimony at 5, lines 3-4.

Testimony from the organizations that seek to buy into Puget Holdings provides similar statements, again touting the buyer’s public interest commitments. For example, Mr. Mubashir, on behalf of the Alberta Investment Management Corporation (AIMCo) indicates his company has made a “formal, public commitment to integrating consideration of environmental social and governance (“ESG”) factors in the investment decision-making process.” Mubashir Testimony at 8, lines 6-9. He goes on to say that AIMCo is a co-founder of PRESB Infrastructure “a global sustainability bench marking tool to identify the best and normative ESG practices for infrastructure funds and assets.” Mubashir Testimony at 8, lines 12-15.

While we take these hortatory statements at their face value, the testimony from representatives of these foreign pension funds discloses that none of their constituents or beneficiaries reside in or do business in the PSE service area.

What really attracts these companies to acquire an interest in Puget Holdings is guaranteed returns on investment. As Mr. Verwoest states, his company PGGM (a Dutch pension fund), “seeks to invest in secure entities, characterized by stable cash flows that are anchored in businesses and industries with proven track record. Therefore, rate-regulated utilities are attractive investments for pension plans in general and PGGM in particular.” Verwoest Testimony at 16, lines 7-10 (emphasis supplied).

Similarly, Mr. Mubashir indicates AIMCo is really interested in a “reputable, well-run utility with stable regulatory oversight and a strong management team.” Testimony at 10, lines 16-18 (emphasis supplied). To the same effect is the testimony of Mr. Zucchet, of OMERS Administrative Corporation, a retirement system based in Ontario, Canada. He states: “Rate regulated utilities have long been viewed as an ideal investment sector for OAC and pension plans in general.” Testimony at 11, lines 1-3. Mr. Zucchet points to the fact that PSE’s “established and well-functioning regulatory relationships” were “essential factors in OAC’s decision to acquire an indirect interest in PSE.” Testimony at 11, lines 8-11. In fact, what these purchasers seek investments in companies whose regulators dependably and consistently approve substantial returns on investment that

allow these companies to meet their financial objectives. Put in plain terms, these investors like the fact that PSE has been able to secure substantial rates of return on its investments from the WUTC, including the current 9.8 percent return that PSE receives on capital infrastructure projects.

While the investment objectives of the companies seeking to buy into PSE are sensible for pension funds with fiduciary obligations, they are not necessarily consistent with the public interest for rate payers and property owners in Washington state and the PSE service area. Further, current ownership has spent millions of dollars on a public relations effort, styled by its strategist as a political campaign, to sell their “Energize Eastside” project to businesses and local government on the Eastside. These costs are embedded in the Construction Work in Progress (CWIP) account provided to FERC. Ironically, the targets of this lobbying campaign, the residents and businesses on the Eastside, will end up paying for the public relations effort if PSE’s prospective foreign owners have their way.

Moreover, contrary to PSE’s political campaign, it is now evident that forecasts for capacity are either flat or declining in the Puget Sound region. For example, Seattle City Light (SCL) [projects a decline in peak loads](https://www.seattle.gov/light/IRP/docs/2018_Integrated_Resource_Plan_Progress_Report.pdf) for the next twenty years. See [https://www.seattle.gov/light/IRP/docs/2018\\_Integrated\\_Resource\\_Plan\\_Progress\\_Report.pdf](https://www.seattle.gov/light/IRP/docs/2018_Integrated_Resource_Plan_Progress_Report.pdf), page 10. This is despite the fact that residential growth rates are significantly higher in Seattle than in Bellevue. See the article in the Seattle Times dated August 8, 2018, <https://www.seattletimes.com/business/real-estate/king-county-suburbs-slow-their-housing-growth-canceling-out-seattle-building-boom/>. That article indicates that Seattle housing construction has grown 130 percent in this decade, while Bellevue’s has only grown by 11 percent. Meanwhile, PSE continues to produce load forecasts which this Commission has noted “have been overly optimistic,” based upon a study from the Lawrence Berkeley National Laboratory, as noted in the WUTC Acknowledgment Letter Attachment for THE PSE 2017 IRP (“ALA”) at page 11.

Data from the U.S. Energy Information Administration illustrates the problems posed by falling rates of growth in electric peak demand. Since 2008, winter peak in Washington State have only increased by 0.22%. Puget Sound Energy’s winter peak loads have actually decreased over the same period by -0.70%.

Much is made in PSE’s application about conformance with and continuance of conditions originating in this Commission’s 2008 docket which allowed PSE to “go private.” Those conditions were forward thinking and continue to have merit. However, times are different in 2018 than they were ten years ago. As noted above, even in the current more prosperous times (with Seattle leading the U.S. in construction cranes, with 65 cranes in July, 2018) electric consumption is declining. Electric utility companies seeking stable and guaranteed return on their investments must find sources other than retail electric sales. Indeed, the prospective owners make no bones about “seeking stable cash flows” which these investors believe can be achieved with “well-functioning

regulatory relationships.” In sum, these investors believe that this Commission will continue to allow returns on investment for capital construction that substantially exceeds returns from non-regulated investments.

But allowing such over-market returns to companies that would be entirely foreign owned does not translate into furtherance of the public interest for PSE rate payers and residents of their service area. While the pre-filed testimony contains ambiguous platitudes about environmental concerns (described above), no specifics are provided and the new owners’ beneficiaries have no tangible interest in environmental values in the Puget Sound region. Moreover, the returns on new owners’ investments would not be spent in the PSE service area or the state of Washington; instead they would eventually go into the pockets of retirees in British Columbia, Ontario, Alberta and the Netherlands. It may be more consistent with the public interest to not have large capital investments or rate increases when alternates are available that provide value to local rate payers involving less, not more, electric use.

How then should this Commission balance the financial motives of the potential investor with the public interest?

CENSE suggests conditions that require the owners of PSE to fully, completely and objectively consider alternatives that do not require capital investments and result in less actual consumption. Without conditions, these new owners are likely to continue on their business model of promoting “stable cash flows” that do not necessarily promote the public interest.

For example, demand response, efforts to shave peak demand by voluntary actions by customers, is relied upon in the Seventh Pacific Northwest Power plan to make up 600 MW of peak demand which is cost effective to develop.

<https://www.nwcouncil.org/sites/default/files/finalplanbrochure.pdf>. The concept was favorable received by the Supreme Court in *Federal Energy Regulatory Commission, Petitioner v. Electric Power Supply Association*, 135 S.Ct 2049 (2015) Supreme Court (January, 2016), where Justice Kagan wrote describing the potential results of demand response on the electric system created by excessive mid-summer heat in D.C. and the consequence of buying or generating expensive power:

Making matters worse, the wholesale electricity market lacks the self-correcting mechanism of other markets. Usually, when the price of a product rises, buyers naturally adjust by reducing how much they purchase. But consumers of electricity—and therefore the utilities and other LSEs buying power for them at wholesale—do not respond to price signals in that way. To use the economic term, demand for electricity is inelastic. That is in part because electricity is a necessity with few ready substitutes: When the temperature reaches 98 degrees, many people see no option but to switch on the AC. And still more: Many State regulators insulate consumers from short-term fluctuations in wholesale prices by

insisting that LSEs set stable retail rates. See *id.*, at 41, 43-44. That, one might say, short-circuits the normal rules of economic behavior. Even in peak periods, as costs surge in the wholesale market, consumers feel no pinch, and so keep running the AC as before. That means, in turn, that LSEs must keep buying power to send to those users—no matter that wholesale prices spiral out of control and increased usage risks overtaxing the grid.

But what if there were an alternative to that scenario? Consider what would happen if wholesale market operators could induce consumers to refrain from using (and so LSEs from buying) electricity during peak periods. Whenever doing that costs less than adding more power, an operator could bring electricity supply and demand into balance at a lower price. And simultaneously, the operator could ease pressure on the grid, thus protecting against system failures. That is the idea behind the practice at issue here: Wholesale demand response, as it is called, pays consumers for commitments to curtail their use of power, so as to curb wholesale rates and prevent grid breakdowns. See *id.*, at 44-46.

The issues raised by Judge Kagen are very similar to ones raised by this Commission in its ALA at page 5 where there was considerable discussion of resource adequacy with a conclusion that “a capacity short position is an increasing possibility.” At page six, this Commission indicates that “historical experience suggests the demand will be inelastic, leading to very high costs of purchasing capacity from the tight market.” Page 6. The Commission’s conclusion was that “the absence of a plan for eliminating reliance on market purchases over the 20-year plan carries excessive risk” (emphasis supplied). Of course, for companies seeking a stable cash flow, these “very high costs” will not impact equity owners, but rather provide an opportunity to pass on costs to the local rate payers without impacting retail revenues.

As described above, one of the capital projects that has been proposed by PSE is the “Energize Eastside” project, an 18 mile 230 kV transmission line running through Redmond, Kirkland, Bellevue, Newcastle and Renton. The specific distribution project, now costing about \$300 million, was originally designed for conditions in 2010. At the time Puget Sound Energy estimated that its total peak load would be 5,960 MW in 2018. But for many years, Puget Sound Energy has experienced no growth in their peak loads. In fact, the 2010 forecast is now 40% above current peak loads.

We believe that “Energize Eastside” has become obsolete given current conditions and has passed from prudent utility planning to gold-plating the existing distribution system. We are concerned that the objective of assuring “stable returns on investment” through unwarranted projects will come at great expense to local rate payers and property owners.<sup>1</sup>

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<sup>1</sup> Indeed, BPA abruptly cancelled its I-5 Reinforcement Project, 80 miles of transmission in Southwest Washington and Northern Oregon, citing the availability of non-wire alternatives. See <https://www.bpa.gov/Projects/Projects/I-5/Pages/default.aspx>.

This concern is amply illustrated by the most recent Moody's concerns about the highly leveraged nature of the company – a fact that contributes significantly to the low bond ratings at both the corporate and the utility levels. Moody's Investors Service, Credit Opinion, Puget Sound Energy, Inc., Update following rating affirmation, 31 August 2018, [www.Moody's.com](http://www.Moody's.com).

In the ALA, at page 10, this Commission also raised questions about the "Energize Eastside" project, including load assumptions, the withholding of modeling date, and Canadian entitlement returns. This Commission also stated that:

it is still not clear if a joint utility analysis of all available transmission and potential interconnections in the Puget Sound region might solve the Energize Eastside reliability issues.

ALA at 11. Additionally, as described above, aggressive demand response would address both the concerns inherent in the "Energize Eastside" project, but also "excessive risk" of purchasing capacity on the spot market.

Based on the foregoing, CENSE requests that the Commission, if it approves the transfer to the new buyers, include public interest conditions that address the announced intention of these buyers to rely upon PSE operations and capital projects to create a "stable cash flow."

The first condition reflects concerns about resource adequacy and the "excessive risk" from relying on the market for capacity. The suggested condition is:

Immediately following approval of the new upstream owners of PSE, an analysis shall be made of the resource adequacy, including a) the ability of fixed-cost generation assets, including those close to the load, such as energy storage, to meet peak demand and b) demand side resources such as demand response. This analysis shall be performed and prepared by a third party provider and shall be open to public review and comment. PSE shall submit this analysis to this commission and local governments in the PSE service area.

The second condition reflects continuing questions about the "Energize Eastside" project. This proposed condition is as follows:

Immediately following approval of the new upstream owners of PSE, a joint utility analysis as described in the Acknowledgment Letter shall be performed to analyze all available transmission and potential interconnections, including Seattle City Light, that might solve the Energize Eastside reliability issues. This analysis shall be performed and prepared by a third party provider and shall be

open to public review and comment. PSE shall submit this analysis to this commission and local governments in the PSE service area.

While the commitments of the new purchasing entities must be taken at face value, actions are necessary to assure that "stable cash flows" do not dominate decision making by the new owners and that the public interest remains the guiding principal.

Thank you for the opportunity to address important local concerns in this proceeding.

Sincerely,

ARAMBURU & EUSTIS, LLP



J. Richard Aramburu

JRA:cc

cc: CENSE

Melissa Cheesman, Energy Staff Regulatory Analyst, Lead Staff for Docket U-180680, [Melissa.Cheesman@utc.wa.gov](mailto:Melissa.Cheesman@utc.wa.gov)



**COMMENTS TO WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION**

RE: Puget Sound Energy’s Proposed Sale of Non-Controlling Interest in  
Puget Holdings LLC, Docket U-180680

Submitted by Puget Sound Sage: October 24, 2018

Puget Sound Sage respectfully requests that the UTC conduct full adjudication of the acquisition of PSE under the net benefits standard. We have two primary concerns regarding racial equity and workplace safety that warrant immediate attention by the UTC and priority in a net benefits analysis. They include:

1. Adequacy of PSE’s Low-Income Program in reaching all eligible households burdened by energy costs.
2. Degradation of roadway safety arising from lack of proper vetting of contractors.

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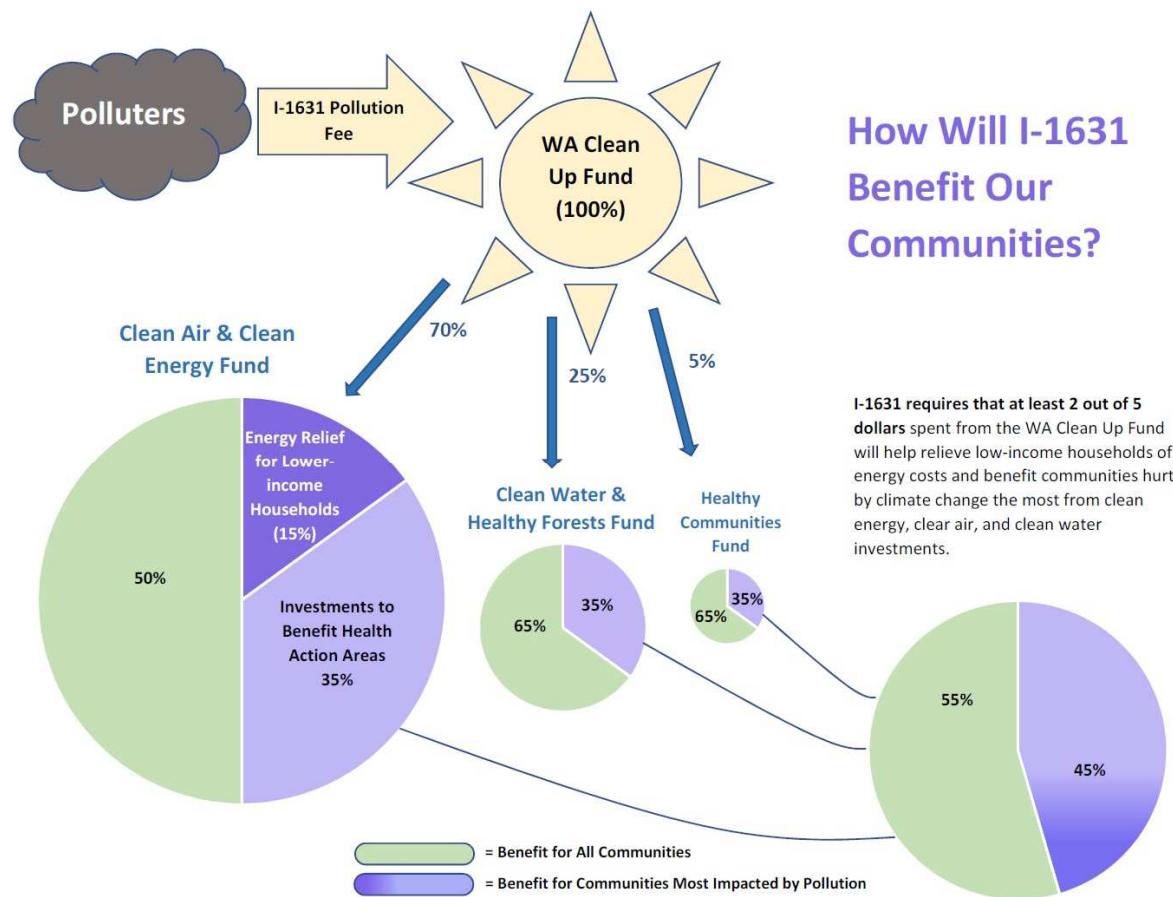
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**Puget Sound Sage represents important public interests at stake in the potential acquisition of Puget Sound Energy**

Puget Sound Sage’s mission is to combine research, innovative public policy and organizing to ensure all people have an affordable place to live, a good job, and a clean environment. We bring together community, faith, labor, immigrant & refugee, transit, environmental and public sector partners to advocate for policy that makes racial and social equity a top priority for decision makers at all levels of government. Centering racial justice and equity in all of our work, we have moved numerous groundbreaking policies on transit, housing, labor standards and climate equity.

As one example, in 2009, Puget Sound Sage co-founded [Emerald Cities Seattle](#), a partnership of labor, business, environmental and community organizations to promote energy efficiency retrofits and create quality “green job” opportunities for workers traditionally left out of construction jobs.<sup>1</sup> As a result of our work, the Seattle City Council approved a Community High Road Agreement for the City’s Community Power Works program, which ensured quality training, living wages, and career pathways for low-income residents and people with barriers to employment. The program invested \$140 million in energy efficiency retrofits, reduced greenhouse gas emissions by 169,700 tons, and provided more than 11,266 jobs. Eventually, the Highroad Agreement became a city-wide policy called Priority Hire, ensuring good jobs and opportunity for communities throughout the region.

Puget Sound Sage is also one of the leading organizations in the coalition that has become the Alliance of Clean Energy and Jobs<sup>2</sup> and we played a critical role in the drafting of Initiative 1631. The Initiative, on the ballot this fall, would institute a carbon production tax, leading to increased costs for energy produced from fossil fuels. During drafting Sage strongly advocated for provisions that would protect low income ratepayers and ensure communities of color are not burdened by increases in energy costs. If passed, Initiative 1631 would direct carbon tax proceeds to reduce the impact of utility rate increases on low-income households, as shown in the explanatory graphic we produced below.



The Office of Management and Budget estimates that by 2023, the Pollution Clean Up Fund will generate around \$1 billion in revenue. The initiative will require that about \$100 million be provided in assistance for households burdened by energy costs – including bill assistance by private utilities like PSE.

Regardless of whether I-1631 passes, carbon pricing will eventually be adopted in some form in Washington State, and equity for low-income ratepayers will be a central concern. As such, Sage has a profound interest in ensuring the current energy assistance framework is working and capable of handling the infusion of funds that we are working so hard to create. As we explain below, PSE does not provide transparency on their low-income program that either ensures success today or after adoption of a state-wide carbon policy.

**PSE provides insufficient data on the effectiveness of its low-income energy assistance programs and lacks measures of programmatic success**

Meaningful assessments of low-income energy assistance programs, particularly for racial equity, must address two questions: Are all eligible households getting assistance? Are program participants getting the right amount of assistance?

Puget Sound Energy's 'Annual Report on Program Outcome of PSE's Low-Income Program', the utility's reporting and assessment tool, lacks the data to answer either of these questions. As a result, the report fails to meaningfully assess the program or to clearly identify ways to improve it. The information PSE does provide suggests the program is falling short in both areas.

For example, PSE does not report how many of its customers were disconnected due to failure to pay. It does not report the race, gender, ages, or household makeup of those receiving assistance – critical data in assessing whether it's getting to the right people. Nor does it report the distribution of incomes of those receiving assistance. It does not identify or estimate how many people averted disconnection or other negative outcome due to assistance. These pieces of information, and the relationships between them, are critical to any fair assessment of the program.

The fact that PSE's assistance program has had unused funds to roll over each year could be taken to indicate that the program is sufficiently funded and reaching the right people. The meager relevant data in PSE's report strongly suggests this isn't the case.

Specifically, PSE reports that 90% of the customers the company disconnected from service for failure to pay in 2016 *did not* participate in its assistance program. In addition, 12% of the customers who were in the assistance program had their services disconnected for failure to pay (but there is no way to tell from the report whether PSE disconnected their service before or after they entered the program). Surely, reaching only 10% of those disconnected with assistance is too little. And disconnects among those in the program suggest that levels of assistance, which average 33% of total billing, are too low for those households and likely others.

In addition, PSE's assistance program is proportionally under-enrolled in King, Snohomish, and Pierce Counties.<sup>3</sup> Of the counties PSE serves, those three have the highest proportions of people of color.<sup>4</sup>

The \$15 million PSE collects from ratepayers and distributes for low income bill assistance is a significant amount of money and of vital importance to those households. The utility's reporting on how that money is spent is hardly commensurate. Given the amounts involved, and, in addition, the possibility of greatly increased amounts flowing into the programs under proposed systems of carbon pricing, PSE should report comprehensive data on its program, including critical information on the demographics and incomes of those in its programs and those who are slipping through the cracks.

This lack of data highlights another failure, by PSE and those setting up the assistance program, to define measures of success beyond simple dollars spent. Tracking the information called for here would allow for the development and tracking of measures of meaningful programmatic success.

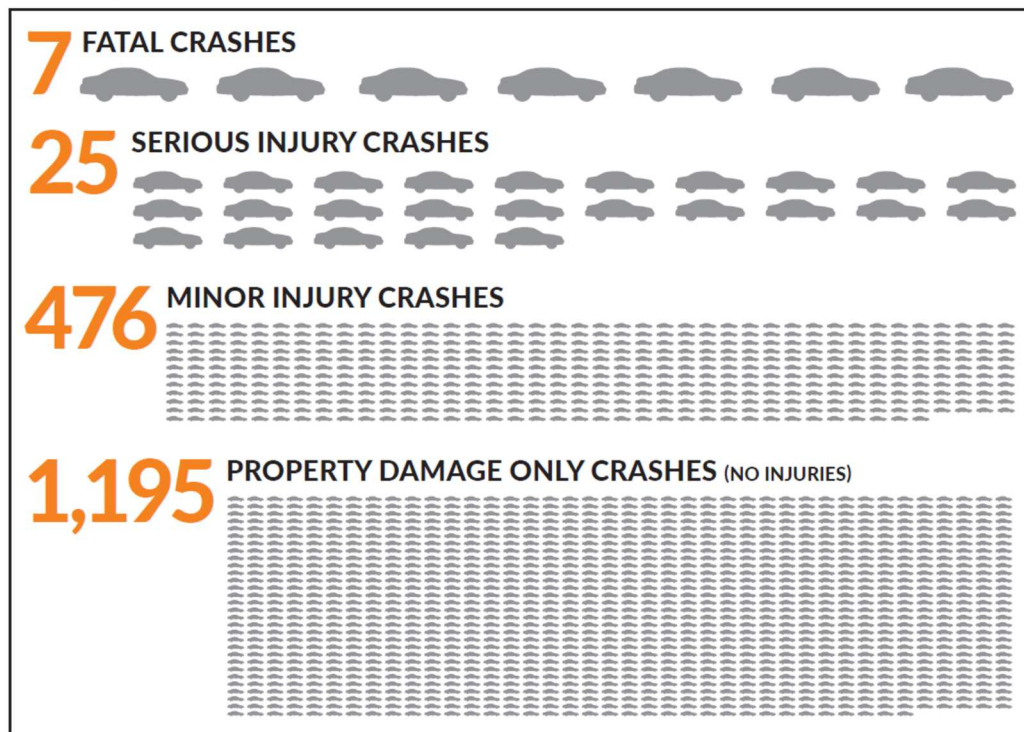
**The PSE acquisition risks worsening the safety of the utility’s infrastructure projects**

Puget Sound Sage has a longstanding interest in addressing the ways poor labor standards, particularly forms of employment that isolate companies from responsibility for their workers, harm public health and safety. For instance, we’ve examined the public health consequences of limited or nonexistent sick leave among grocery and retail workers.<sup>5</sup> We have reported on how then-pending City legislation would improve the safety and reliability of the for-hire and taxi industry.<sup>6</sup> We have researched the ways involuntary part-time, temp and contract work shifts health-care costs to taxpayers<sup>7</sup> and how use of putative contractors in the port trucking industry created health and safety hazards for nearby community residents.<sup>8</sup>

It is from this long-term interest and expertise that we want to raise the dangers of PSE’s use of unqualified contractors and staffing agencies, particularly flaggers, in its infrastructure projects.

As background, PSE lays and maintains electric and gas infrastructure in, under, and above public right-of-ways. The work zones around those projects are dangerous. According to the State Department of Transportation, there were 1,703 work zone collisions reported to police in 2017. 96% of the people hurt in these collisions were motorists, their passengers or pedestrians.<sup>9</sup>

Severity of Work Zone Collisions in 2017



Source: Washington State Work Zone Collision Facts<sup>10</sup>

The leading reasons for the collisions were distracted drivers, following too closely and speeding.<sup>11</sup> Distracted driving accidents in work zones are a particular concern as they have increased 66% in the last ten years<sup>12</sup>, probably due to increased cell phone usage. The top three work zone accidents were rear-end collision with another vehicle, striking a fixed object, and sideswiping.

A flagger's job is to prevent these accidents. Flaggers are the first to arrive in a work zone, which they physically establish by placing cones and warning signs following the project's traffic control plan. Flaggers are then tasked with maintaining the integrity of the safe work zone and directing traffic through the zone for the duration of the project. In increasing levels of difficulty and danger, this is done by pairs in visual contact with paddles, by radio contact if there's a rise or a blind corner, or with a pilot car. Regardless, flaggers are the point of first and last contact for the public. In traveling through a work zone, members of the public can drive off the side of the road, have a pipe go through their car, get hit by a construction vehicle, hit site workers, or hit another member of the public. In the most extreme cases, when a flagger fails his or her job, someone, usually a member of the public, dies.

The work is difficult. Flaggers must stand in one spot all day, maintaining focus and attention throughout. They work in beating sun, constant rain, extreme heat, and freezing temperatures all while needing to constantly survey the zone for traffic and work vehicles, head moving in a constant swivel.

PSE contracts out much of the flagger work for its infrastructure projects. One of Sage's coalition partners, the Washington and Northern Idaho District Council of Laborers, surveyed 20 flaggers that had worked for these contracted companies to gain a better sense of working conditions. The surveys indicate that many flaggers are recruited directly from daily labor firms such as Labor Ready, Command Center Temporary Labor, and Aerotek. Their rates of pay ranged from \$10.75 for \$16 per hour. They report working as much as 97 hours in a week and as few as 8. Most lack health insurance. Flaggers reported having no training, being badly understaffed, not receiving mandatory work breaks, being hit by cars and witnessing multi-vehicle accidents. Sage has studied and documented in several industries the safety and reliability problems when workers are poorly compensated and poorly trained.<sup>13</sup>

The Washington State Department of Labor and Industries calculates the risk of injury for job classifications to assess workers' compensation premiums and then applies an 'experience modification factor' for each employer, adjusting the employer's premiums for past history of accidents. An experience modification factor greater than one indicates that the employer has had more accidents than hour worked than the industry average. For the industrial classification 7116, which covers flaggers working on utility lines, PSE contractors have experience rating of 2.00 (Command Center), 1.4 (People Ready (formerly Labor Ready), 1.09 (FlexxStaff), and 1.04 (K&D Services). The premiums for Command Center's contracted flaggers are twice the industry average. Flaggers for all of these contractors are at greater risk for accidents than the industry average and so to then are members of the public going through the work zones they manage.

PSE's use of such contracted labor appears to have significantly expanded since Macquarie and the Canadian pension funds decided to take the company private in 2008. This expansion is shown in PSE's tracking of payments to contractors under the 'consultative services' section of its annual FERC reports (Form 2, also filed with the UTC). The transfer of interest in PSE to investors under consideration by the UTC will, if completed, put further pressure on PSE to expand its profit margins, a pressure that has led in industry after industry to expanding use of contracted and temporary labor.

There is a real risk, should PSE and its new owners not reform their procurement policies to incentivize a more stable, well-trained, properly compensated workforce, that this transaction will create greater risk of harm for the public and ratepayers. In the Commission proceeding considering the Avista-Hydro One merger, this issue merited enough concern to have a remedy placed in the stipulated commitments.<sup>14</sup> The Commission should insist on the same in this case. Doing nothing rises the real specter of increasing public safety hazards from its infrastructure work.

PSE's investors have seen their profits grow significantly in the last ten years. PSE's electric and natural gas rate bases have gone from \$4.1 billion in 2007 to \$6.9 billion in 2017<sup>15</sup>, a 66% increase. At the same time, residential gas and electric rates have increased 20%<sup>16</sup> and 17%<sup>17</sup> respectively, even with the recent downward adjustments accounting for the federal corporate tax reductions. PSE does not need to pad its profit by continuing, or expanding, its use of contracted labor that endangers public safety.

### **Puget Sound Sage supports a full adjudication of the acquisition of PSE under the net benefits standard**

We have high regard for the Public Counsel office's and the Energy Project's expertise and experience concerning the standards to apply to determine the type of proceeding and to judge the effects of the ownership change. Puget Sound Sage fully supports their position that a full adjudication under the net benefit standard is appropriate. As a practical matter, the sale of Macquarie's 44% interest in Puget Holdings will change which entities have ultimate decision-making power over PSE operations. In light of PSE's lack of data on the effectiveness of its low-income assistance programs and its widespread use of contracted labor outlined above, protecting the safety and interests of Washington residents and ratepayers calls for a comprehensive review of this transaction and inclusion of terms that address these issues.

For any questions regarding this public comment, please contact Howard Greenwich, Senior Policy Advisor, at 206-568-5000 x18, or at [howard@pugetsoundsage.org](mailto:howard@pugetsoundsage.org). Visit our web page at [www.pugetsoundsage.org](http://www.pugetsoundsage.org).

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<sup>1</sup> See <http://emeraldcities.org/cities/seattle/local-council>.

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<sup>2</sup> See <https://jobs清洁能源wa.com/>.

<sup>3</sup> Puget Sound Energy: Annual Report on Program Outcome of PSE's Low-Income Program for 2016 Program Year, pg. 15.

<sup>4</sup> Washington State Office of Financial Management, Race and Hispanic Origin Census 2010 and OFM SADE 2017 data, [https://www.ofm.wa.gov/sites/file/public/dataresearch/pop/asr/race/ofm\\_pop\\_race\\_2000\\_and\\_2017.xls](https://www.ofm.wa.gov/sites/file/public/dataresearch/pop/asr/race/ofm_pop_race_2000_and_2017.xls)

<sup>5</sup> Policy Brief: How Grocers and Retailers Can Curb the Spread of Illness and Promote Public Health.

<http://www.pugetsoundsage.org/research/good-jobs/paid-sick-days/>

<sup>6</sup> Report: Driving Public Good. <https://pugetsoundsage.org/wp-content/uploads/2016/09/DrivingPublicGood.pdf>

<sup>7</sup> Report: Washington's Changing Workforce: More Involuntary Part-time, Temp & Contract Work Low Wage Employers Shift Health Costs to Taxpayers. <https://pugetsoundsage.org/wp-content/uploads/2014/10/Washingtons-Changing-Workforce.pdf>

<sup>8</sup> Community Health Impact Survey Results: Port of Seattle Operations Hazardous to Health in Georgetown and South Park. <http://www.pugetsoundsage.org/research/clean-healthy-environment/community-health-impact-survey-port-of-seattle-operations-hazardous-to-health-in-georgetown-and-south-park/>

<sup>9</sup> <https://www.wsdot.wa.gov/Safety/Brake/>

<sup>10</sup> <http://www.wsdot.wa.gov/NR/rdonlyres/FC2B6398-A9D7-4E6A-8F9F-AD3181B4AF6E/0/2018workermemorialfactsheet.pdf>

<sup>11</sup> <http://www.wsdot.wa.gov/NR/rdonlyres/660961C8-8AEE-4B17-A700-36AAOF7AD09B/0/2018workermemorialinfographic.pdf>

<sup>12</sup> <http://www.wsdot.wa.gov/NR/rdonlyres/660961C8-8AEE-4B17-A700-36AAOF7AD09B/0/2018workermemorialinfographic.pdf>

<sup>13</sup> Puget Sound Sage: Our Pain Their Gain The Hidden Costs of Profitability in Seattle's Hotels, <http://www.pugetsoundsage.org/research/good-jobs/our-pain-their-gain/>; Driving Public Good. <https://pugetsoundsage.org/wp-content/uploads/2016/09/DrivingPublicGood.pdf>.

<sup>14</sup> Avista-Hydro One: Docket No. U-170970. Settlement Stipulation and Agreement Appendix A. pg. 23-24.

<sup>15</sup> See Dockets D-UE-06-0266 (2007), D-UG-06-0267 (2007), D-UE-170033 (2017), D-UG-170034 (2017)

<sup>16</sup> Schedule 23 Residential General Service. Dockets UG-060267 (2007), UG-072301 (2008), UG-111049 (2012), UG-170034 (2017), UG-180283 (2018).

<sup>17</sup> See Schedule 7 Residential Service. Dockets UE-060266 (2007), UE-072300 (2008), UE-090704 (2010), UE-111048 (2012), UE-130137 (2013), UE-170033 (2017), UE-180282 (2018).

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**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**IN THE MATTER OF THE JOINT  
APPLICATION OF PUGET SOUND  
ENERGY, ALBERTA INVESTMENT  
MANAGEMENT CORPORATION,  
BRITISH COLUMBIA INVESTMENT  
MANAGEMENT CORPORATION,  
OMERS ADMINISTRATION  
CORPORATION, AND PGGM  
VERMOGENSBEHEER B.V. FOR AN  
ORDER AUTHORIZING PROPOSED  
SALES OF INDIRECT INTERESTS  
IN PUGET SOUND ENERGY**

**Docket U-180680**

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**RESPONSE OF PUGET SOUND ENERGY TO THE COMMENTS OF RICHARD  
LAUCKHART REGARDING THE ENERGIZE EASTSIDE PROJECT**

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*I.* Puget Sound Energy (“PSE”) submits these comments in response to the comments submitted by Mr. Richard Lauckhart on September 28, 2018, in Docket U-180680 regarding PSE’s Energize Eastside project. Mr. Lauckhart’s arguments related to a long-standing disagreement with respect to the need for and process used by PSE for the Energize Eastside project. Opponents of the Energize Eastside project have challenged this project in a number of venues, including a challenge before the Federal Energy Regulatory Commission that was summarily dismissed because such challenges amounted to nothing more than vague allegations that Respondents [which included PSE] have violated Order Nos. 890, 1000, and 2000, as well as the Puget Sound Tariff and Planning Agreement, without citing any specific provision of those orders, the Tariff, or the Planning Agreement



1 that Respondents have allegedly violated. Thus, Complainants  
2 have not identified the “applicable statutory standards or regulatory  
3 requirements,” that Respondents have allegedly violated. We  
4 cannot conclude that the Complaint has sufficiently identified the  
5 behavior that allegedly violates the applicable standards or  
6 requirements, or that it has sufficiently explained how there is such  
7 a violation, when Complainants have not even identified the  
8 applicable standards or requirements.<sup>1</sup>

9 In short, the comments submitted by Mr. Lauckhart reflect yet again another  
10 challenge to a PSE infrastructure project because prior challenges have failed to  
11 receive any traction.

12 2. Notwithstanding assertions made in the comments of Mr. Lauckhart  
13 otherwise, these challenges have no relevance to existing owners of Puget  
14 Holdings LLC or the proposed transactions submitted for approval in Docket U-  
15 180680. PSE will not seek to burden the Commission’s record in this proceeding  
16 by refuting each statement made in the comments submitted by Mr. Lauckhart  
17 because such a refutation is unnecessary to assist the Commission in making its  
18 determination in this proceeding. In Part I below, PSE provides general  
19 background regarding the Energize Eastside project and the process undertaken  
20 by PSE with respect to such project, and PSE has previously provided the  
21 Commission with a discussion of the details regarding the Energize Eastside

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<sup>1</sup> *Coalition of Eastside Neighborhoods for Sensible Energy, Citizens for Sane Eastside Energy, Larry G. Johnson, Glenna F. White, and Steven D. O’Donnell v. Puget Sound Energy, Seattle City Light, Bonneville Power Administration, and ColumbiaGrid*, 153 FERC ¶ 61,076 at P 59 (2015).

1 project in Chapter 8 of the 2017 PSE Integrated Resource Plan.<sup>2</sup> In Part II below,  
2 PSE addresses each of the seven conditions proposed by Mr. Lauckhart (each, a  
3 “Lauckhart Proposed Condition”) in his comments submitted on September 28,  
4 2018.

5 **I. BACKGROUND REGARDING THE ENERGIZE EASTSIDE PROJECT**

6 3. The Energize Eastside project will build a new substation and upgrade  
7 approximately 16 miles of transmission lines within the existing corridor from  
8 Redmond, Washington, to Renton, Washington. The last major upgrade to the  
9 backbone of the Eastside’s electric grid was more than 50 years ago in the 1960s.  
10 Since then, the population of the Eastside has grown eight-fold, and the economy  
11 of the Eastside relies on reliable power in ways that it did not 50 years ago. This  
12 growth will only continue. Projections by the Puget Sound Regional Council  
13 show the Eastside population will likely grow by another third and employment  
14 will grow by more than three-quarters over the next 25 years. Combined with  
15 continued electric conservation, the Energize Eastside project will keep the lights  
16 on for homes and businesses in our Eastside communities for years to come.

17 4. The Energize Eastside project will provide the necessary infrastructure to  
18 meet federally-mandated requirements without having to plan for rotating  
19 blackouts and without having a public discussion of the need to plan for  
20 blackouts. Studies project that growth on the Eastside could cause demand for

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<sup>2</sup> Puget Sound Energy, *2017 PSE Integrated Resource Plan, Chapter 8 (Delivery Infrastructure Planning)* at 8-30 through 8-53 (2017), available at [https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP17\\_AppL\\_071817b.pdf?la=en&revision=86b2e3dd-1a25-44a6-861b-15091ef052ce&hash=AD338069E66FF08AD1D6B00E583A7C88E6C72D70](https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP17_AppL_071817b.pdf?la=en&revision=86b2e3dd-1a25-44a6-861b-15091ef052ce&hash=AD338069E66FF08AD1D6B00E583A7C88E6C72D70) \.

1 electricity to exceed the capacity of the backbone of the Eastside’s transmission  
2 system. Federal regulations require PSE to have sufficient infrastructure to meet  
3 foreseeable demand requirements for contingencies (outage scenarios) that  
4 include the loss of any two equipment elements, or plan for intentional rolling  
5 blackouts to customers. PSE’s studies show that if no action is taken to upgrade  
6 the backbone of the Eastside's transmission system, PSE may have to use  
7 additional Corrective Action Plans that include plans for intentional rolling  
8 blackouts to meet federal requirements. This could impact more than 130,000  
9 customers, at a cost of tens of millions of dollars to the local economy. No  
10 responsible utility — or community, particularly those that value sophisticated  
11 technology industries — wants to use intentional rolling blackouts as a federal  
12 compliance strategy. That certainly is not PSE’s desire.

13 5. Multiple independent studies have made it clear that we need to upgrade  
14 the Eastside’s electric infrastructure now to accommodate local population and  
15 economic growth and avoid planning for potential power outages in the very near  
16 future. The independent studies for the Energize Eastside project include the  
17 following:

- 18 • a study issued by Exponent in 2012 and commissioned by  
19 the City of Bellevue, Washington,<sup>3</sup> which determined that,  
20 as at a minimum, PSE upgrade the existing 115 kV lines to  
21 230 kV lines by 2022;<sup>4</sup>

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<sup>3</sup> Exponent, *Electrical Reliability Study Phase 2 Report* (Feb. 2012), available at [http://www.energizeeastsideis.org/uploads/4/7/3/1/47314045/final\\_electrical\\_reliability\\_study\\_phase\\_ii\\_report\\_2012.pdf](http://www.energizeeastsideis.org/uploads/4/7/3/1/47314045/final_electrical_reliability_study_phase_ii_report_2012.pdf).

<sup>4</sup> *Id.* at 123.

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- a joint study performed by PSE and Quanta Technology in 2013,<sup>5</sup> which determined that PSE has a transmission supply need on the Eastside of Lake Washington which impacts PSE customers and communities in and around Kirkland, Redmond, Bellevue, and Newcastle along with Clyde Hill, Medina, and Mercer Island;<sup>6</sup>
- a supplemental joint study performed by PSE and Quanta Technology in 2015,<sup>7</sup> which continued to determine that PSE had a transmission capacity deficiency on the Eastside that impacts PSE customers and communities in and around Kirkland, Redmond, Bellevue, Issaquah, Newcastle, and Renton along with Clyde Hill, Medina, and Mercer Island;<sup>8</sup>
- an independent technical analysis of the Energize Eastside project issued by Utility System Efficiencies, Inc. in 2015 and commissioned by the City of Bellevue, Washington,<sup>9</sup> which determined that reduced loading still resulted in overloaded transmission elements that drive the need for the Energize Eastside project to address Eastside system reliability issues;<sup>10</sup> and
- a study by Stantec Consulting Services Inc. in 2015 on behalf of the Energize Eastside Environmental Impact State Team for the City of Bellevue,<sup>11</sup> which determined that the Eastside 230 -115 kV system as it exists cannot supply the projected load under all circumstances, with the required levels of reliability that the community and neighboring

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<sup>5</sup> Puget Sound Energy, Inc & Quanta Technology, *Eastside Needs Assessment Report Transmission System King County* (Oct. 2013), available at [https://energizeeastside2.blob.core.windows.net/media/Default/Library/Reports/Eastside\\_Needs\\_Assessment\\_Final\\_Draft\\_10-31-2013v2REDACTEDR1.pdf](https://energizeeastside2.blob.core.windows.net/media/Default/Library/Reports/Eastside_Needs_Assessment_Final_Draft_10-31-2013v2REDACTEDR1.pdf).

<sup>6</sup> *Id.* at 11.

<sup>7</sup> Puget Sound Energy, Inc & Quanta Technology, *Supplemental Eastside Needs Assessment Report Transmission System King County* (Apr. 2015), available at [https://energizeeastside2.blob.core.window.s.net/media/Default/Library/Reports/SupplementalNeedsAssessmentReport\\_Redacted\\_April2015.pdf](https://energizeeastside2.blob.core.window.s.net/media/Default/Library/Reports/SupplementalNeedsAssessmentReport_Redacted_April2015.pdf).

<sup>8</sup> *Id.* at 21.

<sup>9</sup> Utility System Efficiencies, Inc., *Independent Technical Analysis of Energize Eastside for the City of Bellevue, WA* (Apr. 28, 2015), available at [http://www.energizeeastsideeis.org/uploads/4/7/3/1/47314045/cob\\_independent\\_technical\\_analysis\\_1-3.pdf](http://www.energizeeastsideeis.org/uploads/4/7/3/1/47314045/cob_independent_technical_analysis_1-3.pdf).

<sup>10</sup> *Id.* at 58.

<sup>11</sup> Stantec Consulting Services Inc., *Energize Eastside EIS Team Review of Project Need* (July 31, 2015), available at [http://www.energizeeastsideeis.org/uploads/4/7/3/1/47314045/stantec\\_review\\_memo\\_easts ide\\_needs\\_assessment\\_report.pdf](http://www.energizeeastsideeis.org/uploads/4/7/3/1/47314045/stantec_review_memo_easts ide_needs_assessment_report.pdf)

1 utilities expect, and that the Energize Eastside project is  
2 designed to bring the needed infrastructure to supply the  
3 local need.<sup>12</sup>

4 6. PSE has looked at many ways to solve the Eastside’s electrical problem.

5 Early on in the planning process, PSE studied whether the Eastside’s electrical  
6 needs could be addressed with other solutions rather than building new  
7 infrastructure. Some have suggested that PSE use batteries to store power for peak  
8 use, increase use of alternative power, build a new natural gas generation plant in  
9 Bellevue, or simply have its customers conserve more. PSE considered using  
10 batteries to store energy, but this technology has not been used for the type and  
11 scale of problem facing the Eastside. Despite the progress made by the energy  
12 storage industry in recent years, an updated analysis concluded that battery  
13 storage is still not a practical solution to meet the Eastside transmission system  
14 capacity deficiency.

15 7. PSE also investigated increased use of alternative power as a possible  
16 solution. However, solar panels don’t generate electricity during the peak hours of  
17 electricity use, which occurs on winter mornings and evenings. Siting a new local  
18 power plant in a dense urban area, such as Bellevue, Washington, would be  
19 extremely difficult to permit, and would still require new transmission lines to  
20 deliver the power to customers. Indeed, the most reliable and cost-effective  
21 solution is a combination of continued, aggressive conservation efforts and  
22 building a new substation and higher capacity transmission lines.

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<sup>12</sup> *Id.* at 9.

1 8. PSE’s Energize Eastside project included substantial and extensive  
2 community involvement. In December 2013, PSE announced the project and  
3 began a multi-year community outreach effort to share information and to review  
4 and gather feedback on potential route options. PSE also collaborated with local  
5 cities, residents, businesses and a 24-member Community Advisory Group. PSE  
6 has held over twenty public meetings and conducted over 500 project briefings  
7 with stakeholders, neighborhoods and cities. PSE has mailed multiple postcards  
8 and newsletters and received nearly 3,000 comments and questions about the  
9 Energize Eastside project.

10 9. In September 2016, PSE began offering to meet with property owners  
11 along the existing corridor to talk about site-specific designs for the Energize  
12 Eastside project. PSE shared current designs for that specific property, including  
13 pole locations and how PSE plans to access those locations during construction.  
14 These conversations helped PSE refine the project design and better understand  
15 customer interests and concerns. PSE continues to engage with the community  
16 and listen to feedback to help inform the project.

17 10. After nearly four years of study and extensive dialogue with Eastside  
18 communities, PSE selected the existing corridor “Willow 1” route as the final  
19 route to permit for the Energize Eastside project. PSE evaluated multiple route  
20 options and selected the existing corridor because it is the least impactful route to  
21 Eastside communities. PSE’s decision to use the existing corridor was guided by  
22 two key factors:

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(i) **Commitment to Safety.** Customer safety is always the first priority at PSE, and PSE has a long history of working closely with Olympic Pipe Line Co. (Olympic). PSE’s existing transmission lines have safely coexisted with the Olympic pipeline in this corridor for decades, even with periodic construction to replace poles. DNV GL, a leading national pipeline safety consulting firm, studied and confirmed that the Energize Eastside project can be safely colocated with Olympic’s pipelines throughout the existing corridor.<sup>13</sup>

(ii) **Commitment to the Environment.** This route affects the fewest number of trees and avoids the construction of new corridors. PSE knows that our customers value trees, and PSE’s goal is for there to be more trees when the project is complete, not fewer. PSE is working with property owners on property-specific landscaping and tree replacement plans for the Energize Eastside project. As a responsible and respectful neighbor, PSE is reaching out to affected property owners to discuss their preferences and identify compatible vegetation to incorporate into these plans.

Furthermore, the route will use fewer poles within the existing corridor. PSE is committed to keeping pole heights as low as possible. PSE’s plan is to upgrade the existing four wooden poles to one or two steel poles. New poles will typically be located in the same or similar locations as the existing poles. The existing poles range from 55 feet to 65 feet in height and will be replaced with either a single pole typically at 80 feet to 100 feet in height or two poles typically at 70 feet to 85 feet. In some locations, poles may need to be taller than 100 feet, such as when crossing a highway.

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<sup>13</sup> DNV GL, AC Interference Analysis – 230 kV Transmission Line Collocated with Olympic Pipelines OPL16 & OPL20 (Dec. 13, 2016), available at [https://energizeeastside2.blob.core.windows.net/media/Default/Safety/PSE\\_AC\\_Analysis\\_Bellevue\\_WA\\_FINAL\\_PP16591\\_12132016.pdf](https://energizeeastside2.blob.core.windows.net/media/Default/Safety/PSE_AC_Analysis_Bellevue_WA_FINAL_PP16591_12132016.pdf) (concluding that “the AC interference effects on the collocated pipeline segments can be reduced to a level that satisfies acceptable industry thresholds for safety and accelerated AC corrosion”).

1 11. In summary, the Energize Eastside project is a necessary infrastructure  
2 project for PSE to meet the growing electrical demand on the Eastside. PSE  
3 considered multiple options to meet this demand and determined that the most  
4 reliable and cost-effective solution is a combination of continued, aggressive  
5 conservation efforts and building a new substation and higher capacity  
6 transmission lines.

7 **II. RESPONSES TO THE LAUCKHART PROPOSED CONDITIONS**

8 **A. Lauckhart Proposed Condition 1**

9 12. Lauckhart Proposed Condition 1 would require PSE to address in an  
10 Integrated Resource Plan process any major improvements to its transmission  
11 system to meet reliability requirements. Such a condition is unnecessary and  
12 would circumvent an ongoing rulemaking by the Commission. In Docket U-  
13 161024, the Commission is considering, among other things, the topic of  
14 transmission and distribution planning within the Integrated Resource Plan (IRP)  
15 and Request for Proposal (RFP) processes. PSE will comply with the rules  
16 developed in Docket U-161024, as applicable. Any suggested requirements for a  
17 utility to consider major improvements to its transmission system as part of an  
18 IRP or RFP process should be addressed in the ongoing rulemaking in Docket U-  
19 161024, which would apply to all electrical companies subject to the jurisdiction  
20 of the Commission, and not in this proceeding, which would apply solely to PSE.

21 **B. Lauckhart Proposed Condition 2**

22 13. Lauckhart Proposed Condition 2 would require PSE to do its transmission  
23 planning work under the auspices of its own transmission planning staff. This



1 proposed condition is perplexing to PSE because the transmission planning work  
2 for the Energize Eastside project has always been conducted under the auspices of  
3 PSE's own transmission planning staff. Although PSE did retain the assistance of  
4 Quanta Technology to assist in performing studies for the Energize Eastside  
5 project, such studies were joint studies conducted under the direction and control  
6 of PSE's transmission planning staff. For example, the 2013 joint study clearly  
7 states that it was prepared by two members of PSE's transmission planning staff  
8 (Zach Gill Sanford and Carol O. Jaeger) and two members of Quanta  
9 Technology's team (Thomas J. Gentile and Donald J. Morrow). Similarly, the  
10 2015 supplemental joint study again clearly states that it was prepared by two  
11 members of PSE's transmission planning staff (Carol O. Jaeger and Eleanor M.  
12 Ewry) and two members of Quanta Technology's team (Thomas J. Gentile and  
13 Donald J. Morrow). Any suggestion that PSE abdicated its study responsibilities  
14 to a third-party is simply false.

15 **C. Lauckhart Proposed Condition 3**

16 *14.* Lauckhart Proposed Condition 3 would require PSE to

17 put the construction of the line out to bid so that third parties  
18 (i.e. Independent Transmission Companies...aka ITCs) can  
19 bid to do the construction and own the line with PSE getting  
20 use of the line under that company's FERC approved Open  
21 Access Transmission Tariff.

22 As previously discussed, the Commission is considering, among other things, the  
23 topic of transmission and distribution planning within the IRP and RFP processes  
24 in Docket U-161024. PSE will comply with the rules developed in Docket U-  
25 161024, as applicable. Any suggested requirements for a utility to submit RFPs

1 for construction of transmission lines should be addressed in the ongoing  
2 rulemaking in Docket U-161024, which would apply to all electrical companies  
3 subject to the jurisdiction of the Commission, and not in this proceeding, which  
4 would apply solely to PSE.

5 **D. Lauckhart Proposed Condition 4**

6 15. Lauckhart Proposed Condition 4 would require PSE (or any third party) to  
7 “get needed permits for building the line through [the Washington State Energy  
8 Facility Site Evaluation Council (EFSEC)] if EFSEC is authorized by law to  
9 permit the line.” Such a condition is inconsistent with existing law that allows the  
10 utility to seek review under EFSEC or the various local jurisdictions affected by  
11 the project in question. PSE understands and is fully aware of the various EFSEC  
12 processes but has elected to work directly with the various jurisdictions instead of  
13 EFSEC. PSE has elected for review by the various jurisdictions because PSE  
14 believes that such review allows for the most collaborative approach. PSE actions  
15 are entirely consistent with its rights under law, and there is nothing improper  
16 with PSE’s election to permit the Energize Eastside Project through the various  
17 local jurisdictions involved. In short, Lauckhart Proposed Condition 4 is  
18 unnecessary and inconsistent with the permitting options available to PSE under  
19 law.

20 **E. Lauckhart Proposed Condition 5**

21 16. Lauckhart Proposed Condition 5 would prohibit PSE from “tell[ing]  
22 WECC and/or ColumbiaGrid that they have committed to build a line until they  
23 have received permits for the line.” Such an obligation is unnecessary and

1 inappropriate. PSE must provide information to WECC and/or ColumbiaGrid  
2 consistent with respect to PSE's obligations to such entities.

3 17. Moreover, the Energize Eastside project is necessary to meet PSE's load  
4 obligations in the Eastside and not to address regional transmission needs. The  
5 independent technical analysis of the Energize Eastside project issued by Utility  
6 System Efficiencies, Inc. in 2015 and commissioned by the City of Bellevue,  
7 Washington confirmed that the project is necessary to meet PSE's load service  
8 obligations and not to address regional transmission needs:

9 The Optional Technical Analysis examined this issue by  
10 reducing the Northern Intertie flow to zero (no transfers to  
11 Canada). Although this scenario is not actually possible due to  
12 extant treaties, it was modeled to provide data on the drivers  
13 for the [Energize Eastside] project, to examine if regional  
14 requirements might be driving the need. The results showed  
15 that in winter 2017/18, even with the Northern Intertie  
16 adjusted to zero flow, the Talbot Hill 230/115 kV transformer  
17 #2 would still be overloaded by several contingencies (several  
18 different outage scenarios). Again, the projected overloads  
19 indicate a project need at the local level to meet reliability  
20 regulations.<sup>14</sup>

21 In other words, the comments of Mr. Lauckhart with respect to ColumbiaGrid and  
22 WECC are based on a fallacy that introduces an irrelevant topic to divert the  
23 attention from the original issue. The Energize Eastside project is necessary to  
24 meet PSE's load obligations and the relatively *de minimis* impact of the project on  
25 regional transmission needs does not convert the project into a regional  
26 transmission project.

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<sup>14</sup> *Independent Technical Analysis of Energize Eastside for the City of Bellevue, WA, supra* note 9, at 6.

1 **F. Lauckhart Proposed Condition 6**

2 18. Lauckhart Proposed Condition 6 would require PSE to “request that  
3 EFSEC approve the [Energize Eastside project] under the EFSEC procedures.” As  
4 previously stated, PSE understands and is fully aware of the various EFSEC  
5 processes but has elected to work directly with the various jurisdictions instead of  
6 EFSEC. PSE has elected for review by the various jurisdictions because PSE  
7 believes that such review allows for the most collaborative approach. PSE actions  
8 are entirely consistent with its rights under law, and there is nothing improper  
9 with PSE’s election to permit the Energize Eastside project through the various  
10 local jurisdictions involved. Lauckhart Proposed Condition 6 is unnecessary and  
11 inconsistent with the permitting options available to PSE under law.

12 **G. Lauckhart Proposed Condition 7**

13 19. Lauckhart Proposed Condition 7 would prohibit PSE from “request[ing]  
14 inclusion in ratebase of any dollar amounts that PSE has spent . . . to get  
15 [Conditional Use Permits] from 5 different jurisdictions.” This proposed condition  
16 is improper for the Commission to consider in this proceeding. PSE’s capital  
17 expenditures with respect to the Energize Eastside project should be treated no  
18 differently than capital expenditures for other projects. The Commission should  
19 reject this proposed condition and consider these costs if and when PSE submits  
20 these costs to the Commission for inclusion in rates. To prohibit PSE from  
21 seeking recovery of these costs now would improperly prejudge the prudence of  
22 these costs.

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**III. CONCLUSION**

20. For the reasons set forth above, the Commission should reject each of the seven Lauckhart Proposed Conditions.

Dated: October 24, 2018.

**Respectfully submitted,**

**PERKINS COIE LLP**

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October 24, 2018

*E-filed at [www.utc.wa.gov/e-filing](http://www.utc.wa.gov/e-filing)  
and via mail to [records@utc.wa.gov](mailto:records@utc.wa.gov)*

Received  
Records Management  
10/24/18 15:23  
State of WASH.  
UTIL. AND TRANSP.  
COMMISSION

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**

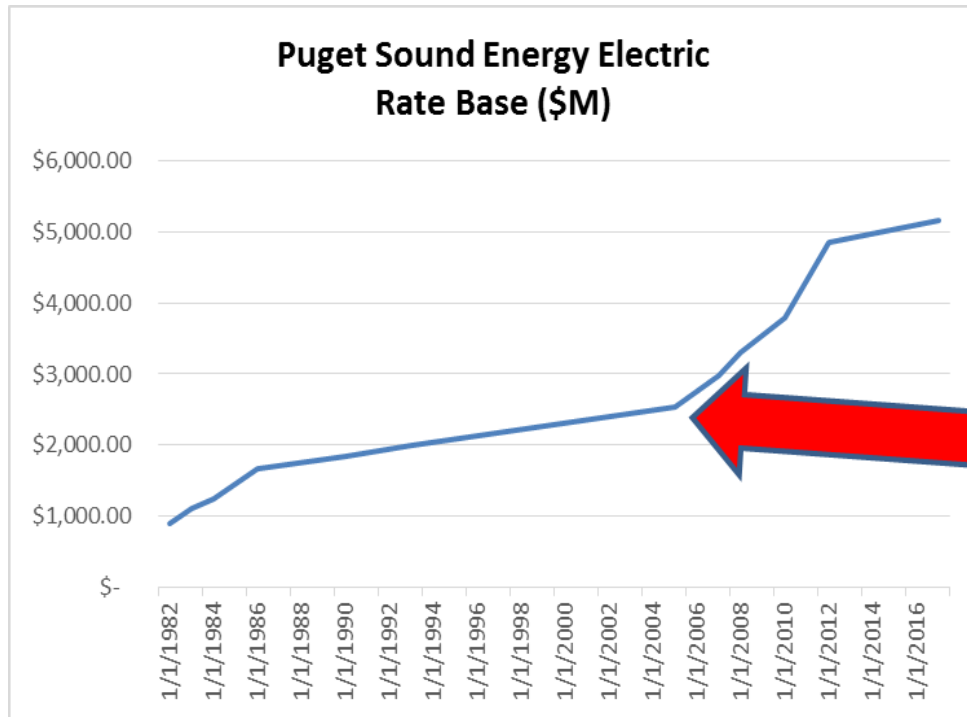
Dear Washington Utility & Transportation Commission,

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.<sup>1</sup> This rise in PSE's profits since Macquarie's tenure is demonstrated in the following chart:

<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup>

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

<sup>2</sup> 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](https://www.preqin.com/user/INF/FTA_SearchResults.aspx?FundType=40&fundsize=&fundfocus=US) (last accessed October 22, 2018).

<sup>3</sup> *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).<sup>4</sup> In the same period, average monthly electric rates for customers grew by 22%.<sup>5</sup>

**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.<sup>6</sup>

**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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<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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.<sup>7</sup> 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.<sup>8</sup> 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.<sup>9</sup> 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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<sup>7</sup> 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.

<sup>8</sup> <https://www.propublica.org/article/temporary-work-lasting-harm>

<sup>9</sup> [https://www.lni.wa.gov/Safety/Research/Files/75\\_27\\_2017\\_Foley\\_TempsWorkers.pdf](https://www.lni.wa.gov/Safety/Research/Files/75_27_2017_Foley_TempsWorkers.pdf)

Affiliated Tribes of Northwest Indians  
AirWorks, Inc.  
Alaska Housing Finance Corporation  
Alliance to Save Energy  
Allumia  
Alternative Energy Resources Organization  
Ameresco  
American Rivers  
Backbone Campaign  
Beneficial State Bank  
BlueGreen Alliance  
Bonneville Environmental Foundation  
Byrd Barr Place  
Citizens' Utility Board of Oregon  
City of Ashland  
City of Seattle Office of Sustainability & Environment  
CleanTech Alliance  
Climate Smart Missoula  
Climate Solutions  
Community Action Center of Whitman County  
Community Action Partnership Assoc. of Idaho  
Community Action Partnership of Oregon  
Earth and Spirit Council  
Earth Ministry  
Ecova  
eFormative Options  
Energy350  
Energy Savvy  
Energy Trust of Oregon  
Environment Oregon  
Environment Washington  
EQL Energy  
Forth  
Global Ocean Health  
Home Performance Guild of Oregon  
Housing and Comm. Services Agency of Lane Co.  
Human Resources Council, District XI  
Idaho Clean Energy Association  
Idaho Conservation League  
Idaho Rivers United  
Interfaith Network for Earth Concerns  
League of Women Voters Idaho  
League of Women Voters Oregon  
League of Women Voters Washington  
Montana Audubon  
Montana Environmental Information Center  
Montana Renewable Energy Association  
Montana River Action  
National Center for Appropriate Technology  
National Grid  
Natural Resources Defense Council  
New Buildings Institute  
Northern Plains Resource Council  
Northwest EcoBuilding Guild  
Northwest Energy Efficiency Council  
NW Natural  
OneEnergy Renewables  
Opower  
Opportunities Industrialization Center of WA  
Opportunity Council  
Oregon Energy Fund  
Oregon Environmental Council  
Oregon Physicians for Social Responsibility  
OSEIA  
Pacific Energy Innovation Association  
Pacific NW Regional Council of Carpenters  
Portland Energy Conservation Inc.  
Portland General Electric  
Puget Sound Advocates for Retired Action  
Puget Sound Cooperative Credit Union  
Renewable Northwest  
Save Our Wild Salmon  
Seattle City Light  
Seinergy  
Sierra Club  
Sierra Club, Idaho Chapter  
Sierra Club, Montana Chapter  
Sierra Club, Washington Chapter  
Small Business Utility Advocates  
Smart Grid Northwest  
Snake River Alliance  
Solar Installers of Washington  
Solar Oregon  
Solar Washington  
South Central Community Action Partnership  
Southeast Idaho Community Action Partners  
Spark Northwest  
Spokane Neighborhood Action Partners  
Sustainable Connections  
The Climate Trust  
The Energy Project  
Transition Missoula  
UCONS, LLC  
Union Of Concerned Scientists  
United Steelworkers of America, District 12  
Washington Environmental Council  
Washington Local Energy Alliance  
Washington Physicians for Social Responsibility  
Washington State Department of Commerce  
Washington State University Energy Program  
YMCA Earth Service Corps  
Zero Waste Vashon



**NW Energy Coalition**  
for a clean and affordable energy future

October 24, 2018

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

RE: COMMENTS ON DOCKET #U-180680

Dear Executive Director and Secretary:

The NW Energy Coalition (Coalition) submits these comments on docket # U-180680 concerning Puget Sound Energy's (PSE or Company) proposed sale of non-controlling interest in Puget Holdings LLC.

The Coalition has demonstrated experience engaging in utility ownership sales proceedings at the Washington Utilities and Transportation Commission (WUTC). In particular, we participated in these cases to ensure that the transactions serve the public interest related to energy efficiency, renewable energy resources, greenhouse gas emissions reduction policies and low-income energy services.

The Joint Applicants have taken the position that the "net benefit" standard does not apply in this case. We understand that some parties will raise the issue of whether the "net benefit" standard should apply. At this time, the Coalition has not retained legal representation in this matter. The question of the "net benefit" standard should be approached by a careful review of relevant law, and consequently is beyond the expertise of our policy staff. For this reason, we will not comment on this question at this time.

However, even if the Commission determines that the "net benefit" standard does not apply in this case, the transaction must be found to be in the public interest under the "no harm" standard in order to gain Commission approval. Any utility transfer of ownership raises uncertainties and potential risks for customers and other stakeholders. Certainly, we find this to be true for the sale of Macquarie's non-controlling 43.99 percent ownership interest in Puget Holdings, at issue in this proceeding, which brings in new owners and makes meaningful changes to the ownership structure of the Company.

These risks and concerns are best addressed by applicants who provide clear information about their plans for ownership of the utility, and include responsive, meaningful commitments. To be meaningful, commitments must be specific, measurable, and hold the applicant accountable for follow-through.

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The applicant must demonstrate value added over the status quo; otherwise change in the form of new ownership is simply not necessary in the eyes of many parties.

As an example, the 2008 Macquarie acquisition (Docket No. U-072375), in which the Coalition participated, was held to the public interest “no harm” standard because it occurred prior to the passage of the “net benefits” standard in 2009. In that case, PSE and Puget Holdings agreed to 63 commitments as part of the 2008 Settlement Agreement that was approved by the Commission, with additional conditions imposed in the Order. Those commitments were comprehensive and, in particular, the settlement offered strong commitments in the areas of energy efficiency, renewable energy resources, greenhouse gas emissions reduction policies and low-income energy services.

After a review of PSE’s filing in this matter, the NW Energy Coalition cannot determine that the proposed sale is in the public interest. From the filing alone, we do not find that the commitments as written offer a concrete proposal that would benefit, rather than harm, PSE’s customers relative to the status quo, *i.e.*, the current ownership structure.

Of note to the Coalition’s interests is the fact that there are no commitments related to energy efficiency in the transaction proposal filed by the Applicants (except for one low-income commitment that maintains the status quo). The commitments to renewable resources and low-income energy services are not new and, we are unable to determine if these commitments even satisfactorily support the status quo without more investigation and information. The commitment in the filing related to greenhouse gas emissions reduction policy has already been announced by the Company under the current ownership, consequently, this commitment does not offer any indication of a new commitment in this area by the proposed new ownership structure.

A determination of whether this proposed transaction is in the public interest requires more process and investigation by the Commission. Interested parties should have an opportunity to pursue discovery and get questions answered about both the risks and benefits of the transfer and the commitments made in the original filing. The Coalition respectfully suggests that the Commission pursue further process in this proceeding that allows for a thorough public interest review.

Sincerely,

*/s/ Wendy Gerlitz*

Wendy Gerlitz  
Policy Director  
NW Energy Coalition

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**STATE OF WASHINGTON  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

IN THE MATTER OF THE JOINT  
APPLICATION OF

NO. U-180680

PUGET SOUND ENERGY, ALBERTA  
INVESTMENT MANAGEMENT  
CORPORATION, BRITISH COLUMBIA  
INVESTMENT MANAGEMENT  
CORPORATION, OMERS  
ADMINISTRATION CORPORATION,  
AND PGGM VERMOGENSBEHEER B.V.

**UA LOCAL 32 OF PLUMBERS AND  
PIPEFITTERS COMMENTS  
REGARDING PSE'S APPLICATION  
TO SELL NON-CONTROLLING  
INTEREST IN PUGET HOLDINGS LLC**

FOR AN ORDER AUTHORIZING  
PROPOSED SALES OF INDIRECT  
INTERESTS IN PUGET SOUND ENERGY

1. United Association Local 32 of Plumbers and Pipefitters (“Local 32”) submits these comments in response to the Commission’s *Notice of Opportunity to File Written Comments*, dated September 21, 2018. Local 32 appreciates the opportunity to expand further on its concerns as expressed in the previously filed *Petition to Intervene*, dated September 20, 2018. Local 32 strongly believes that further process is necessary to evaluate the proposed transfer and its effect on the public.

1           2.       Local 32 has been committed to improving the lives of working men and women  
2 in the pipe trades for over 129 years. Local 32 members work in various crafts including:  
3 plumbers, pipefitters, HVAC, and gas distribution. Local 32, in partnership, with United  
4 Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry, Local 26  
5 (“Local 26”) represents over 260 full-time, part-time, and temporary employees at Puget Sound  
6 Energy (“PSE”), including pressure control technicians, inspectors, CFS techs, dispatchers, gas  
7 workers, utility workers, gas storage technicians, gas fitters, and many others. In addition to  
8 PSE employees, Local 32 also represents over 150 members who perform gas distribution and  
9 mainline work for PSE subcontractors.

10           3.       Local 32, Local 26, and PSE’s collective bargaining agreement (“CBA”) provides  
11 that the “Company and the Union share a common interest in developing a flexible and skilled  
12 workforce” and “that the public is entitled to receive safe, adequate and convenient service at  
13 reasonable rates.” It is with this common interest that Local 32 submits the following  
14 comments to address its members’ concerns. These concerns necessarily impact the public’s  
15 needs for safe and reliable gas distribution.  
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17           4.       The proposed transfer of PSE’s ownership will have a direct effect upon Local 32  
18 and Local 26’s members whose quality of work depends on their health, safety, and job  
19 satisfaction. Accordingly, the work by Local 32’s members will have a downstream effect on  
20 PSE’s 825,000 natural gas customers who expect the highest level of customer satisfaction  
21 regarding their natural gas needs. As a result, Local 32’s concerns about their employment  
22 directly affect the public interest.

23           5.       PSE’s natural gas system has mirrored the growth of the Puget Sound region over  
24 the last few years. Currently, about 150 Local 32 members work for various subcontractors  
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1 who perform gas distribution and mainline work for PSE. Their duties include installing new  
2 main line piping, new service lines, and other natural gas equipment. Local 32 and Local 26  
3 members working at PSE perform repair and/or replacement of meters on a property, turning  
4 the service on or off, responding to odor calls, repairing gas line breaks, and ensuring the  
5 maintenance of the gas system. Local 32 members also work on pressure regulation equipment,  
6 monitor and install cathodic protection, and operate gas storage and injection facilities. The  
7 CBA contains over twenty job classifications – many with multiple skill levels.

8 6. The work done by Local 32 members requires specialized training to respond to  
9 “gas odor” calls, “broken and blowing” situations, and other emergencies. Local 32 and PSE  
10 have agreed upon numerous changes to the CBA to accommodate training and staffing  
11 requirements. This has led to certain training models being modified. Local 32 understands the  
12 requirements and working conditions for the industry and recognizes the importance of having  
13 well-trained members conducting gas work for the benefit of PSE’s customers and the general  
14 public.  
15

16 7. Local 32 works cooperatively with PSE to maintain its specialized workforce. As  
17 an example, during the last collective bargaining negotiation, the entry level Gas Worker-Pool  
18 Worker position was created. This entry level position is preceded by four comprehensive  
19 phases of Gas Worker training. This career program is illustrative of the many career  
20 opportunities that provide work for Local 32 members throughout their entire careers.

21 8. Demand for workers, including Local 32 and Local 26 members, has increased  
22 dramatically as a result of the burgeoning number of new gas customers and gas infrastructure.  
23 Because of this increased demand, Local 32 has an interest in improving staffing levels to meet  
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1 this demand, and the Union has agreed to changes that would improve recruitment, training, and  
2 career advancement of Local 32 members to assist PSE in running the utility.

3 9. The safe operation of a gas system does not comport with a transient work force.  
4 As to be expected, Union members will age and retire from PSE after many long years of work.  
5 To maintain the high level of customer satisfaction and consistency that PSE requires, Local 32  
6 and Local 26 share an interest in preserving competitive medical and retirement benefits for  
7 their members over their career. During the last two contract negotiations, employee benefits  
8 have been reduced, to the detriment of Local 32 and Local 26's workers' health and job  
9 satisfaction. Local 32 is now concerned that the proposed transfer will continue to erode  
10 member benefits and wages. Such actions will deteriorate the quality of life for these essential  
11 gas workers. Employees working in this specialized field who face growing expectations and  
12 pressure require a proportionate amount of benefits and wages to ensure their job satisfaction.  
13 Local 32 hopes to prevent any further erosion of employee benefits during the transfer, and  
14 strives to retain competitive benefits for the Puget Sound Region. Local 32's substantial  
15 interest in preserving its members' benefits has an attendant effect on PSE's customers. Without  
16 a consistent and satisfied workforce, PSE cannot maintain its critical gas system.

17  
18 10. Because of the proposed transfer, Local 32 and Local 26 are jointly concerned  
19 about preserving their work. Local 32 is aware that the Washington and Northern Idaho District  
20 Council of Laborers ("Laborers") have sought to intervene. In an unrelated, but similar matter,  
21 the Laborers intervened with the purpose of increasing their work and to change the scope of  
22 work performed by subcontractors. Local 32 is concerned the Laborers are attempting to do the  
23 same here. This intervention is highly inappropriate as Local 32 and Local 26 members,  
24 including PSE employees, are currently and have historically been contracted by PSE to  
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1 perform gas work. Unlike Local 32, the Laborers lack a direct relationship with PSE because  
2 their members are hired by subcontractors, not directly by PSE. To the extent the Laborers seek  
3 to increase their share of the available work with PSE by intervening in this matter, Local 32  
4 asserts that this is the wrong forum. Local 32, Local 26, and PSE's CBA is effective through  
5 September 2021, thereby committing PSE to maintain the status quo regarding its distribution of  
6 work to Local 32 and Local 26 members. Local 32 is interested in ensuring PSE's contracted  
7 work continues to be performed by our members. The Commission should therefore disregard  
8 any claimed interest Laborers or any other non-signatory labor union may have in the current  
9 matter.

10 11. Local 32 members are a dedicated and highly trained workforce that has a strong  
11 interest in continuing to do gas system work for PSE in the future. These members are taught to  
12 perform the work safely, which benefits the public. Local 32's substantial interest in PSE's  
13 Joint Application stems from its concern that member job security, benefits, job satisfaction,  
14 and assignment of work could be negatively impacted from the purchase. It is imperative that  
15 these benefits remain competitive to ensure the public that their interest in safe, high-quality gas  
16 distribution, will be satisfied.

17 12. The Commission must be confident before granting transfer approval that such an  
18 action will not harm PSE's workers and the public. Given how workers are treated and paid  
19 directly affects their work, the Commission should consider Local 32 and Local 26's concerns.

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1 DATED this 24th day of October, 2018.

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Attorneys for UA Local 32

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**STATE OF WASHINGTON  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

IN THE MATTER OF THE JOINT  
APPLICATION OF

NO. U-180680

PUGET SOUND ENERGY, ALBERTA  
INVESTMENT MANAGEMENT  
CORPORATION, BRITISH COLUMBIA  
INVESTMENT MANAGEMENT  
CORPORATION, OMERS ADMINISTRATION  
CORPORATION, AND PGGM  
VERMOGENSBEHEER B.V.

**IBEW LOCAL 77 COMMENTS  
REGARDING PUGET SOUND  
ENERGY'S APPLICATION TO  
SELL NON-CONTROLLING  
INTEREST IN PUGET  
HOLDINGS LLC**

FOR AN ORDER AUTHORIZING PROPOSED  
SALES OF INDIRECT INTERESTS IN PUGET  
SOUND ENERGY

1. International Brotherhood of Electrical Workers, Local 77 ("IBEW Local 77") submits these comments in response to the Commission's *Notice of Opportunity to File Written Comments*, dated September 21, 2018. IBEW Local 77 appreciates the opportunity to expand further on its concerns as expressed in the previously filed *Petition to Intervene*, dated September 19, 2018. The proposed transfer of Puget Sound Energy ("PSE") should be more closely scrutinized by the Commission.

1           2.       IBEW Local 77 has been committed to improving the lives of working men and  
2 women in the electrical trades for over 121 years while serving the people of Washington State.  
3 IBEW Local 77 members work in various positions including: linemen, substation, metermen,  
4 call center representatives, relay operators, hydro operators, tree trimmers, and many other  
5 classifications. IBEW Local 77 represents over 800 full-time, part-time, and temporary  
6 employees at PSE. IBEW Local 77 has a bargaining relationship with PSE dating back over  
7 seventy (70) years. Over the course of these decades, it has been IBEW Local 77 members who  
8 keep PSE running on a day-to-day basis. These members pride themselves on providing safe  
9 quality service to customers and the public.

10           3.       IBEW Local 77 is committed to serving PSE's customers. IBEW Local 77  
11 members employed by PSE are charged with serving the public. Without customers, there are  
12 no jobs for members. Likewise, IBEW Local 77 members want to ensure customer safety and  
13 satisfaction. This goal, however, may be negatively impacted by the proposed transfer.

14           4.       The proposed transfer will have a direct effect on IBEW Local 77 members  
15 whose quality of work depends on their health, safety, and job satisfaction. Accordingly, IBEW  
16 Local 77's work will have an attendant effect on PSE's customers, who expect the highest level  
17 of customer satisfaction regarding their electrical needs. As a result, IBEW Local 77's concerns  
18 about their employment directly affect the public interest and this proceeding.

19           5.       Since changing ownership, PSE has increasingly allowed technology to drive its  
20 responses to severe weather storm events. Because of changing climate, storm events occur  
21 more frequently and last longer. Increasingly, PSE has elected to use out-of-classification,  
22 untrained, and unskilled workers to respond to these events. At the same time, PSE has used  
23 technology-based software to peg outages during storms. While this is a helpful tool, it lacks  
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1 human intervention, contributing experience, and responsiveness. Utilizing untrained and out-  
2 of-classification workers, combined with a computer program to respond to such storm events, is  
3 dangerous for the safety of those individuals and the public. IBEW Local 77 is concerned that  
4 the pattern of changes following a transfer in ownership will accelerate these unsafe trends.

5 6. IBEW Local 77 also represents PSE's Call Center employees. These employees  
6 handle customer questions, outages, emergencies, and many other issues. The IBEW Local 77  
7 Call Center employees are the public-facing representatives of PSE. Increasingly, PSE has  
8 reduced Call Center staffing while increasing job duties. This naturally affects the public  
9 because they telephone the Call Center to report issues and have questions answered. When the  
10 Call Center is understaffed and existing employees are overworked, the customer suffers. IBEW  
11 Local 77 is concerned that the proposed transfer could increase the pressures on Call Center  
12 employees to increase profit at the expense of customer service and responsiveness, resulting in  
13 customer dissatisfaction.  
14

15 7. PSE has also moved toward electronic metering. Through this process meters are  
16 read digitally; the meter is not actually observed by any person. In lieu of an employee seeing  
17 the meter each month, the computer merely reports back its information electronically. This  
18 system also allows PSE to remotely terminate a customer's service. IBEW Local 77 is  
19 concerned about the safety of this process. If a meter is not observed by a person for an extended  
20 period of time, there is no guarantee it is not damaged or been tampered with. This could  
21 necessarily affect employees, the public, and customers. Whether the transfer in ownership will  
22 accelerate this automation process is unclear, but should be a concern to the Commission.  
23

24 8. There has been no indication what changes PSE will implement regarding power  
25 generation. IBEW Local 77 is concerned about member and public safety. The Commission

1 should ensure that any proposed changes to generation adequately consider the safety of IBEW  
2 Local 77 members and the public.

3 9. The Commission may also use this opportunity to bring more transparency to  
4 PSE's capital investments. There has been little transparency in which projects are categorized  
5 as capital improvements rather than ordinary maintenance. Sufficient resources should be  
6 devoted to maintaining the safety and reliability of PSE's infrastructure. Greater transparency in  
7 this process would benefit both IBEW Local 77 members and the public.

8 10. IBEW Local 77 is also concerned that the transfer will lead the new and/or  
9 changed ownership to demand higher profits at the expense of employee safety, health, and  
10 welfare. IBEW Local 77 desires to maintain its current pension and other benefits. In the past,  
11 new ownership has contributed to negative effects for members at PSE. This has led to a lesser  
12 customer experience. IBEW Local 77 members strive to have satisfying and competitive jobs. It  
13 is in PSE's best interest to have a well-trained and consistent workforce. This naturally affects  
14 the public who interact directly with IBEW Local 77 members. Members are rightly concerned  
15 that the transfer in ownership will lead to a reduced pension/retirement benefit. The Commission  
16 should ensure PSE sufficiently funds and guarantees the pension benefit into the future.

17 11. Because of the proposed transfer, IBEW Local 77 is concerned about preserving  
18 its contracted work. IBEW Local 77 and United Association Local 32 have a direct relationship  
19 with PSE. IBEW Local 77 represents eight hundred (800) full-time, part-time, and temporary  
20 workers employed directly by PSE. Unlike IBEW Local 77 and United Association Local 32,  
21 the Washington and Northern Idaho District Council of Laborers ("Laborers") have no such  
22 direct relationship with PSE. In a similar, but unrelated matter, the Laborers intervened with the  
23 purpose of increasing work and changing the scope of subcontracted assignments. IBEW Local  
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1 77 is concerned the Laborers may make a similar effort here. Importantly, the Laborers do not  
2 represent any employees at PSE. To the extent that the Laborers wish to use the transfer  
3 proceeding to acquire additional work opportunities, the Commission should prohibit such  
4 requests. This is not an appropriate forum for the Laborers to acquire subcontracted work.


5 12. IBEW Local 77 members are currently, and have historically, been employed by  
6 PSE to perform all electrical utility work. IBEW Local 77 members have likewise been  
7 employed by subcontracts to perform construction and utility-related work. As the current CBA  
8 is effective through March 2020, IBEW Local 77 members have been contracted as the exclusive  
9 source of electrical-related labor for PSE, and for good reason. IBEW Local 77's well-  
10 established training programs provide on-the-job training and specialized education that ensures  
11 the safe quality of work performed by its members meets PSE's and the consumer's  
12 expectations. The same cannot be guaranteed for other groups hoping to undercut the long-  
13 standing relationship between IBEW Local 77 and PSE. The Commission should therefore  
14 disregard any claimed interest that Laborers or any other non-signatory labor union may have in  
15 the current matter.  
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17 13. PSE has also demonstrated hostility, and sometimes retaliation, against IBEW  
18 Local 77 members. Oftentimes, this retaliation has related to complaints about safety, working  
19 conditions, and treatment of employees. The public is similarly affected by complaints related to  
20 safety and employee working conditions. The union wants to ensure the transfer in ownership  
21 does not increase these disturbing trends.

22 14. IBEW Local 77 wants to ensure the Commission considers its concerns before  
23 making any decision to approve the Joint Applicants' transfer. Additional study and examination  
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1 are necessary to this proceeding. IBEW Local 77 requests the Commission take its concerns into  
2 consideration in making any decision.

3 DATED this 24th day of October, 2018.

4  
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13 Attorneys for IBEW Local 77



# Washington State Senate

**Senator Sharon Nelson**

Senate Majority Leader  
34th Legislative District

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October 24, 2018

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Records Management  
10/24/18 08:00  
State Of WASH.  
UTIL. AND TRANSP.  
COMMISSION

Executive Director and Secretary  
Washington Utilities and Transportation Commission  
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P.O. Box 47250 Olympia, WA 98504-7250

**RE: Puget Sound Energy's Proposed Sale of Interests in Puget Holdings LLC  
UTC 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, British Columbia Investment Management Corporation, OMERS Administration Corporation, and PGM Vermogensbeheer B.V., for approval to sell PSE's interest in Puget Holdings LLC, I respectfully request the following.

**1) I urge the UTC to conduct a full, robust review of this transfer in ownership.**

The proposed application presents a number of public policy questions that the UTC should fully consider. A common sense review shows that the new ownership group will look substantially different than the original merger application that was approved in 2008 by the UTC. If the transaction is approved, PSE will be owned 90% by Canadian pension funds that are ultimately answerable to the Canadian government at the province or federal level. Before allowing this major change in the PSE ownership composition, the UTC should consider whether it meets the "net benefit" standard.

While the applicants argue that they shouldn't have to prove a "net benefit" to ratepayers, I urge the UTC to reject that notion. As an original sponsor of RCW 80.12.020, the legislation that created the "net benefit" standard following the acquisition of Puget in 2008, I believe it is



inconsistent with the intent behind RCW 80.12.020, which was to ensure that the Commission required “that a net benefit to customers be shown in order to approve the acquisition of the franchises, properties, or facilities owned by a gas or electrical company in the state.” Laws of 2009, Ch. 24, §1. Approving the proposed transaction without considering whether it provides a net benefit would undermine the intent and policy the Legislature sought to protect in 2009.

Further, when UTC approved the acquisition of PSE in 2008, the settlement agreement included 63 commitments including ring-fencing protections, environmental protections, rate relief, and numerous other consumer protections. The 2008 merger was precedent setting and for years was the gold standard used by consumer advocates and other state commissions when evaluating utility mergers. It would be ironic to now forego any significant review simply because the transfer of ownership interests falls below an arbitrary threshold. Holding this application to a lower standard compared to 2008 would be inconsistent with and undermine the clearly stated legislative of protecting ratepayers.

Lastly, we cannot simply take the applicants by their word that there will be no material changes to PSE operations. Such a determination requires adjudicatory proceedings. Legislation, public policy changes related to pensions, and the economic health of Canada all need to be reviewed when it comes to the sale of Puget. This is the only opportunity we have to not only carefully vet the proposed merger, but to identify opportunities to improve safety, reliability, and service to PSE ratepayers.

**2) I urge the UTC to look at how Puget Sound Energy’s lowest-paid workers have fared during PSE’s last 10 years.**

In 2008, PSE made merger commitments related to low-income customers, charitable contributions, staffing and a local presence. However, I am concerned that those commitments did nothing to address the unequal economic impacts that have occurred under the tenure of PSE’s current owners. For example, contracted-out workers performing traffic control for PSE are eligible for energy assistance programs due to their extremely low wages. While in-house employees at Puget enjoy the benefits and protections of good union jobs, other workers have been left behind.

Many traffic control personnel lack health care and any sort of retirement benefit, and many others have observed safety problems on PSE sites. Contracted-out traffic control workers only have paid sick days because of the new state law. A race to the bottom contracting strategy has not benefited ratepayers. PSE has raised rates nine times over the last 10 years yet some contracted out workers on PSE’s system are making the same wages they made more than a decade ago. A well-paid workforce means that utility workers will be well-tenured and well-trained, which in turn ensures better safety and reliability for customers.

The UTC has a duty to ensure that service is being provided in the safest way by highly trained personnel. High turnover, low wages, and dangerous working conditions in traffic control run counter to this mandate.

I therefore urge you to consider whether the proposed transaction will provide a net benefit to PSE ratepayers, including an examination of how the transaction will impact PSE's race to the bottom and its impact on safety and reliability of the system.

Take care,

A handwritten signature in cursive script that reads "Sharon K. Nelson". The signature is written in black ink and is positioned centrally below the "Take care," text.

Senator Sharon Nelson  
Senate Majority Leader  
34<sup>th</sup> Legislative District



**SIERRA  
CLUB**

180 Nickerson Street, Suite 202  
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October 24, 2018

Executive Director and Secretary  
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10/24/18 08:14  
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COMMISSION

COMMENTS ON DOCKET #U-180680

Dear Executive Director and Secretary:

On behalf of the Sierra Club, we submit these comments on docket # U-180680 concerning Puget Sound Energy's proposed sale of non-controlling interest in Puget Holdings LLC.

The acquisition of Puget Sound Energy (PSE) in 2008 by the Macquarie Investor Consortium was a significant event for the company. The sale of Macquarie's interest in PSE now represents a major new change in the make-up of the ownership group of the utility and deserves to be carefully reviewed. The sale raises a number of issues that cannot realistically be decided in an Open Meeting, certainly not if customer and public interest stakeholders are going to be given a reasonable opportunity to participate in the review of the proposed transaction.

Although Sierra Club is very interested in this docket, we are not currently planning to intervene due to constraints on resources. We are in transition with our legal staff. We believe this proposed sale of PSE ownership is significant and deserves strong scrutiny with an adjudicated proceeding that avails itself to a more complete review including opportunities for discovery, filing testimony and cross examining witnesses.

One key issue is whether the "net benefit" standard adopted soon after the 2008 transaction is applicable to this situation. Macquarie changed its level of ownership shortly after the merger acquisition was approved. While they may meet a strict interpretation of no longer being subject to the "net benefit" standard, we do believe that this current proposed transfer represents a very significant change in ownership. It begs a question of what standard should apply. Is there a sliding scale between the new "net benefit" standard and the old "no harm" standard? Given Macquarie still owns significant shares, what are the standards to be used to ensure the public interest? What standards are used to ensure there are more benefits than risks to ratepayers? These legitimate questions cannot be

sufficiently addressed in an Open Meeting and call for a more thorough examination that can only happen with an adjudicated proceeding.

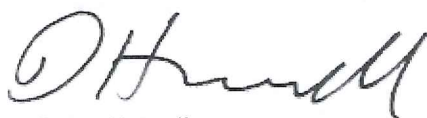
There is another concern. Now that approximately 90 percent of the proposed ownership is Canadian based, and many of those owners manage government-related pension funds, we are concerned about the potential influence of the Canadian governments. This concern was fully reviewed in the current Avista Utilities / Hydro One merger. Yet in this present case, with this approximate 90 percent future Canadian ownership, there is no such similar scrutiny happening.

More specifically, we worry that these Canadian investment firms may be compelled to coordinate or collaborate with their national and provincial governments. If so, then it raises a legitimate question about the potential bias for natural gas. We do know there is strong interest from some Canadian entities to sell their gas in Washington. How big is this influence? Could it affect PSE's resource decisions? We will not know the answers to these questions unless we have an adequate review of this transaction.

It is critical, as a matter of fair public process, that a hearing be scheduled to allow for a thorough public interest review on a complete record. The Open Meeting process is not adequate to allow for the type of review that it is needed in this case. The Commission has always handled major changes of ownership through a hearing process, and it would set a bad precedent to depart from that approach in this case.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Howell", written in a cursive style.

Doug Howell  
Sr. Campaign Representative  
Sierra Club

Lin Hagedorn  
350 Eastside  
15418 210th Ave NE  
Woodinville, WA 98077

October 24, 2018

Washington Utilities and Transportation Commission  
PO Box 47250  
Olympia, WA 98504-7250

RE: Comments for Docket No. U-180680  
PSE Ownership transfer proceeding

Dear Commissioners,

I'm writing to you as someone who was raised in Bellevue, spending my summer days picking blueberries at the "Lake Hills Blueberry Farm" and didn't move away until my third year at the University of Washington. I now live in Woodinville and am the mother of two post-graduate college-age kids who are on the cusp of starting careers and families of their own. My concern for their future was heightened this week by a new report from the Intergovernmental Panel on Climate Change (IPCC). The report says global temperature will increase by another half-degree Celsius during the next decade or two. The consequences for our planet and humanity will be severe. Although the Puget Sound region has avoided the worst of hurricanes, droughts, fires, and floods that have devastated many other areas, there are warning signs nearby:

- Hundreds of thousands of salmon perishing in water that is too warm.
- Native Orcas starving to death in the Salish Sea (Puget Sound bioregion).
- Declining snow packs, which reduce availability of cheap hydro power, putting a drag on our local economy.
- Burning forests that reshape the landscape and choke our vulnerable citizens.
- Low-lying parts of Olympia and Tacoma experiencing more frequent flooding.
- More powerful winter storms that damage our infrastructure and increase power outages.

To avoid the worst of these effects, citizens expect our government and our energy utilities to make heroic efforts to reduce the greenhouse gas emissions that thousands of climate scientists agree are causing these problems.

In am one of a six-member Steering Committee of the local environmental organization known as 350 Eastside. Our 350 Eastside group has been active in opposing PSE proposed transmission project, the Lake Hills Transmission Line, which will do little to improve the reliability of our electric grid and do nothing to address emissions that are causing climate change. PSE is dragging its feet and resisting investments and innovation to mitigate climate change. To illustrate the problem, please refer to the article below that I copied from an online article published by our local newspaper, the Bellevue Reporter.

As you can see, four out of the five advertisements are dedicated to PSE's Energize Eastside project. The message is clear: "Don't worry about conserving electricity. Demand will keep growing, and PSE must burn

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COMMISSION

fossil fuels to meet that demand, even if it harms the environment and future generations.”



Conservation alone will not meet Eastside electricity demand

GET THE FACTS ABOUT ENERGIZE EASTSIDE

MORE



Don Marsh, co-founder of CENSE, speaks to the crowd about the Puget Sound Energy transmission line project. Evan Pappas/Staff Photo

## Bellevue residents hold rally to oppose Puget Sound Energy transmission line

Residents gathered at 148th Avenue SE to oppose Puget Sound Energy's transmission line project.

By Evan Pappas  
Monday, October 8, 2018 8:30pm | NEWS



Bellevue residents gathered at the intersection of 148th Avenue Southeast and Main Street on Saturday, Sept. 29, to protest Puget Sound Energy's Lake Hills - Phantom Lake transmission line project.

The PSE project would construct new transmission poles along Northeast 8th Street and 148th Avenue Southeast in order to connect the Lake Hills and Phantom Lake substations.

ADVERTISEMENT

The intent of the project, which has been in the works since 2007, is to increase reliability in the event of a power outage by having the substations connected to two transmission lines instead of just one. In order to begin the development of the Lake Hills - Phantom Lake project, trees would need to be removed from the pathway of the transmission lines.

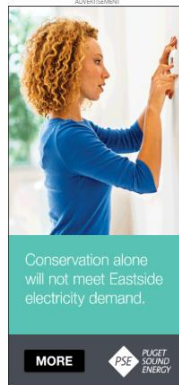
The project's impact on the environment and community has not been well received by several residents and community groups in the East Bellevue area. Saturday's rally saw dozens of residents and community group representatives come together to show their opposition to the project.

Don Marsh, co-founder of the Coalition of Eastside Neighborhoods for Sensible Energy (CENSE), spoke to the crowd at the rally about the project and its impacts on the area. In addition to removing trees and the visual impact of tall power lines, Marsh criticized the use of transmission lines over a less impactful technology, referred to as a self-healing grid.

"The purpose (of the rally) is to show PSE that there is a community interest in a better solution than what they are proposing," Marsh said.

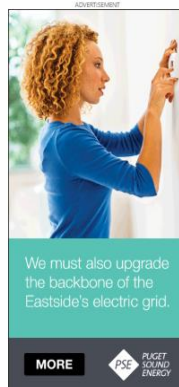
A self-healing grid is a distribution system that will automatically adjust power distribution in an area depending on power outages to make sure power stays up for the most residents possible, while also helping repair crews locate the point of fault in the system quicker. PSE currently has more than 20 self-healing grids installed and planned for installation throughout the region, including in downtown Bellevue.

In addition to CENSE, other community organizations have formed a coalition in opposition to the project — the Puget Sound Chapter of Mothers For Energy Efficient Utilization (MUEU) and the Citizens'



Conservation alone will not meet Eastside electricity demand.

MORE



We must also upgrade the backbone of the Eastside's electric grid.

MORE



We must also upgrade the backbone of the Eastside's electric grid.

MORE



20% Any single

HOME BE

PSE is pursuing these projects like a political campaign, rather than establishing a clear technical need affirmed by experts at a state agency like EFSEC.

What could cause a company to behave this way?

I believe the company's investors play a significant role. None of PSE's investors are located in the Puget Sound region, or even in the United States. To foreign fund managers, PSE is just an investment in a distant country used to achieve maximum returns. If a transmission line delivers more profit than investments in smart technology and deep efficiency, then PSE will build the transmission line.

As a consequence of the UTC's 2009 decision to allow foreign ownership of our utility, significant decisions about our future are made by an opaque, unaccountable, profit-driven investment vehicle for absentee owners.

The best way to remedy this problem would be to return PSE to local control, with greater transparency and accountability. This may not be within the Commission's power to achieve, so we ask the Commission to add terms and conditions to the sale which align the company's behavior with local community and environmental values:

- PSE must become more transparent by sharing project information with independent experts who have the appropriate clearance and have executed Non-Disclosure Agreements.
- PSE must commit to an IRP process that fully and fairly evaluates a plan to deliver carbon-free energy in the next 20 years.
- To deliver an accurate plan, PSE's IRP must use up-to-date data and analysis on the social cost of carbon and the rate of methane leakage.
- PSE should take an active role in University of Washington's new "EarthLab" climate initiative: <https://www.seattletimes.com/seattle-news/former-interior-secretary-sally-jewell-will-guide-uws-new-climate-initiative/>
- PSE must re-evaluate transmission projects to account for lower-than-projected demand for electricity and rapid advances in technologies like batteries, demand response, and distribution automation ("self-healing grid").
- PSE must assist communities' efforts to mitigate climate change by supporting and promoting community solar projects. Battery projects can improve reliability and resilience in an era of increasing storms.

More transparency is necessary, because PSE has refused to share critical data and analysis with well-qualified experts in many cases. For example, PSE refuses to share historical demand data for Eastside substations. Experts could analyze this data to help Eastside customers understand the need for the company's proposed Energize Eastside project. Such data might reveal a less damaging solution to address hot spots of local demand growth.

Similarly, PSE refuses to share IRP modeling data with the Sierra Club, even though many utilities have done this in other states. Sierra Club could verify that PSE is pursuing environmentally sound projects and policies.

PSE refused to share circuit data with a qualified expert hired by East Bellevue customers to study the feasibility of "self-healing grid" technology as a better alternative for East Bellevue than a controversial transmission line project.

PSE refused to share safety data with Tacoma residents who wonder how dangerous an LNG storage facility might be for nearby neighborhoods.

PSE serves a region known for its technological innovation and commitment to environmental sustainability. At a time when even the Northwest is threatened by climate change, the Commission can help by proposing terms and conditions that encourage transparency and sustainable environmental practices.

Sincerely,

350 Eastside Steering Committee

Sara Papanikolaou, Emily Powell, Lynn Ritter, Phil Ritter, Bonnie Shipman and Lin Hagedorn



BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of  
  
Puget Sound Energy, Alberta Investment  
Management Corporation, British Columbia  
Investment Management Corporation,  
OMERS Administration Corporation, and  
PGGM Vermogensbeheer B.V.  
  
For an Order Authorizing Proposed Sales of  
Indirect Interests in Puget Sound Energy

DOCKET U-180680  
  
COMMENTS OF  
COMMISSION STAFF

**I. INTRODUCTION**

1 Staff of the Washington Utilities and Transportation Commission (Commission)  
submits the following comments in response to the Commission’s Notice of Opportunity to  
File Written Comments and Notice of Recessed Open Meeting scheduled for November 5,  
2018.

**II. BACKGROUND**

2 On September 5, 2018, Puget Sound Energy (PSE) filed a joint application for the  
proposed sale of a 43.99 percent indirect ownership interest in PSE currently held by  
Macquarie Infrastructure Partners Inc. (MIP) and Padua MG Holdings LLC, a Macquarie  
entity (collectively “Macquarie”) (“Joint Application”). Puget Holdings LLC (“Puget  
Holdings”) indirectly holds 100 percent of the ownership interest in PSE. Macquarie intends  
to sell all of its 43.99 percent interest in Puget Holdings to four different buyers  
(collectively, with PSE, “Joint Applicants”).

3 First, Macquarie will sell 6.01 percent of its equity interest in Puget Holdings to  
Alberta Investment Management Corporation (AIMCo), which will have a 13.60 percent  
total equity interest in Puget Holdings if the transaction is approved. Second, Macquarie will

sell 4.01 percent of its equity interest in Puget Holdings to British Columbia Investment Management Corporation (BCI), which will have a 20.87 percent total equity interest in Puget Holdings if the transaction is approved. Third, Macquarie will sell 23.94 percent of its equity interest in Puget Holdings to OMERS Administration Corporation (OAC), which does not have any existing interest in Puget Holdings. Fourth, Macquarie will sell 10.02 percent of its equity interest in Puget Holdings to PGGM Vermogensbeheer B.V. (PGGM), which does not have any existing interest in Puget Holdings. These sales will be referred to collectively as the “Proposed Transactions.” The following table summarizes Puget Holdings ownership before and after the Proposed Transactions.

TABLE 1 – SUMMARY OF PUGET HOLDINGS OWNERSHIP

<b>Entities</b>	<b>Equity Interest Percentage</b>	<b>Equity Purchase and (Sale)</b>	<b>Proposed Equity Interest</b>
Macquarie, collectively	43.99 percent	(43.99) percent	0.00 percent
Canada Pension Plan Investment Board	31.57 percent	0.00 percent	31.57 percent
OMERS Administration Corporation	0.00 percent	23.94 percent	23.94 percent
British Columbia Investment Management Corporation	16.86 percent	4.01 percent	20.87 percent
Alberta Investment Management Corporation	7.59 percent	6.01 percent	13.60 percent
PGGM Vermogensbeheer B.V.	0.00 percent	10.02 percent	10.02 percent
<b>Total</b>	<b>100 percent</b>	<b>0.00 percent</b>	<b>100 percent</b>

4

Puget Holdings is currently owned by a consortium of investors. The Commission approved the current ownership structure when it approved the acquisition of PSE in 2008. *In the Matter of the Joint Application of Puget Holdings LLC and Puget Sound Energy, Inc., for an Order Authorizing Proposed Transaction*, Docket U-072375, Order 08, (Dec. 30, 2008) (Order 08). If the Proposed Transactions are approved, Puget Holdings will continue

to be owned by a consortium of investors, which will consist of three of the current member entities (AIMCo, BCI, and the Canada Pension Plan Investment Board<sup>1</sup>) and two new ones (OAC and PGGM).

5           In Docket U-072375, the Commission approved a set of commitments that the applicants must comply with to protect the public interest. The Joint Applicants in the instant docket have compiled a set of commitments based on the commitments approved in Order 08 as well as on commitments required of PSE in subsequent orders. The compilation of “Proposed Commitments” is intended to insulate stakeholders and ratepayers from harm and render the Proposed Transactions in the public interest.

### **III. DISCUSSION**

6           Commission Staff (Staff) has concluded that the Commission should apply the “no harm” legal standard to its review of the Proposed Transactions. Below, Staff discusses the legal standard and administrative process, describes Staff’s examination of the transactions, and proposes revisions to the commitments that the Joint Applicants present in their application.

7           Regarding the standard for review of the Proposed Transactions, the plain meaning of the law on property transfers requires the Commission, in an application for transfer of a noncontrolling interest, to consider whether a transaction is consistent with the public interest, and not whether there is a net benefit to customers. The Commission has established that under the “consistent with the public interest” standard, the proponent of the transaction must show that the transaction will not harm the public interest in order for the

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<sup>1</sup> The Canada Pension Plan Investment Board (“CPPIB”) is not a party to the application but has provided a letter of support for the Proposed Transactions, contained in Exh. KJH-3, in which it expresses support for the commitments proposed in the application.

transaction to be approved. This “no harm” standard is appropriate in this proceeding because the interests proposed to be transferred do not amount to 50 percent, no owner will hold even a 50 percent interest at the close of the transaction, and the governance structure defines a majority (or controlling) interest as 55 percent of member interest. Regarding administrative process, under authority of the Administrative Procedure Act (APA) and the Commission’s own rules, the Commission can conduct its review of the Proposed Transactions through the open meeting process or through an adjudication, at its discretion.

8           Staff has undertaken a thorough review of the Joint Application. In particular, Staff focused on the governance structure of the ownership and on the fitness of the purchasers. The governance structure of Puget Holdings is not changing, has been functional to the best of Staff’s knowledge, and, due in part to the dispersion of the Macquarie interest to multiple owners, the board will now include a more balanced apportionment of managers. The prospective purchasers of Macquarie’s interest have presented compelling evidence of financial and managerial fitness, in that they have the financial resources to effect the transaction and they have experience in direct ownership of utility and infrastructure assets. In short, Staff’s review in these areas did not reveal significant risk of harm.

9           With regard to the commitments that the Joint Applicants propose, Staff believes that some changes and additions must be made to adequately protect against risk. Staff has provided its proposed revisions in legislative format in Attachment A to these comments. With the addition of Staff’s revised commitments, Staff provisionally recommends that the Commission approve the Proposed Transactions. Staff will provide a final recommendation, however, at the Open Meeting on November 5, 2018.

**A. Legal Standard Applicable to the Proposed Transactions**

10 Under chapter 80.12 RCW, the sale of a utility that is regulated by the Commission must be approved by the Commission, and unauthorized transfers will be void. PSE and the four buyers of the indirect interest in PSE seek approval from the Commission under RCW 80.12.020 of their acquisitions of noncontrolling indirect interests in PSE. RCW 80.12.020 reads as follows:

No public service company shall sell, lease, assign or otherwise dispose of the whole or any part of its franchises, properties or facilities whatsoever, which are necessary or useful in the performance of its duties to the public . . . without having secured from the commission an order authorizing it to do so. The commission shall not approve any transaction under this section that would result in a person, directly or indirectly, acquiring a controlling interest in a gas or electrical company without a finding that the transaction would provide a net benefit to the customers of the company.

11 Pursuant to the Commission's rules governing transfers of property, review of a proposed transaction considers whether the application is in the public interest: "If, upon the examination of any application and accompanying exhibits, or upon a hearing concerning the same, the Commission finds the proposed transaction is not consistent with the public interest, it shall deny the application." WAC 480-143-170. Taking the statute and rule together, if a transaction involves the transfer of a "controlling interest," then the Commission will consider whether the transaction will "provide a net benefit" as well as whether it is consistent with the public interest. However, if a transaction does not involve a "controlling interest," then the Commission will consider only whether the transaction is "consistent with the public interest." The applicable legal standard remains the same regardless of whether the Commission considers a transfer of property application in an adjudicative proceeding or at an open public meeting. And the Commission has discretion to employ either process to make its determination on the Joint Application.

## 1. Controlling Interest

12 Neither chapter 80.12 RCW nor the Commission’s rules define the term “controlling  
interest.” A review of the legislative history concerning the amendment to RCW 80.12.020  
that added the “controlling interest” standard, including all of the related legislative hearings  
and six bill reports did not reveal any indication that the legislature intended the term  
“controlling interest” to have a particular meaning in that statutory context.

13 Generally, when a statutory term is not defined, “the words of a statute are given  
their ordinary meaning, and [a] court may look to the dictionary for such meaning.” *Filmore  
LLLP v. Unit Owners Ass’n of Centre Point Condominium*, 184 Wn.2d 170, 174, 355 P.3d  
1128 (2015). Furthermore, “Generally, an agency’s definition of an undefined term is given  
great weight where the agency has the duty to administer the statute.” *Thorpe v. Inslee*, 188  
Wn.2d 282, 290, 393 P.3d 1231 (2017).

14 Webster’s Third International Dictionary (1968) defines “controlling interest” as  
“sufficient stock ownership in a corporation to exert control over policy, a person or group  
that possesses such an interest.” Additionally, Black’s Law Dictionary 7th Edition (1999)  
defines “controlling interest” as “sufficient ownership of stock in a company to control  
policy and management; esp. a greater-than-50% ownership interest in an enterprise.”  
Furthermore, a “controlling interest” is commonly considered to mean an ownership interest  
in a corporation with enough voting stock shares to prevail in any stockholders’ motion. *See*  
*Investopedia.com*, <https://www.investopedia.com/terms/c/controllinginterest.asp> (accessed  
Oct. 22, 2018) (“Controlling interest is when a shareholder, or a group acting in kind, holds  
a majority of a company's stock”; however “a person or group can achieve controlling

interest with less than 50% ownership in a company if that person or group owns a significant proportion of its voting shares”).

15           Regardless of which of the collective definitions of “controlling interest” prevails, the Proposed Transactions is not a transfer of a controlling interest for three reasons. First, in Docket U-072375, the Commission stated that a 51 percent ownership interest was not a “controlling share” of Puget Holdings because the governance structure of that company required a vote of 55 percent of the shares to support any action. Order 08 at 17. Puget Holding’s governance structure has not changed substantively since Docket U-072375. *Joint Application* at 19. Given that the Commission has previously determined that a 51 percent share was not “controlling,” the sale of a lesser 43.99 percent share would similarly not be “controlling.” Second, if “controlling interest” is determined to mean “greater than 50 percent,” the sale of a 43.99 percent interest does not meet the threshold for a controlling interest. Third, none of the individual buyers in the Proposed Transactions will acquire even a 50 percent share in Puget Holdings if the transaction is approved. Therefore, the Proposed Transactions does not involve a “controlling interest” in the context of the sale of the interest, the acquisition of the interest, and prior Commission analysis. As such, the “no harm” standard applies to the Proposed Transactions before the Commission.

16           The Commission has previously applied the “no harm” standard in a transfer of property proceeding when the sale of a controlling interest was not at issue. In a proceeding involving the sale of a hydroelectric facility, the Commission made the following determination: “[T]he ‘net benefit’ test is inapplicable . . . since the transaction involves a sale of assets, not a sale of a controlling interest in the Company. The standard of review for the proposed transaction is the ‘no harm’ test.” *Wash. Utils. & Transp. Comm’n v. Puget*

*Sound Energy*, Dockets UE-130617 et al., Order 10 at 13 (Oct. 9, 2014). Consistent with this decision, the “no harm” standard rather than the “net benefit” standard applies when a transfer of property does not involve the transfer of a controlling interest.

## **2. No Harm Standard**

17 As stated above, under WAC 480-143-170, the Commission must reject the Proposed Transactions if “the proposed transaction is not consistent with the public interest.” Stated differently, “the Commission will approve the transaction if it is shown to be consistent with the public interest.” Docket U-072375, Order 08 at 3. The Commission has previously explained that this standard “is sometimes called the ‘no harm’ standard because . . . the transaction must not harm the public interest in order to be approved.”

Docket U-072375, Order 08 at 3. The Commission has also reasoned:

To be “consistent with the public interest,” a transaction need not confer net benefits on customers or the public by making them better off than they would be absent the transaction. It is sufficient if the transaction causes no harm. This determination must be made in each case, considering the context and circumstances. Among the factors that should be weighed in evaluating the transaction’s effect on the public interest are whether there are commitments by the purchaser to important public service obligations such as customer service, safety, reliability, resource adequacy including energy efficiency and conservation, support for low-income customers, and environmental stewardship; whether customers are protected from rate increases that might result from the transaction and from financial distress that might occur as a result of the manner in which the purchase was financed or distress at other companies affiliated with the purchaser; whether the Commission’s ability to regulate the utility in the public interest is fully protected, including preserving access to all necessary information; whether the purchaser has the financial and managerial fitness to own and operate the utility in fulfillment of its public service obligations; and last, but not least, whether the commitments made in the transaction are enforceable.

Order 08 at 48-49.

18 When applying these factors, the Commission has also considered “the transaction’s details, the risk of harm to the public interest, and whether a [potential] settlement’s



commitments are adequate to protect against those risks.” Docket U-072375, Order 08 at 49. Importantly, however, the Commission has recognized that “the approach for determining what is in the public interest varies with the form of the transaction and the attending circumstances.” Order 08 at 47, *citing Puget Sound Power & Light Company and Washington Natural Gas Company*, Docket Nos. UE-951270 and UE-960195, 14th Supplemental Order, (February 5, 1997) pp. 15-20 and Orders cited therein at p.16. In conclusion, the appropriate legal standard for review of the Proposed Transactions is the “no harm” standard, guided by the factors identified in Order 08.

### **3. Procedure for Consideration of the Proposed Transactions**

19 The Commission may consider the Joint Application at an open meeting or in an adjudicative proceeding. Under the APA, an agency has discretion whether to conduct an adjudication unless an adjudication is required by law (including a constitutional right). RCW 34.05.413(1)-(2). The transfers of property statute, chapter 80.12 RCW, does not contain a requirement that the Commission hold an adjudication to consider an application for a property transfer. Rather, it requires only that the applicants “[secure] from the [C]ommission an order authorizing” the transaction (RCW 80.12.020) and that the Commission “enter an order approving or denying a transaction . . . within eleven months of the date of filing.” The statute also clarifies that a transaction “made without authority of the commission shall be void” (RCW 80.12.030). The statute does not address procedure.

20 The Commission rules governing transfers of property do address procedure, however, in that they specifically provide that an adjudication is discretionary. Pursuant to these rules, the Commission “will examine all applications for transfers and accompanying exhibits” and “*may* set an application for hearing and require all parties to the transaction to

appear and give testimony” WAC 480-143-160 (emphasis added). In other words, the Commission has discretion to conduct an adjudication or employ another process, such as an open meeting, when considering a property transfer application.

21           The Commission has recently approved an application under the transfers of property statute using following the open meeting process. In Docket UG-170094, the Commission considered the application of a natural gas utility for Commission approval under RCW 80.12.020 to reorganize the ownership structure of the utility to a holding company structure. The Commission held an open meeting on December 28, 2017, at which it took comment and discussed the application. The Commission’s decision is memorialized in an order approving the application subject to conditions.<sup>2</sup>

22           The Commission’s transfers of property rules make clear that the Commission may consider the Joint Application at an open meeting as well as in an adjudicative proceeding. The Commission has considered many complex matters at open meetings. The important point, however, is that the consideration process the Commission employs does not affect the legal standard of review, which remains the “no harm” standard.

**B. Staff’s Examination of the Proposed Transactions**

23           Staff carefully reviewed the Joint Application and its appendices, and the testimony and exhibits of the Joint Applicants. Staff especially appreciated the completeness of PGGM’s testimony and exhibits, which include an explanation of the purpose and relationship of the PGGM entities. In addition, Staff reviewed final orders in Dockets U-072375<sup>3</sup>, UG-151663, and UE-170033/UG-170034, and conducted informal discovery

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<sup>2</sup> *In the Matter of Northwest Natural Gas Company’s Application for Approval of Corporate Reorganization to Create a Holding Company*, Docket UG-170094, Order 01 (Dec. 28, 2017).

<sup>3</sup> Staff also fully reviewed the Commitments approved in Docket U-072375.

regarding the Joint Application and supporting materials.<sup>4</sup> Through the informal discovery process, Staff examined the confidential Puget Holdings LLC agreement,<sup>5</sup> the organizational structure of Puget Holdings incorporating the Joint Applicants,<sup>6</sup> and a portion of PSE's most recent confidential five-year business plan.<sup>7</sup> Staff also investigated the purchasing entities through review of publically available sources.

## **1. Governance**

24 To Staff's knowledge the Puget Holdings LLC Agreement governance document has not changed substantially since the Macquarie acquisition was approved in 2008. What is changing is the membership composition of the Puget Holdings board which, subsequent to closure of the Proposed Transactions, would reflect the relative equity interests of the new owners. Whereas Macquarie's current collective equity interest is approximately 44 percent, after the Proposed Transactions no shareholder will own more than 32 percent equity interest. Additionally, while Macquarie currently designates three of the ten board members (or 30 percent), the largest post-acquisition shareholder would designate three of the 12 board members (or 25 percent). Therefore, these Proposed Transactions represent a dilution of ownership which, in effect, reduces the influence of the most powerful shareholder.

25 The following tables identify the members of Puget Holdings, and illustrate the interest percentage and number of board managers.

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<sup>4</sup> PSE's confidential responses to discovery were provided to the Public Counsel Unit of the Attorney General's Office (Public Counsel) as well as to Staff, and nonconfidential responses were provided not only to Staff and Public Counsel but also to the other two customer parties that customarily participate in general rate case proceedings before the Commission.

<sup>5</sup> Confidential PSE Response to Staff Informal Data Request 1(e).

<sup>6</sup> PSE Response to Staff Informal Data Request 1(a), (b), (c).

<sup>7</sup> Confidential PSE Response to Staff Informal Data Request 1(d). Staff observes that, consistent with Proposed Commitment 13, PSE will need to explicitly state and itemize the level of corporate contributions and community support in its next five-year business plan or restate the current plan. Alternatively, the Joint Applicants may consider revising Commitment 13 to explicitly state the level of corporate contributions and community support.

TABLE 2 – CURRENT PUGET HOLDINGS BOARD

<b>Members</b>	<b>Equity Interest Percentage</b>	<b>Number of Managers</b>
Macquarie, collectively	43.99 percent	3
Canada Pension Plan Investment Board	31.57 percent	2
British Columbia Investment Management Corporation	16.86 percent	1
Alberta Investment Management Corporation	7.59 percent	1
PSE CEO	0.00 percent	1
Independent Directors	0.00 percent	2 <sup>8</sup>
<b>Total</b>	<b>100 percent</b>	<b>10</b>

TABLE 3 – PROPOSED PUGET HOLDINGS BOARD

<b>Proposed Members</b>	<b>Proposed Equity Interest Percentage</b>	<b>Proposed Number of Managers</b>
Canada Pension Plan Investment Board	31.57 percent	3 <sup>9</sup>
OMERS Administration Corporation	23.94 percent	2
British Columbia Investment Management Corporation	20.87 percent	2
Alberta Investment Management Corporation	13.60 percent	1
PGGM Vermogensbeheer B.V.	10.02 percent	1
PSE CEO	0.00 percent	1
Independent Directors	0.00 percent	2 <sup>10</sup>
<b>Total</b>	<b>100 percent</b>	<b>12</b>

26

As part of its review of the Joint Application, Staff reviewed the respective Purchase and Sale Agreement of each purchaser.<sup>11</sup> Two of these documents include a Voting

<sup>8</sup> Puget Holdings and Puget Energy have two independent managers/directors respectively. PSE has a third independent director.

<sup>9</sup> CPPIB currently has rights to three managers, one for each 10% of interest held, but has only appointed two managers to date. At some point after the transactions close, CPPIB is expected to appoint a third manager.

<sup>10</sup> Puget Holdings and Puget Energy have two independent managers/directors respectively. PSE has a third independent director.

<sup>11</sup> Exh. Webb, LW-03; Mubashir, Exh. AM-03; Zucchet, Exh. SZ-03; and Verwoest, Exh. MJV-03.

Agreement between AIMCo and PGGM.<sup>12</sup> The Voting Agreement, which is between the two smallest proposed interest holders, provides for some protection to ensure that the smaller interest holders have a voting-voice on unanimous and supermajority matters.<sup>13</sup>

## **2. Fitness**

27 An important aspect of determining whether a transaction causes no harm and is therefore in the public interest is evaluating the fitness of the purchasers. The proposed purchasers must show “the financial and managerial fitness to own and operate the utility in fulfillment of its public service obligations.” Order 08 at 48-49.

28 All four purchasers of Macquarie’s interest have demonstrated through testimony their respective financial and managerial fitness. Further, Staff’s independent review of the purchasers did not uncover anything to contradict the evidence of the purchasers’ fitness. All four purchasers are investment entities that manage pension and or endowment funds for their respective client base. As a result, all four purchasers focus on long-term investment stability with the implication that Puget Holdings is likely to benefit from long-term ownership stability. Consistent with that notion, none of the purchasers have expressed a defined exit horizon for selling the entities’ respective shares. Staff views ownership stability as a characteristic that reflects positively on the purchasers’ overall fitness as owners and operators of PSE.

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<sup>12</sup> Exh. AM-03, AIMCo Transaction Document, at 77–84 (Exhibit D to Purchase and Sale Agreement); Exh. MJV-03, PGGM Transaction Document, at 101–108 (Exhibit F to Purchase and Sale Agreement).

<sup>13</sup> The proposed agreement would result in approximately 23.62 combined equity interest (AIMCo 13.60 percent plus PGGM 10.02 percent).

29           Regarding the financial fitness of the purchasers, Staff considered how the purchases will be funded, which is described in the respective testimony of each purchaser.<sup>14</sup> All of the purchasers state the entities have sufficient funds on hand to purchase the respective equity interest in Puget Holdings. Only PGGM has indicated that the Base Purchase Price can increase due to certain contingencies, in which case PGGM would draw from a line of credit.<sup>15</sup> This demonstrates that the purchasers are financially fit and have the ability to access capital. A financially healthy owner means less risk of harm to PSE, in that there is less risk that financial problems of a distressed owner would affect PSE's operations.

30           Another important element of fitness is the relevant experience of the purchasers, which each purchaser discusses in testimony.<sup>16</sup> All of the purchasers have experience directly investing in utilities and infrastructure, indicating that they are well-equipped to make informed decisions that impact Puget Holdings and PSE. All of the information that Staff has reviewed supports the fitness of these particular purchasers to acquire an interest in and provide sound direction through their board representatives to PSE.

**C. Staff's Review of and Revisions to the Proposed Commitments**

31           In Order 08, the Commission identified factors that weigh in favor of the public interest, with particular focus on the commitments that emphasize public service obligations. The public service obligations identified by the Commission were customer service, safety, reliability, resource adequacy including energy efficiency and conservation, support for low-income customers and environmental stewardship. With these factors in

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<sup>14</sup> Direct Testimony of Lincoln Webb, Exh. LW-1T at 5:7-13; Direct Testimony of Ahmed Mubashir, Exh. AM-1T at 6:7-10; Direct Testimony of Steven Zucchet, Exh. SZ-1T at 7:1-5; Direct Testimony of Martijn J. Verwoest, Exh. MJV-1T at 8:15 - 9:3.

<sup>15</sup> Verwoest, Exh. MJV-1T at 8:20 - 9:3.

<sup>16</sup> Webb, Exh. LW-1T at 4:12- 6:8; Mubashir, Exh. AM-1T at 4:1-18, 6:11 - 7:12; Zucchet, Exh. SZ-1T at 7:12 - 8:2, 9:9 - 10:8; Verwoest, Exh. MJV-1T at 11:17 - 12:23.

mind, Staff reviewed the Proposed Commitments included in the Joint Application to determine whether they remain consistent with the public interest.

32 First and foremost, Staff evaluated whether the commitments approved in Docket U-072375, and as such deemed by the Commission as sufficient for addressing important public service obligations, remain intact. After review of the Proposed Commitments, Staff has determined that the previously approved commitments demonstrating a focus on these public service obligations still exist in the Joint Applicant's Proposed Commitments. Specifically, there are commitments regarding service quality (Commitment 1), reliability (Commitments 2 and 10), renewable energy (Commitment 4), carbon footprint reduction (Commitment 5)<sup>17</sup>, energy efficiency (Commitment 17), and low-income support (Commitments 18).

33 In addition to confirming the continued presence of commitments related to the public service obligations identified by the Commission, Staff confirmed the continued presence of commitments related to financial risk. Specifically, there continue to be commitments prohibiting PSE from making loans to or pledging assets to Puget Energy and Puget Holdings (Commitment 6), holding PSE harmless for financial risk associated with Puget Energy or Puget Holdings (Commitment 6), maintaining financial health of PSE (Commitment 19), and restricting upward distributions (Commitments 28, 29 and 32).

34 Although Staff believes the Joint Applicants' Proposed Commitments largely adhere to the public service obligation factors identified by the Commission, and continue to protect against financial risk, the Proposed Commitments require certain revisions before Staff can support the Proposed Transactions as meeting the "no harm" standard. Attached as

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<sup>17</sup> Staff has revised Commitment 5 and asks the Joint Applicants to define the level by which PSE will reduce its carbon footprint.

*Attachment A – Staff’s Proposed Revised Commitments* (“Revised Commitments”) are Staff’s proposed revisions to the commitments that the Joint Applicants presented in their application. Staff’s Attachment A uses Appendix 1 from the Joint Application as the starting point and presents revisions in legislative format so that the Commission can easily identify Staff’s proposed changes. Where Staff refers to all of the proposed five owners, Staff uses the term “Puget Holdings Owners” or “its Owners.”

35 Staff’s proposed edits to the Proposed Commitments are intended to 1) clarify to whom each commitment applies (that is, PSE, Puget Holdings, the Puget Holdings Owners, or a combination of those entities), 2) clarify the relevant benchmark of certain existing commitments (see Commitments 5 and 40), 3) update components that appeared to be missing (see Commitments 36 and 50), and 4) reinforce the Commission’s authority to enforce the commitments. Staff’s proposed edits to the commitments do not attempt to manufacture new requirements; the edits are meant to clarify enforcement and refine requirements that already exist.

36 Staff also reviewed all of the commitments that have expired or have been otherwise satisfied. Staff agrees that these expired or satisfied commitments should be removed. For example, the previous commitment number 42 was related to increasing the bill assistance program funding to \$15 million. PSE’s current bill assistance program funding is approximately \$24 million, and so the previous commitment has been fully satisfied and is no longer relevant. Other examples include commitments regarding conservation. Previous commitment 47 required the development of a study to identify potential energy efficiency improvements in PSE’s distribution, transmission, and generation assets. PSE has satisfied this commitment and has made this part of its daily



operations. Previous commitment 49 sets the objective to acquire renewable resources to meet 10 percent of PSE's load by 2013. This commitment has been satisfied and has since expired. Currently, PSE's renewable resource obligation is defined by WAC 480-109-200, which requires PSE to use renewable resources to meet 15 percent of its load by 2020.

37           The commitments from Docket U-072375, and in particular the ring-fencing commitments, have served PSE's customers well for a decade and will continue to serve PSE's customers if approved by the Commission. In that time there have been no enforcement proceedings at the Commission concerning violations of these commitments, and Staff is not aware of any allegations of wrongdoing concerning any of the consortium investors or Puget Holdings. This is evidence that the commitments work and are in the public interest. However, to provide additional assurance that the commitments will continue to be adhered to going forward, Staff has added Staff Proposed Commitment 51. In the event PSE or Puget Holdings, or its Owners fail to meet any of the Revised Commitments, Staff Proposed Commitment 51 requires timely reporting of non-compliance with any of the Revised Commitments and a plan to correct the failure. The commitment also requires the owners to submit to the jurisdiction of the Commission and Washington courts for enforcement of the commitments.

38           Staff also recommends a few revisions to existing financial commitments. Staff Proposed Commitment 50 ensures that none of the purchasers' costs of the Proposed Transactions can be recovered through PSE's rates. In Proposed Commitment 36, Staff adds additional Sarbanes-Oxley Act sections to strengthen controls over PSE and Puget Energy's financial reporting. Specifically, Staff recommends adding Section 303, which prohibits officers and directors from taking any action to coerce an external auditor's opinion; Section

402, which explicitly prohibits providing personal loans to directors or executive officers (or the equivalent thereof); and Section 409, which requires real-time disclosures to the public with regard to material changes to PSE's financial condition or operations.

39           The remainder of Staff's revisions update the Proposed Commitments with relevant information or directly bind the Puget Holdings Owners as well as PSE or Puget Holdings to the Revised Commitments. Updating the commitments ensures that they remain relevant and timely. Binding the Puget Holdings Owners to the commitments, as appropriate, ensures that each investor will be responsive to the Commission.

#### **IV. CONCLUSION**

40           The consortium ownership structure that the Commission approved in 2008 has been operating for ten years. During the last decade, the commitments that the Commission approved in 2008 have been functioning well, with continued progress on public service obligations and sufficient protection against upstream financial risk. The commitments have been followed and, where required, fulfilled. There have been no enforcement actions.

41           In addition, the governance structure of the consortium has, to the best of Staff's knowledge, been functioning properly. The governance structure is not changing in its substance, and the character of the proposed new ownership does not present significant new risks. The proposed ownership structure and composition of the board represents a dilution of ownership power and promotes member diversity. The new buyers are investment funds, operated for the benefit of the public sector, and constitute the same type of entity as the current owners. They are all well-funded, have experience holding utility assets, and will maintain stability in ownership and direction. Staff's review thus far indicates that, with some updates and revisions to the commitments that the applicants have

proposed, the transaction is consistent with the public interest. Staff provisionally recommends that the Commission approve the Proposed Transactions including Staff's Revised Commitments. Following Staff's review of the comments due to be filed in this docket by October 24, 2018, Staff will present a final recommendation to the Commission at the Open Meeting scheduled for November 5, 2018.

**Attachment A to Staff's Comments**

**STAFF'S PROPOSED  
REVISED COMMITMENTS**

## **Staff's Revisions in Legislative Format to Appendix 1 to Joint Application**

### **PROPOSED COMMITMENTS OF THE JOINT APPLICANTS IN SUPPORT OF THE PROPOSED TRANSACTIONS**

The following list sets forth those commitments offered by PSE, Alberta Investment Management Corporation, British Columbia Investment Management Corporation, OMERS Administration Corporation, and PGGM Vermogensbeheer B.V. in Docket U-180680.

#### **Definitions**

Certain terms used below were originally developed in reference to a specific underlying proceeding with different underlying transactions and parties. For the sake of clarity and for ease of reference, these terms are defined below, and are periodically clarified in the commitments where noted.

“2008 Acquisition Order” means In the Matter of the Joint Application of Puget Holdings LLC and Puget Sound Energy, Inc., For an Order Authorizing Proposed Transaction, Docket U-072375, Order 08, Approving and Adopting Settlement Stipulation; Authorizing Transaction Subject to Conditions (Dec. 30, 2008).

“2008 Transaction” means the transaction proposed in Docket U-072375, and which established the current PSE ownership structure.

“2017 GRC Order” means Washington Utilities & Transportation Commission v. Puget Sound Energy, Dockets UE-170033 & UG-170034, Order 08, Final Order Rejecting Tariff Sheets; Approving and Adopting Settlement Stipulation; Resolving Contested Issues; and Authorizing and Requiring Compliance Filing (Dec. 5, 2017).

“Commission” means the Washington Utilities and Transportation Commission.

“Commission Staff” means the Staff of the Washington Utilities and Transportation Commission.

“EBITDA” means earnings before interest, taxes, depreciation, and amortization.

“Joint Parties” means the signatories to the Multiparty Settlement Stipulation in Docket U-072375, including Puget Holdings, PSE, Commission Staff, Industrial Customers of Northwest Utilities, Northwest Industrial Gas Users, The Energy Project, NW Energy Coalition, and The Kroger Company.

“LNG Order” means In the Matter of the Petition of Puget Sound Energy, Inc. for (i) Approval of a Special Contract for Liquefied Natural Gas Fuel Service with Totem Ocean Trailer Express, Inc. and (ii) a Declaratory Order Approving the Methodology for Allocating Costs Between Regulated and Non-regulated Liquefied Natural Gas Services, Docket UG-151663, Order 10 at 8, Final Order Approving and Adopting Settlement Stipulation; Reopening Record and Amending Order 08 in Docket U-072375 (Nov. 1, 2016).

“Owner of Puget Holdings” means a member of Puget Holdings LLC.

“Proposed Transactions” mean the proposed transactions seeking Commission approval in Docket U-180680.

“PSE” means Puget Sound Energy, Inc.

“Public Counsel” means the Public Counsel Section of the Washington State Attorney General’s Office.

“Puget Energy” means Puget Energy, Inc.

“Puget Equico” means Puget Equico LLC.

“Puget Holdings” means Puget Holdings LLC

“Puget Intermediate” means Puget Intermediate Holdings Inc.

“Puget LNG” means Puget LNG, LLC.

### **Proposed Commitments**

1. PSE and Puget Holdings commit to continue the Service Quality measures currently in place for PSE or as may be modified in any future proceeding.
2. Puget Holdings acknowledges PSE’s need for significant amounts of capital to invest in its energy supply and delivery infrastructure and commits that meeting these capital requirements will be considered a high priority by the Boards of Puget Holdings and PSE.
3. Puget Holdings acknowledges PSE’s obligations under Washington’s Renewable Portfolio Standard and commits to support PSE with additional expertise and capital as necessary to enable PSE to fulfill those obligations.
4. Puget Holdings commits to work with PSE to acquire all renewable energy resources required by law and such other renewable energy resources as may from time to time be deemed advisable in accordance with its biennial integrated resource planning process.
5. Puget Holdings commits to and supports PSE’s goal to reduce greenhouse gas emissions by 50 percent of PSE’s 2016 greenhouse gas footprint by 2040.
6. PSE will (i) maintain separate books and records; (ii) agree to prohibitions against loans or pledges of utility assets to Puget Energy or Puget Holdings, or any of their subsidiaries or affiliates, without Commission approval; and (iii) generally hold PSE customers harmless from any business and financial risk exposures associated with Puget Energy, Puget Holdings and its other affiliates.
7. PSE will maintain separate debt and preferred stock, if any. PSE will maintain its own corporate and debt credit rating, as well as ratings for long-term debt and preferred stock.

8. Puget Holdings and PSE commit that PSE will honor its labor contracts.
9. PSE will maintain its pension funding policy in accordance with sound actuarial practice.
10. PSE and Puget Holdings will maintain staffing and presence in the communities in which PSE operates at levels sufficient to maintain the provision of safe and reliable service and cost-effective operations.
11. At least one director of PSE will be an Independent Director who is not a member, stockholder, director (except as such Independent Director of PSE), officer, or employee of Puget Holdings or its affiliates. The organizational documents for PSE will not permit PSE, without the unanimous consent of all its directors including the Independent Director, to consent to the institution of bankruptcy proceedings or the inclusion of PSE in bankruptcy proceedings. The Chief Executive Officer of PSE will be a member of the board of PSE. The Puget Holdings governance will be on terms substantively the same as presented in the Draft LLC Agreement Term Sheet presented at hearing (Exhibit 63HC in Docket U-072375), including an Independent Manager as clarified by Exhibit 408 in Docket U-072375. The Puget Energy, Puget Intermediate, and Puget Equico governance agreements will also include an independent manager as clarified by Exhibits 409 and 410 in Docket U-072375. The Puget Holdings, Puget Intermediate, Puget Equico, and Puget Energy governance agreements will be modified, as necessary, to require, in addition to supermajority member approval, supermajority Board approval, including the affirmative vote of the Independent Manager, of matters identified in Appendix C to the Draft LLC Agreement Term Sheet, subparts (D), (E) and (F).
12. PSE and Puget Holdings commit that PSE and Puget Energy corporate headquarters will remain in PSE's service territory.
13. Puget Holdings and PSE commit that PSE and Puget Sound Energy Foundation will maintain its existing level of corporate contributions and community support in the State of Washington, as set forth in PSE's Response to Staff Informal Data Request No. 001(d), a copy of which is attached as Appendix 1 to this Attachment A.
14. Puget Holdings and PSE will make reasonable commitments, consistent with recent Commission merger orders, to provide access to PSE's books and records; access to financial information and filings; audit rights with respect to the documents supporting any costs that may be allocable to PSE; and access to PSE's board minutes, audit reports, and information provided to credit rating agencies pertaining to PSE.
15. Affiliate Transactions, Cross-Subsidization: PSE agrees (i) to file cost allocation methodologies used to allocate Puget Energy or Puget Holdings related costs to PSE; (ii) to propose methods and standards for treatment of affiliate transactions; and (iii) that there will be no cross-subsidization by PSE customers of unregulated activities. The cost-allocation methodology filed pursuant to this Commitment 15 will be a generic methodology that does not require Commission approval prior to its being proposed for specific application in a general rate case or other proceeding affecting rates.

16. Transaction Costs: PSE and Puget Holdings agree that there will be no recovery of any transaction costs associated with the Proposed Transactions, as well as, any legal and financial advisory fees associated with the Proposed Transactions in rates and no recovery of the acquisition premium in rates. The scope of transaction costs in this Commitment 16 includes any compensation of senior executives tied to the Proposed Transactions.
17. PSE and Puget Holdings commit to maintain existing low-income programs or as such programs may be modified in any future proceeding. In addition, PSE and Puget Holdings commit to increase the budgeted funding of low-income energy efficiency programs in future years at a level commensurate with increases in funding for energy efficiency programs for other residential customers through the Conservation Resource Advisory Group (CRAG) process.
18. PSE and Puget Holdings commit to continue to work with low-income agencies to address issues of low-income customers.
19. Puget Holdings and PSE will not advocate for a higher cost of debt or equity capital as compared to what PSE's cost of debt or equity capital would have been absent the change in ownership at Puget Holdings.

For future ratemaking purposes Commitments 19, 20(a) and 6(iii) are clarified as follows:

- (a) Determination of PSE's debt and equity costs will be no higher than such costs would have been assuming PSE's credit ratings by S&P and Moody's in effect on the day before the Proposed Transactions closed and applying those credit ratings to then-current debt and equity markets, unless PSE proves that a lower credit rating is caused by circumstances or developments not the result of financial risks or other characteristics of the Proposed Transactions.
  - (b) Determination of the allowed return on equity in future general rate cases will include selection and use of one or more proxy group(s) of companies engaged in businesses substantially similar to PSE, without any limitation related to PSE's ownership structure.
20. In furtherance of Commitment 6:
  - (a) Puget Holdings and PSE commit that PSE's customers will be held harmless from the liabilities of any non-regulated activity of PSE or Puget Holdings. In any proceeding before the Commission involving rates of PSE, the fair rate of return for PSE will be determined without regard to any adverse consequences that are demonstrated to be attributable to the non-regulated activities. Any new non-regulated subsidiary will be established as a subsidiary of either Puget Holdings, Puget Intermediate, or Puget Energy rather than as a subsidiary of PSE. Measures providing for separate financial and accounting treatment will be established for each non-regulated activity.



- (b) Puget Holdings and PSE will notify the Commission subsequent to Puget Holdings' board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of Puget Holdings; or (2) the change in effective control or acquisition of any material part of PSE by any other firm, whether by merger, combination, transfer of stock or assets.
- (c) Neither PSE nor Puget Holdings will assert in any future proceedings that the Commission is without jurisdiction over any transaction that results in a change of control of PSE.

As regards Commitments 20(b), 20(c) and 22(c), within 14 days following the notice required by Commitment 20(b) PSE and Puget Holdings will seek Commission approval of any sale or transfer of: (1) any part of PSE that will give a new or existing member of Puget Holdings effective control of PSE, either in terms of ownership shares, or in terms of voting power under the then-applicable Puget Holdings LLC Agreement, or; (2) any material part of PSE. The term "material part of PSE" means any sale or transfer of stock representing ten percent or more of the equity ownership of Puget Holdings or PSE. (Exhibit 419 in Docket U-072375). No sale or transfer subject to Commitment 20(b) may close prior to approval by the Commission.

21. In furtherance of Commitment 14:

- (a) PSE and Puget Holdings will maintain the necessary books and records so as to provide an audit trail for all corporate, affiliate, or subsidiary transactions with PSE, or that result in costs that may be allocable to PSE.
- (b) Puget Holdings and PSE commit that PSE will provide Commission Staff and Public Counsel access to books and records (including those of Puget Holdings, including reports produced by Puget Holdings for its members to the extent those reports are pertinent to PSE, or any affiliate or subsidiary companies) required to be accessed to verify or examine transactions with PSE, or that result in costs that may be allocable to PSE. The Proposed Transactions will not result in reduced access to the necessary books and records that relate to transactions with PSE, or that result in costs that may be allocable to PSE, and the Proposed Transactions and resulting corporate structure will not be used by PSE as a basis to oppose requests for such books and records made by the Commission or by Commission Staff or Public Counsel.
- (c) Puget Holdings and PSE commit that nothing in the Proposed Transactions will limit or affect the Commission's rights with respect to inspection of accounts, books, papers and documents of PSE pursuant to RCW 80.04.070 or RCW 80.16.030. Puget Holdings commits that nothing in the Proposed Transactions will limit or affect the Commission's rights with respect to inspection of accounts, books, papers and documents of Puget Holdings pursuant to RCW 80.16.030; provided, that such right to inspection shall be

limited to those accounts, books, papers and documents of Puget Holdings that pertain to transactions affecting PSE's regulated utility operations.

- (d) Puget Holdings and PSE will provide the Commission with access to written information provided by and to credit rating agencies that pertains to PSE. Puget Holdings and each of its members will also provide the Commission with access to written information provided by and to credit rating agencies that pertains to Puget Holdings' subsidiaries to the extent such information may potentially affect PSE.

22. In furtherance of Commitment 15:

- (a) If and when any subsidiary of PSE becomes a subsidiary of Puget Holdings, Puget Intermediate, or Puget Energy, PSE will so advise the Commission within thirty (30) days and will submit to the Commission a written document setting forth PSE's proposed corporate and affiliate cost allocation methodologies.
- (b) PSE will notify the Commission of any change in corporate structure that affects PSE's corporate and affiliate cost allocation methodologies. PSE will propose revisions to such cost allocation methodologies to accommodate such changes. PSE will not argue that compliance with this provision constitutes approval by the Commission of a particular methodology for corporate and affiliate cost allocation.
- (c) PSE and Puget Holdings will comply with all applicable provisions of Title 80 RCW, including those pertaining to transfers of property under Chapter 80.12 RCW, affiliated interests under Chapter 80.16 RCW, and securities and the assumption of obligations and liabilities under Chapter 80.08 RCW.
- (d) With respect to the ratemaking treatment of affiliate transactions, PSE and Puget Holdings will comply with the Commission's then-existing practice; provided, however, that nothing in this Commitment limits PSE from also proposing a different ratemaking treatment for the Commission's consideration or limit the positions any other party may take with respect to ratemaking treatment.
- (e) PSE will bear the burden of proof in any general rate case that any corporate and affiliate cost allocation methodology it proposes is reasonable for ratemaking purposes. Neither PSE nor Puget Holdings will contest the Commission's authority to disallow, for retail ratemaking purposes in a general rate case, unsupported, unreasonable, or misallocated costs from non-regulated or affiliate businesses to PSE's regulated utility operations.

23. PSE, and Puget Holdings acknowledge that all existing orders issued by the Commission with respect to PSE or its predecessors, Puget Sound Power & Light Company and Washington Natural Gas Company, will remain in effect, and are not modified or otherwise affected by the Proposed Transactions or any order of the Commission approving the

Proposed Transactions. Notwithstanding the immediately preceding sentence, the Commission's Order Accepting Stipulation and Approving Corporate Reorganization to Create a Holding Company, With Conditions, dated August 15, 2000, in Docket No. UE-991779 is acknowledged to be superseded and replaced in its entirety by the 2008 Acquisition Order.

24. Nothing in these Commitments shall be interpreted as a waiver of Puget Holdings' or PSE's rights to request confidential treatment for information that is the subject of any of the Commitments.
25. PSE and Puget Holdings understand that the Commission has authority to enforce these Commitments in accordance with their terms. If there is a technical violation of the terms of these Commitments, then the offending party may, at the discretion of the Commission, have a period of thirty (30) calendar days to cure such technical violation. The scope of this Commitment 25 includes the authority of the Commission to compel from Puget Holdings and Puget Energy the attendance of witnesses pertinent to matters affecting PSE. Puget Holdings waives its right to interpose any legal objection it might otherwise have to the Commission's jurisdiction to require the appearance of any such witnesses.
26. Puget Holdings and PSE acknowledge that the Commitments are being made by Puget Holdings, ~~its Owners~~, and PSE and are binding only upon them (and their affiliates) where noted. Puget Holdings and PSE are not requesting in this proceeding a determination of the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions referenced in the Commitments, and the Parties in appropriate proceedings may take such positions regarding the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions as they deem appropriate. The Commitments made by Puget Holdings and PSE also are binding, upon their successors in interest.
27. PSE and Puget Holdings commit that PSE will have a common equity ratio of not less than 44 percent, except to the extent a lower equity ratio is established for ratemaking purposes by the Commission. Puget Holdings represents that Puget Holdings is not prohibited from issuing new equity to third parties. PSE and Puget Holdings will not amend the LLC Agreement or other transaction documents to prohibit Puget Holdings from issuing new equity to third parties (including public markets). The transaction documents also permit PSE to issue certain hybrid securities to third parties (including public markets) and Puget Holdings. If Puget Holdings makes a new equity issuance for the purpose of (i) contributing the proceeds thereof (through its relevant subsidiaries) to Puget Energy or PSE, or (ii) applying the proceeds thereof toward the purchase from PSE of hybrid securities that are permitted to be issued under the transaction documents, the proceeds of any such new equity issuances by Puget Holdings shall be used for such purpose. PSE and Puget Holdings will provide an annual certificate of an officer of Puget Holdings certifying that neither Puget Holdings nor PSE is prohibited from undertaking the transactions described above.
28. PSE shall not be permitted to declare or make any PSE distribution unless, on the date of such PSE distribution, the PSE common equity ratio after giving effect to such PSE

distribution is not less than 44%, except to the extent a lower equity ratio is established for ratemaking purposes by the Commission.

29. Puget Energy may not declare or make a Puget Energy distribution, unless on the date of such Puget Energy distribution, the ratio of consolidated EBITDA to consolidated interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 2.00 to 1.00.
30. All of the common stock of Puget Energy shall be owned by Puget Equico, a Washington limited liability company. Puget Equico shall be a wholly-owned subsidiary of Puget Intermediate. Puget Equico shall be a bankruptcy-remote special purpose entity, and shall not have debt.
31. Puget Holdings and PSE commit that each of Puget Energy and PSE will continue to be rated by both Standard & Poor's Ratings Group and Moody's Investors Service, Inc.
32. PSE shall not declare or make any distribution, unless, on the date of such distribution, either:
  - (a) The ratio of PSE EBITDA to PSE interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 3.00 to 1.00; or
  - (b) PSE's corporate credit/issuer rating is at least BBB- (or its then equivalent) with S&P and Baa3 (or its then equivalent) with Moody's.

However, if PSE satisfies part (a) above but its corporate credit/issuer rating is downgraded to a level below BBB- (or its then equivalent) with Standard & Poor's Ratings Group or Baa3 (or its then equivalent) with Moody's Investors Service, Inc., then PSE shall provide notice to the Commission of such downgrade within two business days of PSE's receipt of notice of such downgrade. Following such downgrade, distributions by PSE to Puget Energy shall be limited to an amount sufficient (i) to service debt at Puget Energy, and (ii) to satisfy financial covenants in the credit facilities of Puget Energy, and distributions by Puget Energy to Puget Equico shall cease. If PSE seeks to make any distribution to Puget Energy greater than such amount and Puget Energy seeks to make any distribution to Puget Equico whatsoever, PSE and Puget Energy shall within forty-five calendar days of such downgrade (or earlier if PSE anticipates that such a downgrade may be forthcoming) file a petition with the Commission to show cause why (i) PSE should be permitted to make any distribution to Puget Energy in excess of such amount and (ii) Puget Energy should be permitted to make any distribution to Puget Equico. It is the expectation of the Joint Parties that the Commission within sixty (60) days after PSE's and Puget Energy's filing of such petition will issue an order granting or denying such petition. In considering such petition, due consideration shall be given to the financial performance and credit rating of PSE and to whether PSE has, and is expected to achieve, financial metrics that fall within the ranges used by Standard & Poor's Ratings Group and Moody's Investors Service, Inc. for investment grade-rated utility companies and any changes in such ranges since the date of closing of the 2008 Transaction; provided that nothing in this commitment shall prohibit the parties from advancing any arguments regarding factors the Commission should

consider. If PSE's corporate credit/issuer rating is subsequently upgraded to BBB- (or its then equivalent) or above with Standard & Poor's Ratings Group or Baa3 (or its then equivalent) or above with Moody's Investors Service, Inc., then PSE shall provide notice to the Commission of such upgrade within two business days of PSE's receipt of notice of such upgrade, and neither PSE nor Puget Energy shall be subject to any dividend restriction pursuant to this Commitment as of the date PSE provides such notice to the Commission.

Commitments 28, 29, and 32, which limit upward dividends or distributions from PSE to Puget Energy and from Puget Energy to Puget Equico, are clarified as follows:

- (a) If the ratio of PSE EBITDA to PSE interest expense is equal to or greater than 3.0 and PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment 28] and distributions from Puget Energy to Puget Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment 29]
  - (b) If the ratio of PSE EBITDA to PSE interest expense is less than 3.0, but PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment 28] and distributions from Puget Energy to Puget Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment 29]
  - (c) If the ratio of PSE EBITDA to PSE interest expense is equal to or greater than 3.0, but PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, distributions from PSE to Puget Energy are limited as specified in Commitments 28 and 32, unless allowed by specific Commission approval. No distributions are allowed from Puget Energy to Puget Equico.
  - (d) If the ratio of PSE EBITDA to PSE interest expense is less than 3.0 and PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, no distributions are allowed from PSE to Puget Energy and no distributions are allowed from Puget Energy to Puget Equico.
33. Puget Holdings and PSE commit that (i) the board of directors of PSE will include at least three directors who are residents of the region, one of whom shall be the chief executive officer of PSE, and (ii) the board of directors of Puget Energy will include at least two directors who are residents of the region, one of whom shall be the chief executive officer of PSE. The term "regional" as it applies to Commitment 33 means Washington State.

34. PSE will to the extent practical, comply with the rules applicable to a registrant under NYSE rules. Please see Exhibit No. 81 (EMM-11) at pages 1-4 in Docket U-072375 for an analysis of PSE's present reporting and governance obligations under NYSE Corporate Governance Standards. Such analysis identifies the applicable NYSE rule, describes the current requirement, describes the post-closing requirement, and sets forth PSE's post-closing commitment with respect to each requirement in the event a current requirement is not a continuing obligation. Such analysis also details the requirements of the NYSE with respect to the following:

- (a) annual report availability,
- (b) interim financial statements,
- (c) independent directors,
- (d) director executive sessions,
- (e) communication with non-management directors,
- (f) nominating and governance committee matters,
- (g) compensation committee matters,
- (h) the audit committee and committee membership,
- (i) the internal audit function,
- (j) corporate governance guidelines,
- (k) disclosure of corporate governance guidelines,
- (l) code of business conduct and ethics, and
- (m) officer certification.

Puget Energy and PSE will each comply with applicable NYSE rules and the requirements of the Sarbanes–Oxley Act as specified in Exhibit 422, Attachment A, column entitled “post-closing commitment” in Docket U-072375. Unless the Commission approves otherwise, Puget Energy and PSE will comply with any new NYSE rules, or rules not covered in Exhibit 422 in Docket U-072375. The independent managers or directors on the PSE, Puget Energy, and Puget Holdings boards will be members of the nominating/governance, compensation, and audit committees and their affirmative vote will be required on all matters subject to vote.

35. Puget Holdings and PSE commit that Puget Energy and PSE will continue to make the same SEC financial reporting requirements after closing of the Proposed Transactions with respect to the following:

- (a) Section 13(a) disclosure requirements,
  - (b) Section 15(d) disclosure requirements, and
  - (c) indenture covenants disclosure requirements.
36. PSE and Puget Holdings commit to the following commitments with respect to the Sarbanes-Oxley Act for both PSE and Puget Energy:
- (a) Section 201 guidance on the use of outside auditors,
  - (b) Section 202 pre-approval requirements with respect to the engagement and compensation of auditors,
  - (c) Section 203 requirements with respect to audit partner rotation,
  - (d) Section 204 guidance with respect to the requirements of auditor reports to audit committees,
  - (e) Section 206 guidance with respect to auditor conflicts of interest,
  - (f) Section 301 requirements with respect to audit committee requirements,
  - (g) Section 302 requirements with respect to corporate responsibility for financial reports,
  - (h) Section 303 provisions prohibiting officers and directors, and persons acting under the direction of an officer or director, from taking any action to coerce, manipulate, mislead, or fraudulently influence the auditor,
  - (i) Section 401 requirements with respect to the form and content of periodic and annual reports,
  - (j) Section 402 provisions prohibiting providing personal loans to directors and executive officers,
  - (k) Section 403 requirements with respect to disclosures of certain transactions involving management and shareholders,
  - (l) Section 404 requirements with respect to management assessment of internal controls,
  - (m) Section 406 requirements with respect to the code of ethics for senior financial officers,
  - (n) Section 407 requirements with respect to disclosure of audit committee financial expert,

- (o) Section 409 requirements with respect to real time disclosure to the public on material changes regarding financial condition or operations, and
  - (p) Section 906 requirements with respect to corporate responsibility for financial statements.
- 37. PSE will continue to meet all the applicable FERC reporting requirements with respect to annual reports (FERC Form 1) and quarterly reports (FERC Form 3) after closing of the Proposed Transactions.
- 38. PSE will (i) continue to offer customers the investment cost recovery incentive authorized by RCW 82.16.120 each year for as long as the law is in effect and (ii) dedicate resources to market and promote net metering. Such a commitment, however, is contingent on the continuation of implementing tariffs supporting such net metering programs on file with the Commission.
- 39. PSE will continue to actively participate in national and regional forums regarding transmission issues, pricing policies, siting requirements, and interconnection and integration policies.
- 40. PSE will continue to produce an annual Greenhouse Gas Inventory Report, including an inventory of total emissions from each of the sources listed in Table 6-1 and 9-1 of PSE's 2017 Greenhouse Gas Inventory Report, and make such Greenhouse Gas Inventory Report available to its customers and stakeholders.
- 41. Puget Energy shall not operate or own any business other than PSE and Puget LNG ("Puget LNG"). Puget LNG shall be a special purpose entity formed by Puget Energy solely for the purposes of owning, developing, and financing, as a tenant-in common with PSE, an LNG facility at the Port of Tacoma (the "Tacoma LNG Facility").
- 42. PSE and Puget Holdings commit that the current and any future capital expenditure credit facilities will by their terms limit the use of such funds only for financing capital expenditures of PSE and Puget LNG. Quarterly officer certificates under each of the credit facilities of Puget Energy and PSE will be made available to the Commission and other interested parties, upon request and subject to the protective order in Docket No. U-072375.
- 43. PSE's customers will be held harmless from the liabilities and financial losses of any non-regulated activity of the Tacoma LNG Facility, including any non-regulated activity of Puget LNG. Puget Energy guarantees and will hold PSE's customers harmless from all liabilities and financial losses of Puget LNG resulting from:
  - (i) any non-regulated activity of the Tacoma LNG Facility, including the sale or assignment of the assets of Puget LNG to a third party; and
  - (ii) circumstances in which Puget LNG or any successor to Puget LNG (a) becomes insolvent or is unable to pay its debts when due, (b) files a petition in bankruptcy, reorganization or similar proceedings (and if filed against, such petition is not removed within 90 days), (c) discontinues its business,



or (d) a receiver is appointed or there is an assignment for the benefit of creditors of Puget LNG.

44. PSE will notify the Commission of any potential sale or transfer of all or substantially all of the assets of the Tacoma LNG Facility or the potential sale or transfer of Puget LNG's non-regulated operations. PSE must give this notice as soon as practicable.
45. At closure of Colstrip Units 1 and 2, PSE shall offset all additional unrecovered plant balances for Colstrip Units 1 and 2 with monetized production tax credits ("PTCs"). PSE assumes the risk that it is unable to monetize the PTCs to offset additional unrecovered plant balances for Colstrip Units 1 and 2; provided, however that if Colstrip Units 1 and 2 close prior to the monetization of sufficient PTCs to offset additional unrecovered plant balances for Colstrip Units 1 and 2, PSE shall hold remaining unrecovered plant balances of Colstrip Units 1 and 2 in a regulatory asset in rate base until the earlier to occur of (i) the recovery of all plant balances for Colstrip Units 1 and 2 through monetized PTC offsets or (ii) December 31, 2029.
46. PSE shall place PTCs as they are monetized in a second, more flexible account not established pursuant to Chapter 80.84 RCW. PSE shall use the monetized PTCs in the second account in accordance with the following priority for use: (i) to fund community transition planning funds of \$5 million, as identified in paragraph 118 of the Settlement in Dockets UE-170033 & UG-170034; (ii) to recover unrecovered plant balances for Colstrip Units 1 through 4; and (iii) to fund and recover prudently incurred decommissioning and remediation costs for Colstrip Units 1 through 4. The account shall be consistent with the discussion of the account set forth in the Prefiled Rebuttal Testimony of Ms. Katherine J. Barnard, Exh. KJB-17T in Dockets UE-170033 & UG-170034.
47. PSE shall engage in a process with stakeholders to develop a community transition plan, including a funding mechanism, to address the transitioning of PSE's interest in the community of Colstrip, Montana. PSE shall contribute the following amounts to the community transition plan: (i) \$5 million of shareholder dollars and (ii) \$5 million of monetized PTCs. PSE shall place the \$5 million of shareholder dollars in an escrow account (the "Escrow Account") by the end of calendar year 2018. PSE shall place \$5 million of monetized PTCs, when available, from the account established pursuant to paragraph 117 of the Settlement in Dockets UE-170033 & UG-170034 in the Escrow Account. All such funds shall remain in the Escrow Account until such time that there is a community transition plan, including a funding mechanism, in place.
48. Beginning in 2018, on or before December 1 of each year, PSE shall provide the Commission an annual report containing the following:
  - (i) the most recent estimate of the actual retirement date for Colstrip Units 1 and 2 and Colstrip Units 3 and/or 4;
  - (ii) in the event of an estimated retirement date earlier than July 1, 2022, for Colstrip Units 1 and 2, and upon the determination by PSE of an estimated retirement date for Colstrip Units 3 and/or 4, a discussion and evaluation of consequences to customers arising from those estimated retirement dates;

- (iii) decommissioning and remediation expenditures associated with Colstrip units since the time of the last report and updated estimates of future costs;
  - (iv) an evaluation of the sufficiency of the retirement account established pursuant to Chapter 80.84 RCW to fund and recover decommissioning and remediation activities for Colstrip Units 1 and 2;
  - (v) an evaluation of the sufficiency of existing depreciation rates for Colstrip Units 3 and 4 to cover decommissioning and remediation costs for those units; and
  - (vi) for years in which PSE issues an Integrated Resource Plan, updated replacement power costs.
49. PSE is working with NorthWestern Energy and the other Colstrip Transmission System owners on the design and staffing of an operational study of transfer capability of the Colstrip Transmission System after Colstrip Units 1 and 2 retire. PSE agrees to work in good faith with the other Colstrip Transmission System owners to have this study completed by June 30, 2018. Upon completion of the study, study results will be submitted to the Commission and interested stakeholders, subject to the consent of the other Colstrip Transmission System owners and subject to disclosure restrictions, such as restrictions on disclosure of Critical Energy Infrastructure Information and non-public transmission information.
50. Puget Holdings and PSE understand and agree that the Commission has authority to enforce these commitments in accordance with the terms of the commitments. In support of this purpose, Puget Holdings will file with the Commission prior to closing the Proposed Transactions an affidavit affirming that it will submit to the jurisdiction of Washington courts for enforcement by the Commission orders adopting these commitments and subsequent orders affecting PSE. PSE will file a report with the Commission regarding any failure to comply with any of these commitments. The report will, at a minimum, identify the commitment, provide a description of the failure, and provide a description of the corrective action taken. The report is due to the Commission within five business days once the failure has been identified.
51. Each Owner of Puget Holdings is supportive of these commitments. Prior to closing of the Proposed Transaction, each Owner of Puget Holdings will file an affidavit with the Commission affirming that it is supportive of the commitments.

## APPENDIX 1

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket U-180680  
Puget Sound Energy  
Sale of Non-Controlling Interest in Puget Holdings LLC**

**WUTC STAFF INFORMAL DATA REQUEST NO. 001(d)**

**WUTC STAFF INFORMAL DATA REQUEST NO. 001(d):**

Referring to the Joint Applicants' Proposed Commitment 13, please provide a copy of the referenced five-year business plan.

**Response:**

Commitment 13 reads as follows:

13. PSE and Puget Sound Energy Foundation will maintain its existing level of corporate contributions and community support in the State of Washington, as set forth in the current approved five-year business plan of PSE.

In preparing this response, the Joint Applicants have discovered that the five-year business plan referenced in Proposed Commitment 13 does not expressly set forth the amount of Puget Sound Energy's ("PSE") and the Puget Sound Energy Foundation's existing level of corporate contributions and community support.

**PSE**

The relevant page of the five-year plan, which is attached as Attachment A, includes PSE corporate contributions and community support in line 20, "Net Other Income" along with non-utility other revenue and expenses. The PSE community support and corporate contributions built into line 20 are shown below:

<b>2018-2022 Plan</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
Community Support	\$ 5,625,831	\$ 5,710,219	\$ 5,795,872	\$ 5,882,810	\$ 5,971,052	
Corporate Contributions	\$ 408,750	\$ 408,881	\$ 415,014	\$ 421,240	\$ 427,558	

The Joint Applicants commit that PSE will maintain the level of community support and corporate contributions shown above for the years 2018 through 2022.

**PSE Foundation**

The PSE Foundation is a separate legal entity from PSE. The PSE Foundation has assets that fund the amount of contributions it grants to organizations. Accordingly, the

PSE Foundation community support and corporate contribution amounts are not included in the five-year plan discussed above. The total amount of PSE Foundation corporate contributions and community support for 2017 is \$1,078,649. Attached as Attachment B is a copy of the 2017 PSE Foundation Executive Summary. The Joint Applicants commit that, for the years 2018 through 2022, the PSE Foundation will maintain a level of corporate contribution and community support consistent with 2017 levels.

Designated Information is CONFIDENTIAL per WAC 480-07-160 as marked in Attachment A to PSE's Response to WUTC Staff Informal Data Request No. 001(d). This document is designated CONFIDENTIAL because it contains commercially sensitive proprietary information, including projected future earnings and financial metrics, that are not publicly available.



November 2, 2018

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 Non-Controlling Interest in Puget Holdings LLC, Docket U-180680**

Dear Commission Chairman Danner,

Regarding the application filed on September 5, 2018 by Puget Sound Energy (PSE), I respectfully request the following.

**1) The UTC should conduct a full review of this transfer in ownership.**

Several years ago Washington state legislation passed requiring the Utilities and Transportation Commission (UTC) to use a "net benefit" standard for the sale of interests by a private utility if the sale results in "a person, directly or indirectly, acquiring a controlling interest in a gas or electrical company."

It is my understanding that if the transaction is approved, Canadian pension funds, that are ultimately answerable to the Canadian government at the province or federal level, will own 90% of PSE. The intent of the state legislation was to ensure that the Commission required "that a net benefit to customers be shown in order to approve the acquisition of the franchises, properties, or facilities owned by a gas or electrical company in the state."

Legislation and public policy changes related to pensions and the economic health of Canada all need to be reviewed when it comes to the sale of PSE. This is the only opportunity we have to vet the proposed merger, and identify opportunities to improve safety, reliability, and service to PSE ratepayers.

**2) The UTC should look at how Puget Sound Energy's lowest-paid workers have fared.**

It is my understanding, PSE made merger commitments related to low-income customers, charitable contributions, staffing and a local presence. I am concerned that those commitments had minimal impact to address the unequal economic conditions that have occurred under PSE's current owners. Contracted-out workers performing traffic control for PSE are eligible for energy assistance programs due to their low wages and in-house employees at Puget enjoy the benefits and protections of good union jobs, other workers do not. High turnover, low wages, and dangerous working conditions in traffic control run counter to this mandate.

Therefore, I urge you to consider whether the proposed transaction will provide a net benefit to PSE ratepayers.

Sincerely,

Frank Chopp  
Speaker of the House

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UTIL. AND TRANSP.  
COMMISSION

Oral Comments of Lauckhart at Ownership Transfer hearing...Docket U-180680  
Nov 5, 2018 Olympia, Washington WUTC Hearing Room

Under the Macquarie foreign ownership group, PSE has (and still is) abusing the transmission planning process. I have submitted written comments in this proceeding detailing those abuses and suggesting that this commission put a stop to these abuses by putting seven additional conditions on your approval of this ownership transfer to another foreign owner group. I have submitted written comments in support of the Joint Petitioners Petition for a Adjudicative Proceeding in this matter.

Your trial staff advises me that this is the wrong forum to raise my belief that additional Conditions be placed on any WUTC approval of this ownership transfer. They say I should raise these matters in the IRP or in a prudency hearing. Of course, the problem with raising these matters in a prudency hearing is that the environmental damage does not get fixed if this Commission does not approve the expenditures on a transmission line after the line is built.

One would think that the IRP process should be able to address these matters. But if PSE refuses to cooperate in an IRP process and the WUTC does not require them to cooperate, then that is not a remedy.

As you know, this year the Commission has admonished PSE for not properly dealing with transmission matters in their last IRP. That was done in your Acknowledgement Letter Attachment in PSE's last IRP (UE-160918).

I have submitted comments on PSE's new IRP (UE-180607) that the deficiencies articulated by this Commission in their Acknowledgement Letter need to be addressed in this next IRP. **But I see nothing in the 2019 IRP workplan that indicates these deficiencies will be addressed.** And more telling, PSE is still telling IRP Advisory Group members that they will not be answering questions on their justification for EE. In a Sept 19, 2018 letter, in response to an information request from Don Marsh, PSE has declined to answer questions for CEII reasons or confidentiality reasons.

**CEII reasons:** In that Sept 19, 2018 letter PSE stated that even though the member has CEII clearance from FERC, that ***"Please note that FERC approval does not constitute PSE approval. FERC jurisdictional entities such as PSE have their own CEII processes and procedures that are meant to function and be applied for separately and independently from those of FERC."*** And PSE refused to give their CEII approval and answer questions.

**Confidentiality reasons:** In that same Sept 19, 2018 letter PSE stated that ***"Historical loading on individual substations is confidential in order to protect customer sensitive information so this request is denied"***

It appears that once again the IRP process is being abused by PSE by their refusal to conduct IRP related analysis in an open and transparent manner with stakeholder input. **This PSE continued refusal to provide information is unacceptable.**

You should be aware that PSE is telling the City of Bellevue that they should take comfort in the fact that the WUTC is reviewing what they do. In response to an August 14th, 2018, letter from the City of Bellevue requesting additional information on the Conditional Use Permit Application that PSE had filed for the south part of Bellevue, PSE stated (in their Sept 26, 2018 response) as follows:

*"PSE is a heavily regulated investor-owned utility whose actions are carefully monitored and reviewed by the Washington Utilities and Transportation Commission (UTC)."*

In essence, PSE is telling the City of Bellevue that they need not delve in to technical matters because that is being done by you, the WUTC. But then PSE refuses to comply with WUTC IRP requirements.

I am suggesting in this proceeding that the Commission place "conditions" on your ownership transfer approval that fix these problems. If you feel the matter does not need to be dealt with here because it can be addressed in the IRP itself, then you need to step up and demand that PSE conduct their IRP analysis in an open and transparent manner with stakeholder input. You could have a confidentiality agreement process in the IRP proceeding if necessary. If PSE refuses to answer questions you could set a "fact finding" hearing under which PSE witnesses answer questions under oath on the studies they include in the IRP. Or there is another possibility to assure the need for Energize Eastside is studied appropriately in the IRP in an open and transparent fashion with stakeholder input. That would entail the WUTC, as a part of the IRP, making a FERC Order 1000 request to ColumbiaGrid to include Energize Eastside as a part of a Regional Plan and hence have ColumbiaGrid study the need for Energize Eastside in accordance with FERC Order 1000 rules. The results of that study would be brought to the IRP. I have separately filed comments on that possibility in PSE IRP Docket UE-180607.

I agree that conditions in this hearing would not be necessary if the IRP was conducted in an open and transparent matter with stakeholder input. I believe that is what is supposed to happen in the IRP. But it is not happening.

In order to protect PSE customers, you need to address these problems with PSE transmission planning that have arisen under foreign ownership. You could do it by placing the conditions I propose on your approval of the ownership transfer. Or you could do it by requiring PSE to conduct their IRP process in an open and transparent fashion with stakeholder input. Or in conjunction with the IRP you could request that ColumbiaGrid do the studies of the need for Energize Eastside.

You need to do at least one of these things in order to protect PSE customers.

\*\*\*\*\*

I am providing 5 copies of these oral comments to you this morning. Attached to these comments are copies of:

- 1) The Sept 19, 2018 letter from PSE to Don Marsh that I refer to in these comments, and
- 2) The separate comments I filed in PSE IRP Docket UE-180607 regarding the WUTC requesting that ColumbiaGrid perform the studies of the need for Energize Eastside in an open and transparent manner with stakeholder input.

Richard Lauckhart  
Energy Consultant  
Davis, California  
lauckjr@hotmail.com





PUGET SOUND ENERGY

PSE.com

September 19, 2018

Via Express Mail

Don Marsh  
4411 137<sup>th</sup> Ave. SE  
Bellevue, WA 98006

Re: CEII Requests dated June 9, 2018 and July 8, 2018

Dear Mr. Marsh:

This letter is in response to the subject CEII requests. Please accept our apologies for our delayed response.

CEII Request dated June 9, 2018

In this request, you asked PSE to provide the maximum summer and winter peak load levels served by each 230/115 kV substation and each 115/12kV substation serving PSE's Eastside territory for each of the past ten years (2008 through and including 2017). You also asked to include the date and approximate time of each peak load event.

**This request is very similar to the request you made in March 6, 2016 for individual Eastside substation load data for a six-year time period. In PSE's response to you dated May 13, 2016, we stated, "Historical loading on individual substations is confidential in order to protect customer sensitive information so this request is denied." Unfortunately, the passage of time has not altered PSE's position that such information compromises the confidential nature of customer sensitive information, so this request is again denied.**

In the statement of need in your June 9, 2018 request, you noted, "This information is critical for me to understand the overall need and the specific locational and seasonal need that justifies construction of the Energize Eastside transmission upgrade project." As you may recall, the need for the Energize Eastside project has been documented numerous times: two reports by PSE and national experts from Quanta Technology, and verified by qualified and independent consultants. These experts include Utility System Efficiencies, Inc., a consultant hired by the City of Bellevue at your request.

Additionally, the Federal Energy Regulatory Commission (FERC) dismissed both of CENSE's protest and complaint against PSE, Seattle City Light, the Bonneville Power Administration (BPA) and ColumbiaGrid pertaining to the Energize Eastside Project. Specifically, FERC affirmed that PSE, BPA and ColumbiaGrid complied with their transmission planning responsibilities in proposing and evaluating the Energize Eastside Project as follows:

"Based on the record before us, we find that Puget Sound (PSE) and the other Respondents complied with their transmission planning responsibilities under Order 890 in proposing and evaluating the Energize Eastside Project" (pg. 25, para 63 of the FERC Order Dismissing Compliant under EI.15-74)

Lastly, in the statement of need in your June 9, 2018 request, you noted, "I received CEII from FERC on April 8, 2016." Your March 6, 2016 request contained a similar statement. In PSE's response to you dated May 13, 2016, we stated, "Please note that FERC approval does not constitute PSE approval. FERC jurisdictional entities such as PSE have their own CEII processes and procedures that are meant to function and be applied for separately and independently from those of FERC." That distinction still exists.

CEII Request dated July 8, 2018


In this request, you asked PSE to provide, for the years 2008 – 2017, a brief description of the date and the situation where Corrective Action Plans (CAPs) were engaged to prevent overloading of the Talbot or Sammamish transformers, and to also note the duration.

While PSE has CAPs in place today, you requested a list of when all CAPs were engaged to prevent transformer overloads at the Talbot (Hill) or Sammamish substations between 2008 and 2017. Prior to April 1, 2014, CAP events were not specifically tracked or reported, so PSE is unable to provide specific data. From 2014-2017, PSE has not had to implement CAPs for the specific contingencies you requested.

Thank you again for your interest in the Energize Eastside project.

Sincerely,

**Puget Sound Energy, Inc.**

By:   
George Marshall

Its: Manager Transmission Policy and Contracts

Comments by Richard Lauckhart dated October 9, 2018 in Docket No. UE-180607.

These comments deal with PSE's proposed Energize Eastside project.

On August 4, 2018 I provided comments in this Docket pointing out that the WUTC Acknowledgement Letter in the previous IRP listed deficiencies that need to be corrected in the future. I further indicated that those deficiencies should be address in this 2019 IRP.

I note that the PSE Workplan for the 2019 IRP does not address dealing with these deficiencies noted by the WUTC. Even more problematic is the fact that PSE continues to refuse to provide requested information on their studies showing the need for Energize Eastside. See attached September 19, 2018 latter from PSE to Don Marsh with regards to his request for information.

There is another solution to PSE's intransigence. That solution involves ColumbiaGrid.

In 2015 CENSE and others filed a complaint with FERC asking them to require ColumbiaGrid to conduct load flow studies on the need for Energize Eastside in an Open and Transparent fashion with Stakeholder input. In their Order dismissing the CENSE complaint FERC stated simply that there was no evidence that PSE nor any eligible party had requested in writing that Energize Eastside be a part of a Regional Plan and thus FERC did not have jurisdiction. A very technical point on FERC's part that ignored the history, the 1,500 MW to Canada and the MOU between PSE, Seattle City Light, and BPA.

PSE clearly should have made a written request to ColumbiaGrid to have Energize Eastside be a part of a Regional Plan. It seems clear that Macquarie/PSE chose not to request Energize Eastside be a part of a regional plan because to be included in a Regional Plan ColumbiaGrid would have been required to study the need for the line in an open and transparent fashion with stakeholder input. ColumbiaGrid did not do that. Further, FERC would have determined how much each entity (PSE and SCL and BPA) would be required to pay for the line. *[PSE/Macquarie have signed an MOU with Seattle City light and BPA that requires negligible financial contribution by BPA to the cost of the Energize Eastside even though it is BPAs request that Energize Eastside enhance their ability to move power over their lines to Blaine Washington that is the biggest cause for the need for the line.]* Macquarie wanted none of that to happen because Macquarie wanted to spend the money itself and have it included in PSE's ratebase by the WUTC.

There is another clear way for the WUTC to remedy these problems. FERC has pointed out that neither PSE nor any other eligible party has requested that Energize Eastside be a part of a Regional Plan. But the WUTC is clearly an eligible party to make such a request. The ColumbiaGrid protocol with the WUTC is one document that makes it clear that the WUTC would be an eligible party to make such a request. The WUTC should make that request. By having ColumbiaGrid study the need for Energize Eastside in an Open and Transparent fashion with Stakeholder input, it will assure that the 2019 IRP is properly evaluating the need for Energize Eastside. It will also be a way for the WUTC to assure that if Energize Eastside ever gets built that BPA will pay its appropriate share of the cost of Energize Eastside and that burden will not inappropriately fall on PSE customers.



# ColumbiaGrid Planning Process

## Order 1000 Potential Need Suggestion Form

Potential Need Name:      Puget Sound Area transmission needs

Proposed by:      WUTC

Contact: \_\_\_\_\_

New suggestion:       Reevaluated suggestion, Previous Need Number: \_\_\_\_\_

Descriptions of Potential Order 1000 Needs (attached additional pages if needed):

See Attached

Timeline of the need: \_\_\_\_\_

Need Driven Factors (check all that applies):

Reliability requirements       Economic Requirements       Public Policy Requirements

Supporting Document attached: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Several years ago ColumbiaGrid looked at increasing the ability of BPA to move power through the Puget Sound area to the Canadian Border at Blaine. In parallel with that, PSE did its own study of its reliability needs on the eastside of Lake Washington.

PSE's load flow studies addressed both their reliability needs and the desire for BPA to increase its ability to move power to Blaine. PSE concluded that its Energize Eastside project should be able to accomplish both goals. At that time, PSE should have requested that Energize Eastside be included in a Regional Plan in order to assure that BPA paid its fair share of the cost of the Energize Eastside project. PSE neglected to make that request.

Now the WUTC is investigating the need for Energize Eastside in the PSE 2019 IRP (WUTC Docket No. UE-180607). The PSE studies are now old and out of date. They need to be redone, in part in order to assure that BPA pays its fair share of any PSE proposed project that fulfills both PSE needs and BPA desires.

That being the case, the WUTC is requesting that Energize Eastside be included in a Regional Plan. That means that ColumbiaGrid needs to study the need for the line in an open and transparent fashion with stakeholder input. The ColumbiaGrid study needs to identify the best project that meets both PSE reliability requirements and the BPA desire to increase its ability to move power through the Puget Sound area to the Canadian Border at Blaine. Then ColumbiaGrid needs to remove the plan to increase the ability to move power to the Canadian border and see what is necessary for PSE to just meet its own reliability needs. The difference in the cost between these two plans is a cost that FERC would correctly assign to BPA.

Please move forward with this request include the PSE Energize Eastside project in a Regional Plan. This is necessary for us, the WUTC, to assure that PSE customers are not being burdened with an inappropriate amount of the cost of Energize Eastside.

**Purpose Use EE as illustrative why transfer of Sale needs further scrutiny.**

**My name is Warren Halverson. My address is 13701 NE 32<sup>nd</sup> Pl in Bellevue**

**Washington. I am a 40 year resident of Bridle Trails. I am a retired**

**telecommunications executive. I am currently President of our HOA; Board member**

**of CENSE and community representative on PSE's Technical Advisory Committee for**

**their Integrated Resource Plan. I am here today representing myself, a ratepayer.**

**After reviewing Docket U-180680 and all other related documents, I am here today to**

**request you take Adjudicative steps and actions to ensure that this transfer does “no**

**harm”; poses no risk to rate payers; and does demonstrate “public benefit”. Simply**

**put, this is what ratepayers expect of the Commission and, so far, has not been**

**substantiated within the documents provided by the Macquarie company or the**

**consortium.**

**When PSE was taken private, the Macquarie company and Mr. Leslie said they would**

**not be involved in the day-to-day operations of the business. They would monitor**

**business plans. That is reasonable. What he doesn't say is the Board of Directors of a**

**company – in this a privately, foreign owned company has great influence on the**

**direction of a company. I would argue it is more than influence. It is the power and authority to use these assets as they deem appropriate. What he didn't say is the**

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Board will be comprised of 12 Directors – 6 representing foreign hedge and pension funds plus 3 more investment groups. And, today, Macquire who does have energy industry expertise is leaving and will be replaced by dominant Canadian Pension Funds. The major interest of these pension funds is cash flow. 9.8% rate of return on investment from Washington ratepayers to foreign Canadian interests. Many Board members hold positions of other boards in their community and certainly have interest in pursuing such local interests, like building dams, selling electricity to the USA. I do believe that this type of a board and their orientation require regulatory questions, not unlike competition in the marketplace or stockholders of a public company.

It is a concentration of power by powerful people who have a very limited focus or visibility into our communities, moreso into Canadian interests, no offense to our Canadian friends.

I would further argue that the Board along with appointment of their president does create and re enforce a culture and set of values for every employee in this organization. One example of a value is transparency and a project is Energize Eastside. As a community leader and an advisor on PSE's Integrated Resource Plan for several years, we have found a lack of transparency, that is open communication, fully discussing issues and answering questions with facts. When attempts have been

made to escalate these issues to executives or owners of the company, they to o have been denied. In 2012 Energize Eastside estimated cost was . To date some estimates are. This highly questionable project will cost rate payers hundreds of millions of dollars it has been reported the cost so far

Yet, through the community processes, city processes and in fact Integrated Resource Planning processes wherein the commission has petitioned PSE to answer questions in specificity it hasn't happened. Only a cover your behind Chapter 8 Transmission Planning was added late last year with no analysis or review by the Advisory Group and no IRP plan to do any more this year. Why are load forecasts continually inflated When load forecasts are so far off year over year

As a rate payer why aren't new technologies beinf pursued.

As a rate payer whay am I paying for a 19<sup>th</sup> century 230kv line

As a rate payer – amember of the technical advirsory group -- why aren't load flow studies done; why does peak modeling have a 40 year timeframe and why aren't projects like EE sized in relation to current forecasts.

As a rate payer, why environmental destruction

As a rate payer, why do I have to agree to the risk of



**. I wonder what the actual sale price is for each share? How much money was made?**

**What the company is telling their buyers the future revenue streams look like?**

**Although ill thought, not needed Energize Eastside, is this part of their commitment.**

**As a business person, it is common practice to thoroughly verify (adjudicate)**

**commitments met have been met; to assess PSE's performance since 2012 and to take**

**into full account those safeguards going forward. PSE is a privately owned company,**

**not a public company. This you must take into account as an added regulatory**

**responsibility.**

**I thank you for protecting the ratepayer and insuring electrical reliability at least cost**

Just yesterday, a neighbor shared with me that PSE met with this single parent woman in her house to discuss removal of trees and providing a selection that she could make as a result of EE. Unbeknownst to her was a permit has not been filed for in Bellevue North, nor have there been any public hearings. Yet, she was being asked subtly sold (bullied) to select replacement trees before proper regulatory reviewal.

If one could agree that a Board has this power and authority, what does it look like. It looks very much like the make up of a Board. Today the Board ADD. The Boards of public companies do not have this concentration of common .... The Boards of public companies are required to have public stockholder meetings in an open manner, to the extent to amend By laws. Fortune magazine ran an article about the time of your decision Private companies don't.

Equally important in this particular case is the fact that PSE is an infra structure company – critical to our country. Yet, this board is dominated by pension fund leaders from foreign countries, while I am sure are good people, must be totally conflicted (compromised) when it comes to making those often hard decisions pitting a Canadian pension recipient versus a Washington ratepayer. Might that be part of the issue with building Energize Eastside, updating a 115kv line with basically the same 19<sup>th</sup> century technology; based upon unverifiable load flow studies and forecasts of 2.4% projected growth which now are .6%; with environmental impacts that PSE discounts with such statements as two trees will replace everyone removed; and that place this atop two huge pipelines. This may seem like unrelated detail and certainly acceptable to a Board of Directors whose real concern is 9.8% or Cash Flow.

I might add that it is easy to discard these types of concerns when it is not in your backyard .... A board member from Canada versus local board members. The Macuire Company is a hedge fund, looking for rate of return, cash. Yet at least these board members and their organizations provided technical capabilities in electrical infra structure, lost to the new owners

You are the “invisible hand” with the authority and responsibility to protect the ratepayer. As a ratepayer and as a business executive it is simple, fulfill this obligation with a thorough analysis and review to ensure that there is no harm; there is public benefit with no additional risk to us.

**hope that this can be discussed in much greater detail and certainly not in rate cases that are after the fact. For this transfer for Energize Eastside that would do great harm with unparalleled risks to rate payers going forward -- be a great injustice to your ratepayers**