

**EXHIBIT NO. KRK-14T  
DOCKET NOS. U-101217  
WITNESSES: KARL R. KARZMAR**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of the Petition of**

**PUGET SOUND ENERGY, INC.**

**For a Declaratory Order Regarding the  
Transfer of Assets to Jefferson County  
Public Utility District.**

**Docket No. U-101217**

**TESTIMONY OF KARL R. KARZMAR**

**ON BEHALF OF PUGET SOUND ENERGY, INC.  
IN SUPPORT OF SETTLEMENT STIPULATION**

**DECEMBER 21, 2010**



1 **Q. Please explain why PSE believes this Settlement Stipulation is in the public**  
2 **interest.**

3 A. The proposed Settlement Agreement satisfies the public interest because it sets  
4 forth a practical and efficient procedure to address all aspects of PSE's Petition for  
5 a Declaratory Order Regarding the Transfer of Assets to JPUD. The Settlement  
6 Stipulation provides for clarity and certainty with regard to certain contingencies  
7 bearing upon the resolution of litigation threatened by JPUD. Finally, the  
8 procedure set forth in the Settlement Stipulation will save the Commission and all  
9 parties to this proceeding time, effort, and resources, and produce a full and  
10 timely resolution of all the issues in this docket.

11 **Q. The Settlement Stipulation refers to certain regulatory approvals that must**  
12 **be satisfied as a condition precedent to closing the transactions contemplated**  
13 **by the Asset Purchase Agreement. What regulatory approvals are being**  
14 **referred to in the Settlement Stipulation?**

15 A. One of the contingencies to PSE's obligation to close the transactions  
16 contemplated by the Asset Purchase Agreement is that all "Necessary Approvals"  
17 shall have been obtained and be in effect on the closing date, all on terms  
18 acceptable to PSE, in its reasonable discretion. This contingency is set forth at  
19 paragraph 7.2 of the Asset Purchase Agreement. "Necessary Approvals" is  
20 further defined to include, among other matters, "WUTC Confirmations." The  
21 term "WUTC Confirmations" refers to an order from the Commission confirming  
22 that (a) the amount of the Purchase Price is an amount that is sufficient to fully

1           compensate PSE customers for the sale of the Assets; (b) the provisions of this  
2           Agreement pertaining to PSE's transition of its responsibilities to provide  
3           electrical service to its customers in the Service Territory are sufficient and  
4           consistent with PSE's public service obligations; and (c) by operation of RCW  
5           80.12.020(2), WUTC approval is not required prior to the transfer of the Assets to  
6           JPUD.

7           **Q.    Does paragraph 14 of the Settlement Stipulation provide the confirmations**  
8           **that PSE is seeking for purposes of paragraph 7.2 of the Asset Purchase**  
9           **Agreement?**

10          A.    If the Commission issues an order that contains the declarations set forth in  
11               paragraph 14 of the Settlement Stipulation, then PSE will be able to advise JPUD,  
12               in accordance with paragraph 7.2 of the Asset Purchase Agreement, that the  
13               WUTC Confirmations have been provided on terms acceptable to PSE. Based  
14               upon such order, it will be clear that no further action is required by the  
15               Commission to approve the transfer of the Assets to JPUD. It will also be clear  
16               from such an order that the \$103,000,000 purchase price sets a ceiling for  
17               ratemaking purposes, and that PSE has no obligation to obtain more than  
18               \$103,000,000 in connection with this transaction as a basis from which to  
19               subsequently determine an allocation of the sale proceeds as between PSE's  
20               customers and shareholders. Such an order would also confirm that the  
21               provisions of the Asset Purchase Agreement that pertain to the transfer of service  
22               and the obligation to serve customers in Jefferson County are sufficient and

1 consistent with PSE's public service obligations. If the Commission does not  
2 issue such an order, or issues an order that does not contain the declarations set  
3 forth in paragraph 14 of the Settlement Stipulation, or issues an order that  
4 otherwise qualifies the declarations set forth in paragraph 14 of the Settlement  
5 Stipulation, then PSE would need to carefully consider this action before drawing  
6 any conclusions with respect to the contingencies to close the transactions  
7 contemplated by the Asset Purchase Agreement.

8 **Q. Does this conclude your testimony?**

9 A. Yes.