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January 27, 2017

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VIA WEB PORTAL AND OVERNIGHT COURIER

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive, SW
Olympia, WA 98504

Re: ***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 No. UG-151663**
Notice of the Formation of Puget LNG, LLC by Puget Energy, Inc.

On October 31, 2016, the Commission issued Order 10 (Final Order Approving and Adopting Settlement Stipulation; Reopening Record and Amending Order 08 in Docket U-072375) in Docket UG-151663 ("Order 10"). Among other things, the Commission approved in Order 10 the formation by Puget Energy of a wholly-owned subsidiary named Puget LNG, LLC ("Puget LNG") and allocation of the capital costs of the Tacoma LNG Facility between Puget Sound Energy ("PSE") and Puget LNG as well as several new ring-fencing provisions proposed by the Settling Parties[1] to that proceeding and assigned these provisions numbers consistent with Appendix A to the settlement stipulation the Commission approved in Order 08 in Docket U-072375. Among the ring-fencing provisions approved by the Commission in Order 10 included new Commitment 64 which states as follows:

> Commitment 64 Within thirty (30) days of issuance of an order by the Commission approving the Settlement Stipulation consistent with its terms and its conditions, Puget Energy will form or will cause to be formed a wholly-owned subsidiary of Puget Energy named Puget LNG, LLC ("Puget LNG"). Puget LNG will be a special purpose limited liability company formed by Puget Energy solely for the purposes of owning, developing, and financing the Tacoma LNG Facility as a tenant-in-common with PSE.

Order 10 at ¶ 74.

[1] The Settling Parties are PSE, the Commission's regulatory staff, the Public Counsel Unit of the Washington Attorney General's Office, the Northwest Industrial Gas Users, and the Industrial Customers of Northwest Utilities.

Included as Exhibit A to this letter is the Affidavit of Steve R. Secrist in Compliance with the Conditions of Order 10 Final Order Approving and Adopting Settlement Stipulation; Reopening Record and Amending Order 08 in Docket U-072375 ("Secrist Affidavit"). The Secrist Affidavit affirms that Puget Energy formed a wholly-owned subsidiary of Puget Energy named Puget LNG within thirty (30) days of issuance of the Final Order by the Commission. (Secrist Affidavit at ¶3.) In addition, on November 30, 2016, PSE submitted a compliance filing in Docket UG-151663 that provided confirmation that Puget Energy had filed a Certificate of Formation for the formation of Puget LNG with the Washington Secretary of State. On January 3, 2017, the Commission issued a notice stating that the Commission has examined PSE's compliance filing and that it appears to comply with the terms of the Final Order, Paragraph 74, Commitment 64.

The Secrist Affidavit further affirms that (i) Puget Energy formed Puget LNG as a special purpose limited liability company solely for the purposes of owning, developing, and financing the Tacoma LNG Facility as a tenant-in-common with PSE and (ii) Puget LNG will remain a special purpose limited liability company formed solely for the purposes of owning, developing, and financing the Tacoma LNG Facility as a tenant-in-common with PSE for so long as Puget Energy, or any affiliate or subsidiary of Puget Energy, is a member of Puget LNG. (Secrist Affidavit at ¶4.)

The Commission also approved Commitment 65 in Order 10 which states, in part, as follows:

> Commitment 65 Within sixty (60) days of the formation of Puget LNG, PSE will file a non-consolidation opinion with the Commission which concludes, consistent with customary assumptions and exceptions, that the ring-fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of PSE with those of Puget Energy or its affiliates or subsidiaries, including Puget LNG.

Order 10 at ¶ 76.

The Secrist Affidavit affirms that PSE is filing within sixty (60) days of the formation of Puget LNG, a non-consolidation opinion which concludes that the ring-fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of PSE with those of Puget Energy or its affiliates or subsidiaries, including Puget LNG. (Secrist Affidavit at ¶6.) The non-consolidation opinion is included as Exhibit B to this letter.

The Commission also approved new Commitment 66 in Order 10, which states as follows:

> Commitment 66 PSE's customers will be held harmless from the liabilities and financial losses of 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.

Order 10 at ¶ 79.

The Secrist Affidavit affirms that Puget Energy will hold PSE's customers 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, for so long as Puget Energy, or any affiliate or subsidiary of Puget Energy, is a member of Puget LNG. (Secrist Affidavit at ¶8.) The Secrist Affidavit further affirms that Puget Energy will guarantee and hold PSE's customers harmless from: (i) all liabilities and financial losses of Puget LNG resulting from 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, for so long as Puget Energy, or any affiliate or subsidiary of Puget Energy, is a member of Puget LNG. (Secrist Affidavit at ¶9):

> The Commission also approved new Commitment 67 in Order 10, which states, in part:
>
> Commitment 67 Within sixty (60) days of the formation of Puget LNG, PSE will file a Joint Ownership Agreement between Puget LNG and PSE for approval by the

> Commission pursuant to RCW 80.16.020. The terms and conditions of the Joint Ownership Agreement will reflect the terms and conditions set forth in Attachment B to this Settlement Stipulation.

Order 10 at ¶86. In addition, Commitment 67 in Order 10 includes specific details regarding the treatment of operating costs, liabilities, insurance requirements and usage fees under the Joint Ownership Agreement.

The Secrist Affidavit affirms that within sixty (60) days of the formation of Puget LNG, PSE is filing a Joint Ownership Agreement between Puget LNG and PSE for approval by the Commission pursuant to RCW 80.16.020. (Secrist Affidavit at ¶11). Included as Exhibit C to this letter is a copy of the Joint Ownership Agreement between Puget LNG and PSE which includes the terms and conditions set forth in Attachment B of the Settlement Stipulation approved in Order 10 and the specific details required by Commitment 67 in Order 10.

The Commission also approved new Commitment 68 in Order 10, which states:

> Commitment 68 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.

Final Order at ¶ 95.

The Secrist Affidavit affirms that (i) 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 and (ii) PSE will give this notice as soon as practicable. (Secrist Affidavit at ¶13.)

In paragraph 141 of Order 10, the Commission addressed the governance structure and Board of Managers of Puget LNG. The Commission required that (i) two managers on the Board of Managers of Puget LNG should be independent and, therefore, not a member, stockholder, director, officer, or employee of Puget Holdings, LLC ("Puget Holdings"), Puget Energy, PSE, or any other affiliated businesses and (ii) ideally, these independent managers on the Board of Managers, or at least one of them, will have knowledge and experience with liquefied natural gas infrastructure, operations, marketing, or regulation. Order 10 at ¶ 141.

The Secrist Affidavit affirms that as of the date of commercial operations of the Tacoma LNG Facility and continuing thereafter, (i) two managers on the Board of Managers of Puget LNG will be independent and, therefore, not a member, stockholder, director, officer, or employee of Puget Holdings, Puget Energy, PSE, or any other affiliated businesses and (ii) at

least one of the independent managers of the Board of Managers will have knowledge and experience with liquefied natural gas infrastructure, operations, marketing, or regulation. (Secrist Affidavit at ¶15.)

If you have any questions, please contact the undersigned at 425-635-1416 or jkuzma@perkinscoie.com.

Very truly yours,

Jason Kuzma

JTK
Attachments
Cc: Service List in Docket UG-151663

Exhibit A

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of Puget Sound Energy 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 Affidavit of Steve R. Secrist in Compliance with the Conditions of Order 10 Final Order Approving and Adopting Settlement Stipulation; Reopening Record and Amending Order 08 in Docket U-072375

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

STEVE R. SECRIST, being first duly sworn on oath, deposes and says:

1. I am Senior Vice President, General Counsel, and Chief Ethics & Compliance Officer for each of Puget Energy and Puget Sound Energy ("PSE"). I make this Affidavit on behalf of Puget Energy and PSE in compliance with the conditions of Order 10 Final Order Approving and Adopting Settlement Stipulation; Reopening Record and Amending Order 08 in Docket U-072375 (the "Final Order") in Docket UG-151663 in a manner provided by law. I am over the age of eighteen (18) years and make this Affidavit based on personal knowledge, and am competent to do so.

A. Condition 64 in the Final Order

2. Condition 64 in the Final Order in Docket UG-151663 provides as follows:

> Within thirty (30) days of issuance of an order by the Commission approving the Settlement Stipulation consistent with its terms and its conditions, Puget Energy will form or will cause to be formed a wholly-owned subsidiary of Puget Energy named Puget LNG, LLC ("Puget LNG"). Puget LNG will be a special purpose limited liability company formed by Puget Energy solely for the purposes of owning, developing, and financing the Tacoma LNG Facility as a tenant-in-common with PSE.

Final Order at ¶ 74.

3. This Affidavit affirms that Puget Energy formed a wholly-owned subsidiary of Puget Energy named Puget LNG, LLC ("Puget LNG") within thirty (30) days of issuance of the Final Order by the Commission. On November 30, 2016, PSE filed with the Commission in Docket UG-151663 a compliance filing that provided confirmation that Puget Energy had filed a Certificate of Formation for the formation of Puget LNG with the Washington Secretary of State. On January 3, 2017, the Commission issued a notice stating that the Commission has examined PSE's compliance filing and that it appears to comply with the terms of the Final Order, Paragraph 74, Commitment 64.

4. This Affidavit further affirms that (i) Puget Energy formed Puget LNG as a special purpose limited liability company solely for the purposes of owning, developing, and financing the Tacoma LNG Facility as a tenant-in-common with PSE and (ii) Puget LNG will remain a special purpose limited liability company formed solely for the purposes of owning, developing, and financing the Tacoma LNG Facility as a tenant-in-common with PSE for so long as Puget Energy, or any affiliate or subsidiary of Puget Energy, is a member of Puget LNG.

B. Condition 65 in the Final Order

5. Condition 65 in the Final Order in Docket UG-151663 provides as follows:

> Within sixty (60) days of the formation of Puget LNG, PSE will file a non-consolidation opinion with the Commission which concludes, subject to customary assumptions and exceptions, that the ring-fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of PSE with those of Puget Energy or its affiliates or subsidiaries, including Puget LNG. If the ring-fencing provisions are insufficient to obtain a non-consolidation opinion, PSE will promptly undertake the following actions:
>
> (i) Notify the Commission of this inability to obtain a non-consolidation opinion;
>
> (ii) Propose and implement, upon Commission approval, such additional ring-fencing provisions around PSE as are sufficient to obtain a non-consolidation opinion subject to customary assumptions and exceptions;
>
> (iii) Obtain a non-consolidation opinion based on the additional ring-fencing provisions and customary assumptions and exceptions; and
>
> (iv) If PSE cannot obtain a non-consolidation agreement based on the proposed additional ring-fencing provisions, PSE will seek guidance from the Commission.

Final Order at ¶ 76.

6. This Affidavit affirms that, concurrent with the filing of this Affidavit and within sixty (60) days of the formation of Puget LNG, PSE is filing a non-consolidation opinion with the Commission which concludes, subject to customary assumptions and exceptions, that the ring-fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of PSE with those of Puget Energy or its affiliates or subsidiaries, including Puget LNG.

C. Condition 66 in the Final Order

7. Condition 66 in the Final Order in Docket UG-151663 provides as follows:

> 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.

Final Order at ¶ 79.

8. This Affidavit affirms that Puget Energy will hold PSE's customers 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, for so long as Puget Energy, or any affiliate or subsidiary of Puget Energy, is a member of Puget LNG.

9. This Affidavit further affirms that Puget Energy will guarantee and hold PSE's customers harmless from all liabilities and financial losses of Puget LNG resulting from any of the following for so long as Puget Energy, or any affiliate or subsidiary of Puget Energy, is a member of Puget LNG:

> (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.

D. Condition 67 in the Final Order

10. Condition 67 in the Final Order in Docket UG-151663 provides, in part, as follows:

> Within sixty (60) days of the formation of Puget LNG, PSE will file a Joint Ownership Agreement between Puget LNG and PSE for approval by the Commission pursuant to RCW 80.16.020.

Final Order at ¶ 86.

11. This Affidavit affirms that, concurrent with the filing of this Affidavit and within sixty (60) days of the formation of Puget LNG, PSE is filing a Joint Ownership Agreement between Puget LNG and PSE for approval by the Commission pursuant to RCW 80.16.020.

E. Condition 68 in the Final Order

12. Condition 68 in the Final Order in Docket UG-151663 provides as follows:

> 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.

Final Order at ¶ 95.

13. This Affidavit affirms that (i) 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 and (ii) PSE will give this notice as soon as practicable.

F. Paragraph 141 of the Final Order

14. Paragraph 141 of the Final Order in Docket UG-151663 requires that (i) two managers on the Board of Managers of Puget LNG should be independent and, therefore, not a member, stockholder, director, officer, or employee of Puget Holdings, LLC ("Puget Holdings"), Puget Energy, PSE, or any other affiliated businesses and (ii) ideally, these independent managers on the Board of Managers, or at least one of them, will have knowledge and experience with liquefied natural gas infrastructure, operations, marketing, or regulation. Final Order at ¶ 141.

15. This Affidavit affirms that, as of the date of commercial operations of the Tacoma LNG Facility and continuing thereafter for so long as Puget Energy, or any affiliate or subsidiary of Puget Energy, is a member of Puget LNG, (i) two managers on the Board of Managers of Puget LNG will be independent and, therefore, not a member, stockholder, director, officer, or employee of Puget Holdings, Puget Energy, PSE, or any other affiliated businesses and (ii) at least one of the independent managers of the Board of Managers will have knowledge and experience with liquefied natural gas infrastructure, operations, marketing, or regulation. As of the date of this Affidavit, the initial Board of Managers of Puget LNG does not include an independent manager and consists of Daniel A. Doyle, David E. Mills, and Roger Garratt. The process of identifying at least two individuals who will serve as independent managers on the Board of Managers of Puget LNG consistent with the terms and qualifications expressed by the Commission in paragraph 141 of the Final

Order is ongoing, at least two managers will be serving on the Board of Managers of Puget LNG as of the date of commercial operations of the Tacoma LNG Facility and continuing thereafter.

16. I have carefully read this Affidavit, and the contents of the foregoing are true and correct to the best of my knowledge and belief.

DATED this 27th day of January, 2017.

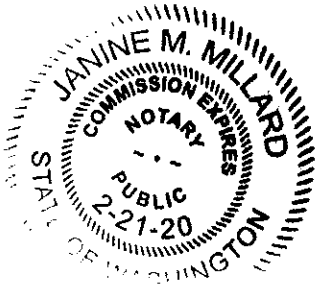
STEVE R. SECRIST

SUBSCRIBED and SWORN to me this 27th day of January, 2017, by Steve R. Secrist.

(Signature of Notary)

Janine M. Millard

(Print Name of Notary)



NOTARY PUBLIC in and for
the State of Washington.
My Appointment Expires: 2/21/20

Exhibit B

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January 27, 2017

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504

Re: WUTC Docket No. UG-151663
In the Matter of the Petition of Puget Sound Energy, Inc.

Nonconsolidation opinion regarding Puget Sound Energy, Inc. and Certain of its Affiliates

Commissioners and Staff:

We have acted as special counsel to Puget Sound Energy, Inc., a Washington corporation ("PSE"), for the purpose of providing this opinion to you in connection with the proposed formation by Puget Energy, Inc., a Washington corporation ("Puget Energy"), of a new, wholly-owned, unregulated subsidiary to be known as Puget LNG LLC, a Washington limited liability company ("Puget LNG").

You have requested our opinion as to whether in the event one or more Relevant Parties (as defined below) were to become a debtor in a case under Title 11 of the United States Code, as amended (the "Bankruptcy Code"), a court having jurisdiction over such case (the "bankruptcy court") would order substantive consolidation of the assets and liabilities of PSE with those of one or more Relevant Parties.

BACKGROUND

PSE is a public utility regulated by the Washington Utilities and Transportation Commission ("WUTC"). PSE is wholly owned by Puget Energy. Puget LNG will also be wholly owned by Puget Energy. Puget Energy is wholly owned by Puget Equico LLC, a Washington limited liability company ("Equico"). Equico is wholly owned by Puget Intermediate Holdings, Inc., a Washington corporation ("Puget Intermediate"). Puget Intermediate is wholly owned by Puget Holdings LLC, a Delaware limited liability company ("Puget Holdings"). Puget Holdings, Puget Energy, Equico, Puget Intermediate and Puget LNG are hereinafter collectively referred to as the "Relevant Parties" and each individually as a "Relevant Party." None of the Relevant Parties is a public utility regulated by WUTC.

For purposes of this opinion we have only examined Order 08 entered on December 30, 2008 in Docket U-072375 by the WUTC (the "2008 Order"), Order 10 entered on November 1, 2016 in Docket UG-151663 by the Washington State Utilities and Transportation Commission (the "2016 Order" and together with the 2008 Order, the "Orders") and the certificates attached hereto as Exhibit A (the "Officer's Certificates"), and have assumed the accuracy thereof in all respects material to the opinion. We have assumed in all respects material to our opinion that: (i) each of the Relevant Parties and PSE is validly existing under the laws of the jurisdiction of its organization; and

(ii) creditors of PSE and WUTC have reasonably relied on the separateness of PSE from any Relevant Party and such creditors and the public would suffer prejudice from, or would be harmed by, a consolidation of PSE with any Relevant Party. We have conducted no independent factual investigation of our own, but rather have relied solely upon the Officer's Certificates and the assumptions set forth herein, all of which we assume to be true, complete and accurate in all material respects.

ADDITIONAL FACTUAL ASSUMPTIONS

A. PSE.

1. To the extent material to its separateness, PSE at all times will comply with the ring-fencing provisions of the Orders.

2. PSE is, and intends in the future to remain, solvent; provided, however, that our opinion is not based on any assumption as to PSE's future solvency.

3. PSE maintains, and intends in the future to maintain, adequate capital in light of its contemplated business operations; provided, however, that our opinion is not based on any assumption as to PSE's future adequate capitalization.

4. PSE will not engage in any type of fraudulent activity material to its separateness.

B. **Relevant Parties.**

1. To the extent material to PSE's separateness, each Relevant Party that is a direct or indirect owner of PSE has caused, and at all times hereafter will cause, PSE to be operated and managed in compliance with the foregoing assumptions.

2. No Relevant Party will engage in any type of fraudulent activity material to PSE's separateness.

DISCUSSION

(1) General Principles

The general principle is well-established that the legal separateness of corporate entities will presumptively be recognized. Substantive consolidation is a judicially created doctrine that runs counter to this well-established principle.[1] Under the doctrine of substantive consolidation, a

[1] The authority of Bankruptcy Courts to substantively consolidate is generally believed to derive from the Bankruptcy Court's general equitable powers provided in Section 105 of the Bankruptcy Code. However, one Bankruptcy Court has concluded that Section 542 of the Bankruptcy Code serves as the statutory authority for substantive consolidation (In re Cyberco Holdings, Inc., 431 B.R. 404, 432 (Bankr. W.D. Mich. July 2, 2010)).

bankruptcy court may, if appropriate circumstances are determined to exist, consolidate the assets and liabilities of different entities by merging the assets and liabilities of the entities and treating the related entities as a consolidated entity for purposes of distribution in a bankruptcy case. Some courts have held that substantive consolidation can be used with similar effect to extend a debtor's bankruptcy proceeding to include in the debtor's estate the assets of a related entity that is not a debtor in a case under the Bankruptcy Code. In addition, some courts have held that a court can consolidate estates as to certain unsecured claims (e.g., trade claims) even if it is not consolidating as to all unsecured claims.

The doctrine of substantive consolidation continues to evolve, and there is no uniform consensus as to the method of analyzing cases in which substantive consolidation is sought. The fluidity and uncertainty associated with the factors and tests described below has been noted by several courts, but is best illustrated by the often-paraphrased comment "that as to substantive consolidation, precedents are of little value" and, therefore, each analysis must be made "on a case-by-case basis."[2]

The modern statement of the doctrine is found in the opinions of the Third,[3] Second,[4] and District of Columbia[5] (D.C.) Circuit Courts of Appeal. In 2005, the Third Circuit established a test in In re Owens Corning under which the proponent seeking substantive consolidation must establish either: (1) that the entities disregarded their separateness prepetition "so significantly [that] their creditors relied on the breakdown of entity borders and treated them as one legal entity," or (2) that postpetition the assets and liabilities of the entities "are so scrambled that separating them is prohibitive and hurts all creditors."[6] Under the Second Circuit's formulation, in In re Augie/Restivo Baking Co., a court analyzes (1) "whether creditors dealt with the entities as a single economic unit and did not rely on their separate identity in extending credit," or (2) "whether the affairs of the two entities are so entangled that consolidation will benefit all creditors."[7] Under the D.C. Circuit test, established in In re Auto-Train Corp., Inc., the proponent of consolidation must make a prima facie case by demonstrating that: (1) there is "substantial identity between the entities to be consolidated;" and (2) "consolidation is necessary to avoid some harm or to realize some benefit."[8] Once the proponent for consolidation has made this showing, a creditor may then "object on the grounds that it relied on the separate credit of

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2 In re Crown Mach. & Welding, Inc., 100 B.R. 25, 27–28 (Bankr. D. Mont. 1989).

3 In re Owens Corning, 419 F.3d 195 (3d Cir. 2005).

4 Union Savings Bank v. Augie/Restivo Baking Co., Ltd. (In re Augie/Restivo Baking Co.), 860 F.2d 515 (2d Cir. 1988). The Ninth Circuit expressly adopted the Second Circuit's *Augie/Restivo* test in Alexander v. Compton (In re Bonham), 229 F.3d 750, 766 (9th Cir. 2000).

5 Drabkin v. Midland-Ross Corp. (In re Auto-Train Corp., Inc.), 810 F.2d 270 (D.C. Cir. 1987). The Eleventh Circuit expressly adopted the D.C. Circuit's two-prong Auto-Train test in Eastgroup Properties v. S. Motel Ass'n, Ltd., 935 F.2d 245, 249 (11th Cir. 1991), whereas the Eighth Circuit established a similar three-prong test in In re Giller, 962 F.2d 796, 799 (8th Cir. 1992).

6 Owens Corning, 419 F.3d at 211.

7 Augie/Restivo Baking Co., 860 F.2d at 518.

8 Auto-Train, 810 F.2d at 276.

one of the entities and that it will be prejudiced by the consolidation."[9] Although the D.C. Circuit's test states a less severe standard than the tests adopted by the Second and Third Circuits, courts applying the Auto-Train test will substantively consolidate in the event of actual reliance by a creditor on the separateness of the entities who is prejudiced by consolidation only if the benefits of substantive consolidation "heavily outweigh" the harm to the objecting creditor harmed by consolidation.[10] The Courts of Appeals' decisions uniformly deny consolidation if separate assets and liabilities of the entities can be identified and there is reliance by a significant creditor on the separateness of the entities.[11]

In circuits where there is no controlling Court of Appeals authority, the courts may rely on an analysis based upon lists of factors.[12] Two sets of substantive consolidation factors are often cited. One list of factors taken from the older alter ego veil piercing cases is collected in the Tenth Circuit's opinion in Fish v. East.[13] The second commonly cited list of factors appears in In re Vecco Construction Industries, Inc.[14]

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[9] Id.

[10] Eastgroup, 935 F.2d at 249. This "modern trend" was explicitly rejected in *Owens Corning*, 419 F.3d at 210.

[11] See Owens Corning, 419 F.3d at 212; Augie/Restivo Baking Co., 860 F.2d at 520 ("Where, as in the instant case, creditors . . . knowingly made loans to separate entities and no irremediable commingling of assets has occurred, a creditor cannot be made to sacrifice the priority of its claims against its debtor by fiat based on the bankruptcy court's speculation that it knows the creditor's interests better than does the creditor itself."). But see Eastgroup, 935 F.2d at 249 n.11 (describing how a creditor may be estopped from claiming reliance "where a reasonable creditor in a similar situation would not have relied on the separate credit of one of the entities to be consolidated").

[12] See, for example, In re Tureaud, 45 B.R. 658, 662 (Bankr. N. D. Okla. 1985), aff'd, 59 B.R. 973 (N.D. Okla. 1986), and In re Gulfco, 593 F.2d 921, 928–29 (10th Cir. 1979); for additional cases citing factors and related cases, see In re Drexel Burnham Lambert Group, Inc., 138 B.R. 723, 764 (Bankr. S.D.N.Y. 1992) (citing cases); see also In re Affiliated Foods, Inc., 249 B.R. 770, 776–84 (Bankr. W. D. Mo. 2000); In re Giller, 962 F.2d at 798–99; Eastgroup, 935 F.2d at 249–50; In re Apex Oil Co., 118 B.R. 683, 692–93 (Bankr. E.D. Mo. 1990) (relying, in part, on such factors, but also considering fairness of substantive consolidation to creditors).

[13] 114 F.2d 177, 191 (10th Cir. 1940): (a) the parent corporation owns all or a majority of the capital stock of the subsidiary; (b) the parent and subsidiary corporations have common directors or officers; (c) the parent corporation finances the subsidiary; (d) the parent corporation subscribes to all the capital stock of the subsidiary or otherwise causes its incorporation; (e) the subsidiary has grossly inadequate capital; (f) the parent corporation pays the salaries or expenses or losses of the subsidiary; (g) the subsidiary has substantially no business except with the parent corporation or no assets except those conveyed to it by the parent corporation; (h) in the papers of the parent corporation, and in the statements of its officers, "the subsidiary" is referred to as such or as a department or division; (i) the directors or executives of the subsidiary do not act independently in the interest of the subsidiary but

The presence or absence of some or all of these "elements" does not necessarily lead to a determination that substantive consolidation is or is not appropriate.[15] Indeed, many of the "elements" are present in most bankruptcy cases involving affiliated companies or a holding company structure but do not necessarily lead to substantive consolidation. The Third Circuit and other courts have noted that some of these factors, particularly the "consolidation of financial statements," "difficulty of separating assets," "commingling of assets," and "profitability to all creditors," may be more important than others.[16]

We also note that several cases have considered a factor articulated in 1942 in Stone v. Eacho — i.e., whether "by . . . ignoring the separate corporate entity of the [subsidiaries] and consolidating the proceedings . . . with those of the parent corporation . . . all the creditors receive that equality of treatment which it is the purpose of the bankruptcy act to afford."[17] Arguably, these cases reflect "the

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take direction from the parent corporation; and (j) the formal legal requirements of the subsidiary as a separate and independent corporation are not observed.

[14] 4 B.R. 407, 410 (Bankr E.D. Va. 1980): (a) the degree of difficulty in segregating and ascertaining individual assets and liability; (b) the presence or absence of consolidated financial statements; (c) profitability of consolidation at a single physical location; (d) the commingling of assets and business functions; (e) the unity of interests and ownership between the various corporate entities; (f) the existence of parent or inter-corporate Guaranty on loans; and (g) the transfer of assets without formal observance of corporate formalities.

[15] See In re Donut Queen, Ltd., 41 B.R. 706, 709–10 (Bankr. E.D.N.Y. 1984) (criteria "should not be mechanically applied" in determining consolidation; rather, factors should be evaluated within the larger context of balancing the prejudice resulting from the proposed order of consolidation with the prejudice alleged by creditor from the debtor's separateness.); see also In re Drexel Burnham Lambert Group, Inc., 138 B.R. at 764–65 (the consolidation factors "must be evaluated within the larger context of balancing the prejudice resulting from the proposed consolidation against the effect of preserving separate debtor entities.").

[16] Owens Corning, 419 F.3d at 210–11 ("In assessing whether to order substantive consolidation, courts consider many factors. . . . They vary (with degrees of overlap) from court to court. Rather than endorsing any prefixed factors, in Nesbit we 'adopt[ed] an intentionally open-ended, equitable inquiry . . . to determine when substantively to consolidate two entities.'")(internal citations omitted); see also Morse Operations, Inc. v. Robins Le-Cocq, Inc., (In re Lease-A-Fleet, Inc.), 141 B.R. 869, 877 (Bankr. E.D. Pa. 1992) (noting that, in that particular case, "the more important factors" have not been alleged or asserted "with any degree of particularity"); R^2 Investments, LDC v. World Access, Inc. (In re World Access, Inc.), 301 B.R. 217, 276 (Bankr. N.D. Ill. 2003) (describing certain factors as "more important"). *But see* Augie/Restivo, 860 F.2d at 519, and Owens Corning, 419 F.3d at 212, which point to explicit Guaranty as indicia of separateness.

[17] Stone v. Eacho, 127 F.2d 284, 288 (4th Cir. 1942); see also In re Richton Intern. Corp., 12 B.R. 555, 558 (Bankr. S.D.N.Y. 1981) (considering, as a key factor, that consolidation "will yield an equitable treatment of creditors without any undue prejudice to any particular group"); In re Manzey

courts' recognition of the increasingly widespread existence in the business world of parent and subsidiary corporations with interrelated corporate structures and functions"[18] and suggest that, in the absence of harm or prejudice to any particular group, a court would be less concerned with traditional concepts of actual or constructive blameworthy behavior. There are bankruptcy court decisions in which courts have ordered substantive consolidation where consolidation would enhance the debtors' chances of successful reorganization.[19] It is important, however, to note that the courts in these cases have emphasized the absence of any harm or prejudice to any particular group or have concluded, after considering the equities, that any harm or prejudice is outweighed by the benefits of substantive consolidation.[20] The United States Courts of Appeals for the Second Circuit and the Third Circuit, however, have ruled that merely furthering the reorganization effort is not, in the absence of the more traditional factors, enough to warrant substantive consolidation.[21]

Given that the power to order substantive consolidation derives from the equity jurisdiction of the bankruptcy courts, the issue is determined on a case-by-case basis and the decisions reflect the courts' analysis of the particular factual circumstances presented. A court's inquiry involves an examination of the organizational structures of the entities proposed to be consolidated, their relationships with each other, and their relationships with their respective creditors and other third-parties. In particular, the court will consider the impact upon the creditors of each entity if consolidation were to be ordered and whether such parties would be unfairly prejudiced or treated more equitably by substantive consolidation.

Land & Cattle Co., 17 B.R. 332, 338 (Bankr. D.S.D. 1982); In re Food Fair, Inc., 10 B.R. 123, 127 (Bankr. S.D.N.Y. 1981).

18 In re F. A. Potts & Co., Inc., 23 B.R. 569, 571 (Bankr. E.D. Pa. 1982); see also Eastgroup Props., 935 F.2d at 248–49 (noting "a 'modern'" or 'liberal' trend toward allowing substantive consolidation, which has its genesis in the increased judicial recognition of the widespread use of interrelated corporate structures by subsidiary corporations operating under a parent entity's corporate umbrella") (citing In re Murray Indus., 119 B.R. 820, 828–29 (Bankr. M.D. Fla. 1990); In re Vecco Constr. Indus. Inc., 4 B.R. at 409); Richton Int'l Corp., 12 B.R. 555; In re Vecco Constr. Indus., Inc., 4 B.R. 407; Seth D. Amera & Alan Kolod, Substantive Consolidation: Getting Back to Basics, 14 AM. BANKR. INST. L. REV. 1 (2006); but see Owens Corning, 419 F.3d at 209, n.15 ("[t]hus we disagree with the assertion of a 'liberal trend' toward increased use of substantive consolidation.")

19 Manzey Land & Cattle, 17 B.R. at 337–38; F.A. Potts & Co., 23 B.R. at 573; Murray Indus., 119 B.R. at 832; In re Nite Lite Inns, 17 B.R. 367, 370 (Bankr. S.D. Cal . 1982).

20 See also In re Silver, No. 3-75-1710(D), 1976 U.S. Dist. LEXIS 17383, at *11 (Bankr. D. Minn. 1976).

21 In Augie/Restivo, the Second Circuit found that consolidation would unfairly prejudice the principal creditor of one of the debtors. Augie/Restivo, 860 F.2d at 520. In Owens Corning, the Third Circuit stated: "Mere benefit to the administration of the case (for example, allowing a court to simplify a case by avoiding other issues or to make postpetition accounting more convenient) is hardly a harm calling substantive consolidation into play." Owens Corning, 419 F.3d at 211.

While substantive consolidation was originally developed in the corporate context, the standards have more recently been applied in the context of partnerships and limited liability companies. Courts have ordered substantive consolidation of a general partnership with its general partners,[22] a corporation with individuals,[23] and individuals with corporations.[24]

We believe that a bankruptcy court considering the issue of substantive consolidation of a limited liability company with another entity or person would apply the general principles of substantive consolidation that have been developed in cases under the Bankruptcy Code, most of which address consolidating the assets and liabilities of one corporation with those of another corporation. Accordingly, we have relied, in our analysis, on the general body of substantive consolidation case law and believe that such law would be applicable to the court's determination as to whether to substantively consolidate PSE with one or more Relevant Parties.

(2) **Application of General Principles to the Present Transaction**

The question whether, and in what circumstances, a court should order substantive consolidation of the assets and liabilities of PSE with those of one or more Relevant Parties cannot be answered in the abstract, but must take into account the actual facts and circumstances of the operations and relations of those entities over time. In light of the lack of a detailed, clearly prescribed standard for determining the appropriateness of substantive consolidation under existing case law, and given the equitable basis for the remedy, any opinion regarding substantive consolidation must, of necessity, be a reasoned opinion based on the various "elements" and, to the extent applicable, the balancing test applied by some courts.

In expressing our opinion, we note the following considerations presented by the facts of this case:

(1) PSE, consistent with the ring-fencing provisions of the Orders, will:

- not pledge its assets or guarantee or otherwise obligate itself with respect to any debts, liabilities or obligations of any Relevant Party or hold out itself or its credit as being available to satisfy any debts, liabilities or obligations of any Relevant Party;
- not acquire any obligations or securities of any Relevant Party or otherwise advance credit to or make loans to any Relevant Party;
- maintain its debt separate from the financial securities and debt of any Relevant Party;

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22 F.D.I.C. v. Colonial Realty Co., 966 F.2d 57 (2d Cir. 1992).

23 Holywell Corp. v. The Bank of New York, 59 B.R. 340 (S.D. Fla. 1986), dismissed sub nom. Miami Ctr. Ltd. P'ship v. Bank of N.Y., 820 F.2d 376 (11th Cir. 1987).

24 In re Baker & Getty Fin. Servs., Inc., 78 B.R. 139 (Bankr. N.D. Ohio 1987).

- maintain its own books, records and accounts that are separate and apart from any Relevant Party's books, records and accounts, provided that the foregoing will not prevent PSE, for non-Washington regulatory purposes, from being included in consolidated financial statements in accordance with generally accepted accounting principles, consolidated tax returns and tax reporting in accordance with applicable tax law and regulations, and other consolidated financial presentation and reporting;

- not commingle its funds or assets with those of any Relevant Party, other than pursuant to a centralized cash management system with a record keeping procedure that permits one to determine the portion of the commingled cash owned by PSE;

- transact business with any Relevant Party only on commercially reasonable terms that are no less favorable to PSE than terms obtainable in an arms length relationship with an unrelated third party;

- hold itself out as a corporation separate and apart from any Relevant Party and observe all corporate formalities;

- conduct its own business in its own name or an acronym (such as "PSE") commonly associated with PSE; and

- allocate expenses and overhead shared with any Relevant Party fairly and reasonably.

(2) Since PSE is a regulated public utility, it would be contrary to the public interest, and, thus, inequitable, to substantively consolidate PSE with one or more Relevant Parties.

(3) Since PSE is a regulated public utility, the separate assets and liabilities of PSE are a matter of public record. As a result, PSE's creditors and the public in general (i) have no reasonable basis to conclude that PSE is not separate from each of the Relevant Parties and (ii) have reasonably relied on PSE's separateness from each Relevant Party.

(4) PSE was established for a legitimate business purpose and not for the purpose of perpetuating a fraud or circumventing public policy.

OPINIONS EXPRESSED

Based on the reasoning and subject to the assumptions, qualifications, exceptions and limitations set forth in this letter, in the event one or more Relevant Parties became a debtor in a case under the Bankruptcy Code, it is our opinion that in a properly presented and decided case the bankruptcy court would not order substantive consolidation of the assets and liabilities of PSE with those of one or more Relevant Parties.

ADDITIONAL ASSUMPTIONS

In rendering the opinions set forth herein, we have relied upon the following additional assumptions:

A. Because the legal principles bearing on the matters on which we opine in this letter are applied to the existing facts and circumstances, we have assumed (i) that the Orders remain in effect without amendment material to our opinion and that PSE and the Relevant Parties comply with the terms thereof and with applicable law; and (ii) that the matters certified in the Officer's Certificates and the factual assumptions in our opinion letter continue to exist and remain true and accurate in the future, except (x) to the extent that any such fact or circumstance relates to the financial condition of any Relevant Party or PSE other than on the date of this opinion, and (y) to the extent that any such representations and warranties expressly speak only as of a particular date.

B. There are no other agreements among any or all of the parties that would alter the terms of the Orders in any respect material to our opinion.

C. WUTC would object to and the public would be harmed and prejudiced by substantive consolidation of PSE with one or more Relevant Parties.

D. With respect to PSE and each Relevant Party, we have assumed in all respects material to our opinion expressed herein that none of them will engage in any type of fraudulent activity.

LIMITATIONS QUALIFICATIONS AND EXCEPTIONS

The opinions expressed herein are subject to the following limitations, qualifications, and exceptions:

A. This opinion relates solely to the Bankruptcy Code and is limited to the specific issues addressed. We express no opinion as to any other matter. Without limiting the generality of the preceding two sentences, this opinion does not canvass "alter ego," instrumentality, enterprise, or similar "piercing the corporate veil" case law decided under applicable non-bankruptcy law in connection with our analysis of the doctrine of substantive consolidation.

B. We wish to re-emphasize that we have found no controlling reported decisional authority directly on point and that the existing authority is not conclusive as to the relative weight to be accorded to the factors to be considered and fails to provide consistently applied general principles or guidelines with which to analyze all of the factors present in this transaction. Instead, judicial decisions in this area are usually made on the basis of an analysis of the facts and circumstances of the particular case. We note that a court's decision regarding matters upon which we opine in this letter is based on the court's own analysis and interpretation of the factual evidence before the court (which may materially differ from the

factual and other matters on which this letter is premised) and of applicable legal principles. Consequently, this opinion is not a prediction of what any particular court (including any appellate court) reaching the issue on the merits would hold, but instead is our opinion as to the proper result to be reached by a court applying existing legal rules to the facts as properly found (and consistent with the assumptions set forth herein) after a fully-contested trial and appropriate briefing and argument.[25]

C. We note that legal opinions on bankruptcy law matters unavoidably have inherent limitations that generally do not exist in respect of other legal issues on which opinions to third parties are typically given. These inherent limitations exist primarily because of (1) the pervasive equity powers of bankruptcy courts; (2) the overriding goal of reorganization to which a bankruptcy court, purporting to exercise its equity powers, may subordinate other legal rights and policies (even though such a subordination would appear to be inconsistent with established legal claims and rights under applicable nonbankruptcy law and even though such equity powers arguably do not permit such a subordination); (3) the potential relevance to the exercise of judicial discretion of future-arising facts and circumstances; and (4) the nature of the bankruptcy and trial process.

D. We do not consider a case to have been properly presented and decided for purposes of this letter (i) if the issue of substantive consolidation, as applicable, is resolved in the context of the consideration by the bankruptcy court of a request for approval of a settlement involving such issue, as compared to the trial and adjudication of such issue on the merits, or (ii) if substantive consolidation were to be ordered as part of the confirmation of a plan of reorganization in respect of PSE under which the unsecured creditors of PSE, without objection from WUTC, voted to accept the plan within the meaning of the Bankruptcy Code.

E. Our opinion excludes the effects of the provisions of the *Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001, et seq.*, under which affiliated entities may become liable for unfunded pension liabilities of entities under common control with them, and the applicability of certain provisions of tax laws or other statutory provisions under which affiliated persons may be made liable for debts of affiliated persons.

F. The foregoing analysis and opinions are based on and limited in all respects to factual matters that we have assumed to be in existence as of the date of this letter and to

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[25] Consistent with the foregoing, this opinion also is not a prediction that an appellate court would necessarily reach the merits of any appeal of an adverse determination by a bankruptcy court of the matters upon which we opine in this letter. For example, such a bankruptcy court determination may be contained in an order confirming a plan of reorganization or may otherwise be subject to the assertion of the doctrine of "equitable mootness"; in such an instance, if the bankruptcy court determination were not stayed pending appeal (which, even if a court were inclined to grant such a stay, would generally require the posting of a substantial bond as a condition thereof) and if the plan were substantially consummated, an appellate court might dismiss the appeal on "equitable mootness" grounds without ever reaching the merits of the appeal.

Bankruptcy Code as in effect on the date of this letter. Other than our review of the Orders and the Officer's Certificates, we have not undertaken any investigation or independent confirmation of such assumed factual matters. We disclaim any obligation to revise or supplement this opinion, or to otherwise notify you, should such factual matters change or should such laws or regulations be changed by legislative or regulatory action, judicial decision or otherwise.

This opinion letter is rendered for the sole benefit of the addressee hereof and no other person or entity is entitled to rely hereon. The opinion expressed herein is given on the date hereof only, and we assume no obligation to update or supplement our opinion to reflect any fact or circumstance that may hereafter come to our attention or any change in law that may hereafter occur or become effective.

Very truly yours,

PERKINS COIE LLP

Perkins Coie LLP

EXHIBIT A

OFFICER'S CERTIFICATES

SEE ATTACHED

CERTIFICATE IN SUPPORT OF OPINION OF PERKINS COIE LLP

January 27, 2017

This Certificate is given in connection with the opinion letter dated January 27, 2017 (the "Opinion Letter") concerning substantive consolidation to be delivered by Perkins Coie LLP (the "Firm") to the Washington Utilities and Transportation Commission. Unless otherwise specified, capitalized terms not defined herein have the meanings assigned to them in the Opinion Letter.

The undersigned, in his capacity as Senior Vice President, General Counsel, and Chief Ethics & Compliance Officer of Puget Sound Energy, Inc. ("PSE"), hereby certifies, acknowledges and confirms the following:

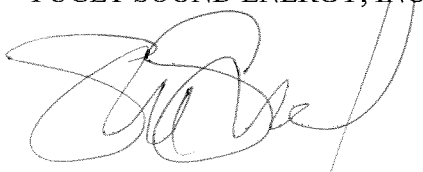
1. I have knowledge of PSE's business and affairs. I have reviewed the Orders and the portions of the Opinion Letter entitled "BACKGROUND", "ADDITIONAL FACTUAL ASSUMPTIONS" and "ADDITIONAL ASSUMPTIONS" and have, or someone assisting me has, examined such corporate records, and made such inquiries of PSE's officers and counsel as I deemed reasonable and necessary in order to reasonably insure the material accuracy of the certifications set forth herein. With respect to the matters covered in this Certificate, it is understood that I am certifying as to matters of fact and not as to conclusions of law. It is further understood and acknowledged that I am executing this Certificate not in an individual capacity, but solely in my capacity as an officer and that I am without personal liability as to the matters contained in this Certificate. Neither PSE nor I am aware of any fact or circumstance that would render any factual statement or conclusion reached in this Certificate inaccurate, misleading or untrue in any material respect.

2. I am duly authorized by PSE to execute this Certificate on its behalf.

3. I acknowledge that the representations contained in this Certificate may be relied on by the Firm in rendering the Opinion Letter. PSE agrees to indemnify the Firm against any and all liability resulting from any material misrepresentation or misstatement contained in this Certificate.

4. The facts and assumptions contained under the headings "BACKGROUND", "ADDITIONAL FACTUAL ASSUMPTIONS" and "ADDITIONAL ASSUMPTIONS" of the Opinion Letter that relate to PSE are, to the best of my knowledge and belief, true and correct in all material respects as of the date hereof, and PSE has no reason to believe that any statement or fact expressed in the Opinion Letter relating to PSE is untrue inaccurate or incomplete in any material respect.

PUGET SOUND ENERGY, INC.



By: Steve. R. Secrist
Title: Senior Vice President, General Counsel, and Chief Ethics & Compliance Officer

CERTIFICATE IN SUPPORT OF OPINION OF PERKINS COIE LLP

January 27, 2017

This Certificate is given in connection with the opinion letter dated January 27, 2017 (the "Opinion Letter") concerning substantive consolidation to be delivered by Perkins Coie LLP (the "Firm") to the Washington Utilities and Transportation Commission. Unless otherwise specified, capitalized terms not defined herein have the meanings assigned to them in the Opinion Letter.

The undersigned, in his capacity as Senior Vice President and Chief Financial Officer of Puget Holdings LLC ("Puget Holdings"), hereby certifies, acknowledges and confirms the following:

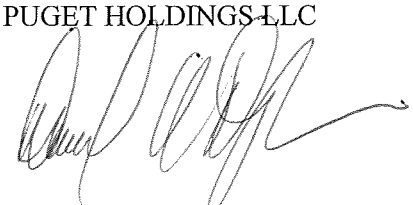
1. I have knowledge of the business and affairs of the Relevant Parties. I have reviewed the Orders and the portions of the Opinion Letter entitled "BACKGROUND", "ADDITIONAL FACTUAL ASSUMPTIONS" and "ADDITIONAL ASSUMPTIONS" and have, or someone assisting me has, examined such corporate records, and made such inquiries of the Relevant Parties' officers and counsel as I deemed reasonable and necessary in order to reasonably insure the material accuracy of the certifications set forth herein. With respect to the matters covered in this Certificate, it is understood that I am certifying as to matters of fact and not as to conclusions of law. It is further understood and acknowledged that I am executing this Certificate not in an individual capacity, but solely in my capacity as an officer and that I am without personal liability as to the matters contained in this Certificate. Neither any Relevant Party nor I am aware of any fact or circumstance that would render any factual statement or conclusion reached in this Certificate inaccurate, misleading or untrue in any material respect.

2. I am duly authorized by Puget Holdings to execute this Certificate on its behalf and on behalf of the Relevant Parties.

3. I acknowledge that the representations contained in this Certificate may be relied on by the Firm in rendering the Opinion Letter. Puget Holdings agrees to indemnify the Firm against any and all liability resulting from any material misrepresentation or misstatement contained in this Certificate.

4. The facts and assumptions contained under the headings "BACKGROUND", "ADDITIONAL FACTUAL ASSUMPTIONS" and "ADDITIONAL ASSUMPTIONS" of the Opinion Letter that relate to the Relevant Parties are, to the best of my knowledge and belief, true and correct in all material respects as of the date hereof, and no Relevant Party has any reason to believe that any statement or fact expressed in the Opinion Letter relating to the Relevant Parties is untrue inaccurate or incomplete in any material respect.

PUGET HOLDINGS LLC



By: Daniel A. Doyle
Title: Senior Vice President and
Chief Financial Officer

Exhibit C

JOINT OWNERSHIP AGREEMENT

between

PUGET LNG, LLC

and

PUGET SOUND ENERGY, INC.

TACOMA LNG PROJECT

Made effective January 27, 2017

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JOINT OWNERSHIP AGREEMENT

THIS JOINT OWNERSHIP AGREEMENT (this "**Agreement**") is made and entered into effective as of the 27th day of January, 2017 (the "**Effective Date**") by and between Puget LNG, LLC, a Washington limited liability company having a business address at 10885 NE 4th Street, Bellevue, WA 98004-5591 ("**Puget LNG**"), and Puget Sound Energy, Inc., a Washington corporation having a business address at 10885 NE 4th Street, Bellevue, WA 98004-5591 ("**PSE**"). Puget LNG and PSE shall be referred to herein individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

WHEREAS, PSE intends to undertake the development and construction of the Tacoma LNG Facility (as defined below);

WHEREAS, concurrently with the execution hereof, PSE has assigned to Puget LNG (i) all of PSE's right, title and interest in, to and under the TOTE FSA and the TOTE Letter Agreement and (ii) Puget LNG's Ownership Interest in the Tacoma LNG Facility;

WHEREAS, Puget LNG and PSE each desire to own as tenants in common the Tacoma LNG Facility, as further described in this Agreement; and

WHEREAS, Puget LNG and PSE each desire to set forth the terms and conditions governing the ownership of their respective undivided ownership interests in the Tacoma LNG Facility and, among other things, the operation and maintenance of the Tacoma LNG Facility.

NOW THEREFORE, in consideration of the above matters, the mutual covenants and agreements set forth herein and for other valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged, the Parties hereby agree to the following:

ARTICLE 1
Definitions and Interpretation

1.1 Definitions

Except as otherwise expressly provided herein, capitalized terms used in this Agreement (including the recitals and the Exhibits) shall have the following meanings:

"**Affected Party**" means the Party affected by a Force Majeure Event.

"**Affiliate**" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly through one or more intermediaries, of the power to either (a) elect a majority of the directors (or Persons with equivalent management power) of such Person, or (b) direct or cause the direction of the management or policies of such Person, whether through the ownership of

securities or partnership, membership or other ownership interests, by contract, by operation of law or otherwise

"**Agreement**" has the meaning given in the preamble to this Agreement.

"**Annual Budget**" has the meaning given in Section 4.8.

"**Applicable Law**" means with respect to any Party or the Tacoma LNG Facility, all laws, statutes, codes, acts, treaties, ordinances, orders, judgments, writs, decrees, injunctions, rules, tariffs, regulations, governmental approvals, licenses and permits, directives and requirements of all regulatory and other governmental authorities as may be amended, in each case applicable to or binding upon such Party or the Tacoma LNG Facility (as the case may be).

"**Authority**" means any federal, provincial, state, county, municipal or local government and any political subdivision thereof, or any other governmental, quasi-governmental, executive, legislative, administrative, regulatory, judicial, public or statutory department, body, instrumentality, agency, ministry, court, commission, bureau, board, or other governmental authority having jurisdiction over the Tacoma LNG Facility or any of the Parties.

"**Bankruptcy Law**" means Title 11, United State Code and any other state or federal insolvency, reorganization, moratorium or similar law for the relief of debtors.

"**Business Day**" means: (a) in relation to any notice or other communication, a day on which commercial banks are open for business in the location specified in the notices address provided by the intended recipient; and (b) in relation to any payment or funds transfer, a day on which commercial banks are not required or permitted to be closed in the place where the relevant payor, payor account, payee account, and payee is located; and (c) for purposes of calculating a period of time during which an obligation is to be performed, any day other than a Saturday, Sunday or day on which banks, in the place where a party is required to render performance, are not permitted or required to be closed.

"**Claims**" means all claims, demands, actions, causes of action, and Proceedings, including any of the foregoing which relate to a Third Party Liability.

"**Commercial Operation Date**" means the date on which the following conditions have been fulfilled: (a) the Tacoma LNG Facility has been satisfactorily tested and commissioned, and (b) all related assets have been completed or obtained, so as to allow continuous operation of the Tacoma LNG Facility.

"**Commission**" means the Washington Utilities and Transportation Commission.

"**Continuing Party**" has the meaning given in Section 13.2.

"**Damages**" means costs, claims, awards (including arbitral awards), judgments, damages, losses, deficiencies, liabilities, fines, penalties or expenses (including reasonable attorneys' fees and expenses) of any kind or nature (including any of the foregoing which relate to a Third Party

Liability), including: (a) any of the foregoing related or attributable to property damage or personal injuries (including death); (b) any amounts paid in settlement of any of the foregoing; and (c) the amount of any deductible payable under a policy of insurance by a party suffering or incurring a damage or loss.

"**Default Notice**" has the meaning given in Section 11.2.

"**Defaulting Party**" has the meaning given in Section 11.1.

"**Development Costs**" has the meaning given in Section 3.3(d).

"**Dispose**" or "**Disposition**" means to assign, transfer or otherwise dispose of an Ownership Interest, either in whole or part, whether by sale, lease, declaration or creation of a trust or otherwise

"**Dispute**" has the meaning given in Section 12.1.

"**Effective Date**" has the meaning given in the preamble to this Agreement.

"**Encumber**" means to create or allow the existence of an Encumbrance.

"**Encumbrance**" means (a) any mortgage, charge, lien, pledge, hypothecation, title retention arrangement or other security interest, as or in effect as security for the payment of a monetary obligation or the observance of any other obligation; (b) any easement, servitude, restrictive covenant, equity or interest in the nature of an encumbrance, garnishee order, writ of execution, right of set-off, lease, license to use or occupy, assignment of income or monetary claim; and (c) any agreement to create any of the foregoing or allow any of the foregoing to exist.

"**Event of Default**" has the meaning given in Section 11.1.

"**Exiting Party**" has the meaning given in Section 13.2.

"**First and Refunding Mortgage**" means the First Mortgage by and between PSE and The Bank of New York Mellon Trust Company, N.A.,, as Trustee, dated as of April 1, 1957, as supplemented and modified by all indentures supplemental thereto.

"**Force Majeure Event**" means any event or circumstance (or combination thereof) and the continuing effects of any such event or circumstance (whether or not such event or circumstance was foreseeable or foreseen by the Parties) that delays or prevents performance by the Affected Party of any obligation under this Agreement, but only to the extent that and for so long as: (a) the event or circumstance is beyond the reasonable control of the Affected Party; (b) despite the exercise of reasonable diligence, the event or circumstance cannot be prevented, avoided or stopped by the Affected Party; and (c) the Affected Party has taken all reasonable measures to avoid the effect of the event or circumstance on the Affected Party's ability to perform its obligations hereunder and to mitigate the consequences of the event or circumstance. Force Majeure Events may include the following: (i) acts of nature, including volcanic eruption,

landslide, earthquake, flood, lightning, tornado or other unusually severe storm or environmental conditions, perils of the sea, wildfire or any other natural disaster; (ii) acts of public enemies, armed conflicts, act of foreign enemy, acts of terrorism (whether domestic or foreign, state-sponsored or otherwise), war (whether declared or undeclared), blockade, insurrection, riot, civil disturbance, revolution or sabotage; (iii) acts or omissions of any Authority, including any form of compulsory government acquisition or condemnation of all or part of the Tacoma LNG Facility, export or import restrictions, customs delays, rationing or allocations that affect the Tacoma LNG Facility; (iv) environmental or hazardous waste contamination at the Tacoma LNG Facility; (v) accidents, damage or loss during transportation, explosions, epidemics, quarantine or criminal acts affecting the Tacoma LNG Facility; and (vi) labor disturbances, stoppages, strikes, lock-outs or other industrial action affecting the Parties, or any of their Subcontractors, employees or agents, including any of the foregoing caused by any of the events listed herein.

"**GAAP**" means United States generally accepted accounting principles for financial reporting as in effect on the date of the preparation of any such report.

"**Guaranty**" has the meaning given in Section 6.3.

"**Indemnity Claim**" has the meaning given in Section 9.4.

"**Indemnified Party**" has the meaning given in Section 9.3.

"**Indemnifying Party**" has the meaning given in Section 9.3.

"**Initial Annual Budget**" has the meaning given in Section 4.8.

"**Insolvency Event**" means, with respect to any Person: (a) such Person institutes a voluntary case, files a petition or consents or otherwise institutes any similar proceedings seeking liquidation, reorganization, dissolution, winding-up, to be adjudicated a bankrupt or for any other relief under the Bankruptcy Law, or consents to the institution of an involuntary case thereunder against it; (b) such Person makes a general assignment for the benefit of creditors; (c) such Person applies under Bankruptcy Law for, or by its consent or acquiescence there shall be an appointment of, a receiver, liquidator, sequestrator, trustee or other officer with similar powers with regard to such Person or to any material part of such Person's property; (d) such Person admits in writing its inability to pay its debts generally as they become due; (e) an involuntary case or any similar proceeding shall be commenced under the Bankruptcy Law against such Person and (A) the petition commencing the involuntary case or similar proceeding is not timely challenged, (B) the petition commencing the involuntary case or similar proceeding is not dismissed within sixty (60) days of its filing, (C) an interim trustee is appointed to take possession of all or a portion of the property, and/or to operate all or any part of the business of such Person and such appointment is not vacated within sixty (60) days of such appointment or (D) an order for relief shall have been issued or entered therein; or (f) a court adjudges such Person to be bankrupt or makes an order requiring the liquidation, dissolution or winding up of such Person.

"**Joint Operating Committee**" has the meaning given in Section 4.1.

"**LNG**" means liquefied natural gas.

"**LNG Sale Purposes**" has the meaning given in Section 3.3(b).

"**Moratorium Period**" has the meaning given in Section 11.1.

"**Non-Defaulting Party**" has the meaning given in Section 11.1.

"**O&M Contract**" means the Operations and Maintenance Contract between the Parties for the management, operation and maintenance of the Tacoma LNG Facility.

"**Operations and Maintenance Costs**" has the meaning given in Section 3.3(e).

"**Operator**" means the operator appointed by the Parties pursuant to Section 5.1 of this Agreement and any successor thereof appointed by the Parties in accordance with the O&M Contract.

"**Ownership Interests**" means, at any given point in time, the undivided ownership interest of a Party in all rights and obligations with respect to the Tacoma LNG Facility arising under or in connection with this Agreement, including the right, title and interest of such Party in and to all property, whether real, personal or mixed, which is at any time subsequent to the Effective Date owned, leased, held, developed, discovered, constructed or acquired solely for or in connection with the ownership, operation, maintenance and decommissioning of the Tacoma LNG Facility (including the design, development, construction and commissioning of the Tacoma LNG Facility), and the undertaking of those matters included in the Project Purposes in accordance with the principles given in this Agreement.

"**Party**" or "**Parties**" has the meaning given in the preamble to this Agreement.

"**Permitted Transfer**" has the meaning given in Section 10.1.

"**Person**" means and includes any natural person, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, limited liability company, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, and any Authority.

"**Proceeding**" means any action, arbitration, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Authority or arbitrator instituted by a Third Party.

"**Project Operations**" means all operations and activities carried out in accordance with this Agreement by the Parties.

"**Project Purposes**" has the meaning given in Section 3.1.

"**Proposed Annual Budget**" has the meaning given in Section 4.8.

"**Prudent Utility Practice**" means the practices, methods and standards of professional care, skill and diligence engaged in or approved by a significant portion of the LNG industry for LNG facilities of similar size, type, and design, that, in the exercise of reasonable judgment, in light of the facts known at the time, would have been expected to accomplish results consistent with Applicable Law, reliability, safety, environmental protection and standards of economy and expedition.

"**PSE**" has the meaning given in the preamble to this Agreement.

"**PSE-Owned Development Assets**" means those assets and rights associated with the Tacoma LNG Facility that the Parties have or may from time to time agree shall be held in PSE's name during the Term, including the site lease and various permits for the Tacoma LNG Facility, all as further described in and contemplated by Section 3.4 hereof.

"**Puget LNG**" has the meaning given in the preamble to this Agreement.

"**Regulated Purposes**" has the meaning given in Section 3.3(b).

"**Representative**" has the meaning given in Section 4.1.

"**Special Meeting**" means a meeting of the Joint Operating Committee (other than a Scheduled Meeting) convened in accordance with Section 4.6(d) of this Agreement.

"**Tacoma LNG Facility**" means the LNG liquefaction and fueling terminal under development by PSE at the Port of Tacoma, Washington, capable of receiving approximately 21,000 Decatherms per day of natural gas from which it will produce approximately 250,000 gallons of LNG when liquefying at nameplate capacity and which will be capable of storing approximately 8,000,000 gallons of LNG, together with any additions, expansions, improvements and variations thereto from time to time as provided for in this Agreement and including all property, whether real, personal or mixed, which is at any time subsequent to the Effective Date owned, leased, held, developed, discovered, constructed or acquired solely for or in connection with the ownership, operation, maintenance and decommissioning of the Tacoma LNG Facility (including the design, development, construction and commissioning of the Tacoma LNG Facility), and the undertaking of those matters included in the Project Purposes in accordance with the principles given in this Agreement, including the PSE-Owned Development Assets.

"**Tax**" means each federal, state, provincial, county, local and other (a) net income, gross income, gross receipts, sales, use, ad valorem, business or occupation, transfer, franchise, profits, withholding, payroll, employment, excise, property or leasehold excise, tax, (b) customs, duty or other fee, assessment or charge of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amount with respect thereto.

"**Term**" has the meaning given in Section 2.1.

"**Third Party**" means any Person other than a Party or an Affiliate of a Party.

"**Third Party Liability**" has the meaning given in Section 9.4(b).

"**TOTE**" means Totem Ocean Trailer Express, Inc.

"**TOTE FSA**" means that certain LNG Fuel Supply Agreement, dated October 27, 2014, between TOTE and PSE (as may be amended or modified from time to time).

"**TOTE Letter Agreement**" means that certain letter agreement, dated July 9, 2015, between TOTE and PSE pertaining to the interim supply of LNG to TOTE pending commencement of commercial operations of the Tacoma LNG Facility (as may be amended or modified from time to time).

1.2 Rules of Interpretation

In this Agreement, unless expressly provided otherwise:

(a) the words "herein," "hereunder" and "hereof" refer to the provisions of this Agreement and a reference to a recital, Article, Section, subsection or paragraph of this Agreement or any other agreement is a reference to a recital, Article, Section, subsection or paragraph of this Agreement or other agreement in which it is used unless otherwise stated;

(b) references to this Agreement, or any other agreement or instrument, includes any schedule, exhibit, annex or other attachment hereto or thereto;

(c) a reference to a paragraph also refers to the subsection in which it is contained, and a reference to a subsection refers to the Section in which it is contained;

(d) a reference to this Agreement, any other agreement or an instrument or any provision of any of them includes any amendment, variation, restatement or replacement of this Agreement or such other agreement, instrument or provision, as the case may be;

(e) a reference to a statute or other law (including any Applicable Law) or a provision of any of them includes all regulations, rules, subordinate legislation and other instruments issued or promulgated thereunder as in effect from time to time and all consolidations, amendments, re-enactments, extensions or replacements of such statute, law or provision;

(f) the singular includes the plural and vice versa;

(g) a reference to a Person includes a reference to the Person's executors and administrators (in the case of a natural person) and successors, substitutes (including Persons taking by novation) and permitted assigns;

(h) words of any gender shall include the corresponding words of the other gender;

(i) "including" means "including, but not limited to," and other forms of the verb "to include" are to be interpreted similarly;

(j) references to "or" shall be deemed to be disjunctive but not necessarily exclusive, (i.e., unless the context dictates otherwise, "or" shall be interpreted to mean "and/or" rather than "either/or");

(k) where a period of time is specified to run from or after a given day or the day of an act or event, it is to be calculated exclusive of such day; and where a period of time is specified as commencing on a given day or the day of an act or event, it is to be calculated inclusive of such day;

(l) a reference to a day is a reference to a period of time commencing at midnight and ending the following midnight;

(m) a reference to a Business Day is a reference to a period of time commencing at 9:00 a.m. local time on a Business Day and ending at 5:00 p.m. local time on the same Business Day;

(n) if the time for performing an obligation under this Agreement expires on a day that is not a Business Day, the time shall be extended until that time on the next Business Day;

(o) a reference to (i) a day (other than a Business Day) is a reference to a calendar day, (ii) a month is a reference to a calendar month and (iii) a year is a reference to a calendar year;

(p) where a word or phrase is specifically defined, other grammatical forms of such word or phrase have corresponding meanings;

(q) a reference to time is a reference to the time in effect in Seattle, Washington on the relevant date;

(r) if a payment prescribed under this Agreement to be made by a Party on or by a given Business Day is made after 2:00 pm on such Business Day, it is taken to be made on the next Business Day;

(s) all accounting terms used but not defined in this Agreement have the meanings given to them under GAAP (U.S.) as consistently applied by the Person to which they relate, except to the extent such Person is organized under the laws of a province of Canada, in which case such accounting terms shall have the meanings given to them under GAAP (Canada) as consistently applied to such Person; and

(t) headings and the table of contents are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 Exhibits

The following exhibits (the "**Exhibits**") are attached hereto and form a part of this Agreement:

Exhibit A	–	Ownership Interests
Exhibit B	–	Development Costs
Exhibit C	–	Operations and Maintenance Costs

If any term or condition, express or implied, of any Exhibit conflicts or is at variance with any term or condition in the body of this Agreement, the term or condition in the body of this Agreement shall control and prevail.

1.4 Negotiation of Agreement

This Agreement is the result of negotiations between, and has been reviewed by, the Parties and their respective legal counsel. Accordingly, this Agreement shall be deemed to be the product of each Party, and there shall be no presumption that an ambiguity, if any, should be construed in favor of or against a Party solely as a result of such Party's actual or alleged role in the drafting of this Agreement.

ARTICLE 2
Term; Representations and Warranties

2.1 Term

The term of this Agreement (the "**Term**") shall commence on the Effective Date and shall continue until the earliest of: (a) the cessation of operations of the Tacoma LNG Facility and the completion of the decommissioning of the Tacoma LNG Facility by the Parties; (b) the date of termination of this Agreement by agreement, in writing, between the Parties, or (c) the ownership by one Party of one hundred percent (100%) of the Ownership Interests.

2.2 Representations and Warranties

As of the Effective Date, each Party represents and warrants to the other Party that, as to itself, each of the following statements is true and accurate as it applies to the Party making such representation and warranty: (a) such Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) such Party has full power and authority to enter into, perform and observe its obligations and duties under this Agreement; (c) such Party's execution, delivery and performance of this Agreement has been duly and validly authorized by all necessary corporate, limited partnership, limited liability company or other requisite action; (d) this Agreement is a legal, valid and binding agreement of such Party and is enforceable against it in accordance with its terms, except as such enforcement may be limited by any Bankruptcy Law or by general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law); and (e) the entering into of this Agreement by such Party does not, and the performance by it of its obligations hereunder and the transactions contemplated hereby will not result in a violation or breach of any Applicable Law or any provision of the organizational or governance documents of such Party or any agreement to which it is a party or by which it is bound.

ARTICLE 3
Ownership and Purpose

3.1 Terms and Conditions of Ownership; Purpose

The Parties hereby establish terms and conditions upon which they shall jointly own and operate the Tacoma LNG Facility, including with respect to the ownership, operation and maintenance, on a tenant-in-common basis, of the Tacoma LNG Facility and any other purposes the Parties may from time to time, in accordance with the terms of this Agreement, determine to incorporate within the purposes of the Tacoma LNG Facility, all of which are collectively referred to in this Agreement as the "**Project Purposes**."

3.2 Ownership Interests

Except as provided below, the respective Ownership Interests of the Parties as of the Effective Date are as set forth on Exhibit A. Such Ownership Interests are based upon the expected costs associated with the development and construction of the Tacoma LNG Facility as set forth in Exhibit B. Promptly after the Commercial Operation Date, in accordance with Exhibit A and Exhibit B, there shall be a true-up of the component ownership share for PSE and Puget LNG that is allocated to common costs based upon the Development Costs (as defined below) actually incurred, whereby the Parties shall mutually agree on revised versions of Exhibit A and Exhibit B.

3.3 Development, Construction and Operation of the Tacoma LNG Facility

(a) PSE intends to undertake the development and construction of the Tacoma LNG Facility. Each Party hereby appoints PSE as the manager with respect to the development and construction of the Tacoma LNG Facility.

(b) Subject to the other provisions of this Agreement, the Parties agree to jointly undertake the ownership, operation and maintenance of the Tacoma LNG Facility, on a tenant-in-common basis.

(c) PSE intends to utilize its allocable share of the Tacoma LNG Facility in order to provide peak-day supply for PSE's retail natural gas customers (the "**Regulated Purposes**"). Puget LNG intends to utilize its allocable share of the Tacoma LNG Facility for unregulated sales of LNG fuel, including sales to TOTE pursuant to the TOTE FSA ("**LNG Sale Purposes**").

(d) Each Party will be obligated to pay its share of all costs and expenses incurred in connection with the engineering, design, development and construction of the Tacoma LNG Facility (the "**Development Costs**"). An estimate of such Development Costs is attached hereto as Exhibit B. Such Development Costs will be allocable generally on the basis of each Party's respective Ownership Interest, provided that if any such Development Costs relate solely to Regulated Purposes, PSE shall bear one hundred percent (100%) of such Development Costs, and provided, further that if any such Development Costs relate solely to LNG Sale Purposes, Puget LNG shall bear one hundred percent (100%) of such

Development Costs. By way of example, Puget LNG will be obligated to pay all Development Costs associated with the marine bunkering capabilities of the Tacoma LNG Facility and PSE will be obligated to pay all Development Costs associated with the vaporization facilities. Concurrently with the execution of this Agreement, Puget LNG shall reimburse PSE for Puget LNG's share of any such Development Costs already incurred by PSE.

(e) Each Party will be obligated to pay its share of all costs and expenses incurred in connection with the ownership, operation and maintenance of the Tacoma LNG Facility (the "**Operations and Maintenance Costs**"). An estimate of such Operations and Maintenance Costs is attached hereto as Exhibit C. Such Operations and Maintenance Costs will be allocable generally on the basis of each Party's respective Ownership Interest, provided that if any such Operations and Maintenance Costs relate solely to Regulated Purposes, PSE shall bear one hundred percent (100%) of such Operations and Maintenance Costs, and provided, further that if any such Operations and Maintenance Costs relate solely to LNG Sale Purposes, Puget LNG shall bear one hundred percent (100%) of such Operations and Maintenance Costs.

(f) If a Party has incurred and paid any Development Costs and/or Operations and Maintenance Costs that are subject to cost-sharing pursuant to this Agreement, it may submit an invoice on or before the fifth (5th) Business Day of any month setting forth the amount of such Development Costs and/or Operations and Maintenance Costs, together with reasonable supporting documentation for such Development Costs and/or Operations and Maintenance Costs and payment thereof by the claiming Party. The other Party shall remit payment for its share of such Development Costs within ten (10) Business Days after receipt of such invoice.

3.4 Undivided Ownership Interests in the Tacoma LNG Facility as Tenants in Common

(a) During the Term, PSE shall hold all right title to and interest in the PSE-Owned Development Assets. To the greatest extent permitted by Applicable Law, and otherwise in equity, PSE will hold such portion of the PSE-Owned Development Assets that are allocable to Puget LNG, as bare trustee for Puget LNG in proportion to Puget LNG's respective Ownership Interest. Upon the reasonable request of Puget LNG, PSE will reasonably cooperate with Puget LNG to transfer into Puget LNG's name such portion of the PSE-Owned Development Assets that are allocable to Puget LNG.

(b) To the greatest extent permitted by Applicable Law, and otherwise in equity, the Tacoma LNG Facility (excluding PSE-Owned Development Assets, TOTE FSA and TOTE Letter Agreement) shall be owned and held by the Parties as tenants in common in proportion to their respective Ownership Interests. Where any portion of the Tacoma LNG Facility cannot be held directly by both of the Parties due to pre-existing legal or contractual restrictions that cannot be altered or satisfied or where effectuating such ownership structure would result in unreasonable

additional expense to the Parties, such portion of the Tacoma LNG Facility shall be held by PSE in bare trust for itself and Puget LNG in proportion to their respective Ownership Interests. If the ownership of any portion of the Tacoma LNG Facility is registered or recorded in the name of one of the Parties, and notwithstanding the Parties' efforts such portion of the Tacoma LNG Facility cannot be held directly by both Parties or by PSE as contemplated above, then such Party in whose name ownership is registered or recorded shall hold such portion of the Tacoma LNG Facility in bare trust for itself and the other Party in proportion to their respective Ownership Interests.

(c) Unless otherwise agreed by the other Party, each Party shall execute all documents and do all things necessary or appropriate to register or record the Tacoma LNG Facility in the names of the Parties in proportion to their respective Ownership Interests.

3.5 No Partition

Each Party waives any rights it may have under Applicable Law to bring an action for partition or division of the Tacoma LNG Facility and agrees that it shall not (a) seek partition or division of the Tacoma LNG Facility or (b) take any action, whether by way of any court order or otherwise, for physical partition or judicial sale in lieu of partition of the Tacoma LNG Facility.

3.6 Several Liability

The rights, duties, obligations and liabilities of each Party under this Agreement or arising out of or in connection with the Project Operations are, in each case, intended to be several and not joint or collective. Except as otherwise provided, all risk, loss and damage arising out of the Project Operations shall be borne by the Parties in proportion to their respective Ownership Interests.

3.7 No Partnership

No Party shall hold itself out to any Person as a partner of, or principal or agent or trustee for, the other Party, except to the extent expressly authorized in Section 3.4, or in a writing by such other Party. The Parties do not intend to create, and this Agreement shall not be construed to create, a partnership or joint venture between the Parties. No Party shall have the right to share, in whole or in part, the income and profits from, or be responsible for the losses and expenses with respect to, the other Party's undivided Ownership Interest in the Tacoma LNG Facility. The income and profits produced by each Party's undivided Ownership Interest in the Tacoma LNG Facility shall belong solely to such Party. Each Party shall elect, pursuant to Section 761(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder, to be excluded from all of the provisions of Subchapter K, Chapter 1, Subtitle A of the Code. The Parties shall take all steps necessary and appropriate to evidence this election, including filing the statement described in Treas. Reg. Section 1.761-2(b)(2)(i). In making such election, each Party agrees and shall state that the income derived by it from the operations under this Agreement can be adequately determined without the computation of partnership taxable income.

3.8 No Joint Income, Revenue or Receipts

The Parties shall not be considered to derive income, revenue or receipts jointly as a result of the activities undertaken pursuant to this Agreement and a Party shall not have any right or interest in any income, revenue or receipts derived from the Ownership Interest of the other Party.

3.9 Good Faith

Each Party shall act in good faith towards the other Party, including: (a) acting in good faith in all activities and dealings with the other Party in relation to the Tacoma LNG Facility; (b) attending diligently to the conduct of all activities in relation to the Tacoma LNG Facility in which the Parties are involved; and (c) accounting promptly for all funds, including negotiable instruments, received by it on behalf of the Parties in connection with the Tacoma LNG Facility.

3.10 Obligations In Relation to Other Opportunities

Neither Party, by reason of such Party's interest in the Tacoma LNG Facility or appointment of a representative of such Party as a Representative of the Joint Operating Committee, shall be precluded from engaging in any activities similar to those to be conducted by the Parties in respect of the Tacoma LNG Facility or any activities incidental or related thereto, or any other activities whatsoever, nor shall either Party have any obligation, by reason of such Party's interest in the Tacoma LNG Facility or appointment of a representative of such Party as a Representative of the Joint Operating Committee, to make available to any other Person any other opportunity that such Party may have to develop, construct, own, operate, maintain or finance any other project of any kind or nature, including any facility similar to the Tacoma LNG Facility.

ARTICLE 4
Joint Operating Committee

4.1 Formation of Joint Operating Committee

The Parties hereby form a Joint Operating Committee (the "**Joint Operating Committee**"), which shall have the powers and functions provided in this Agreement. Each Party shall appoint two (2) representatives to the Joint Operating Committee (each such representative, a "**Representative**"). At least one (1) Representative appointed by each Party shall have prior experience with LNG projects similar to the Tacoma LNG Facility. Subject to the restrictions set forth in this Section 4.1, each Party may, by notice to the other Party, at any time, remove a Representative appointed by it and appoint a replacement.

4.2 Powers and Responsibilities of Joint Operating Committee

Except as expressly provided in Section 4.3, all matters concerning the carrying out of the this Agreement in accordance with the Project Purposes shall be deemed to be delegated to the Joint Operating Committee and the Joint Operating Committee shall have the power to make all decisions regarding the day-to-day operations of the Tacoma LNG Facility. All decisions of the Joint Operating Committee shall be taken by resolution. All resolutions within the Joint Operating Committee's power are binding on both Parties as from the effective date of such

resolution and each Party is obligated to carry each resolution into effect in accordance with its terms.

4.3 Matters Excluded from Joint Operating Committee and Reserved for the Parties

Notwithstanding Sections 4.2, for so long as a Party holds, directly or indirectly, twenty percent (20%) or more of the Ownership Interest, the Joint Operating Committee does not have the power to make any decisions regarding, and may not make any resolutions with respect to, any of the following matters, the specified matters being reserved for determination by the written agreement of the Parties:

(a) approval of the Annual Budget and any changes thereto;

(b) any decision to acquire or dispose of any portion of the Tacoma LNG Facility in excess of $100,000 in any single transaction, except as included in the Annual Budget;

(c) any incurrence of indebtedness for which the Parties shall be jointly liable, other than as contemplated by the Annual Budget or in the ordinary course of business;

(d) placing of any Encumbrance on the Tacoma LNG Facility, other than as contemplated in the Annual Budget or other than a lien of PSE's First and Refunding Mortgage indenture, which shall automatically attach;

(e) the making of a guarantee by the Parties on a joint and several basis of payment obligations or performance of other obligations of Third Parties, other than as contemplated by the Annual Budget or in the ordinary course of business;

(f) entering into any contract pertaining to the Tacoma LNG Facility having either a current market value or a total remaining cost of greater than $250,000, or amending or modifying in any material respect or terminating such a contract, except as consistent with the Annual Budget;

(g) any decision to initiate or settle any litigation pertaining to the Tacoma LNG Facility having a value in excess of $100,000;

(h) other than routine filings and notifications, the making of any filing with or notification to any Authority have jurisdiction over the Tacoma LNG Facility or the Parties' activities with respect thereto;

(i) the appointment of any agents or intermediaries with authority to act in the name of or otherwise bind the Parties with respect to the Tacoma LNG Facility;

(j) entry into, or amendment or modification in any material respect of, any transaction pertaining to the Tacoma LNG Facility with any Party or with an affiliate of any Party, other than on fair and reasonable terms substantially as favorable to the Parties or the Tacoma LNG Facility as would be obtainable at the time in a comparable arm's length transaction; and

(k) Any decision to grant to any Person rights to use real property rights acquired for the Tacoma LNG Facility.

4.4 Deadlock

Any Disputes between the Parties, regarding any matter referred to in Section 4.2 where the vote of the Joint Operating Committee results in a deadlock, shall be referred to the Dispute Resolution procedures set forth in Article 12; provided, that the Parties acknowledge and agree that the matters described in Section 4.3 shall not be subject to dispute resolution (whether hereunder or otherwise).

4.5 Voting

All matters decided by the Joint Operating Committee shall require the unanimous approval of all of the Representatives present at a duly convened meeting of the Joint Operating Committee in which a quorum is present. Each Representative shall each be entitled to cast one vote.

4.6 Quorum and Other Meeting Requirements

(a) Quorum. The presence of one (1) Representative appointed by PSE and one (1) Representative appointed by Puget LNG shall constitute a quorum for the transaction of business at any meeting of the Joint Operating Committee.

(b) Location. All meetings of the Joint Operating Committee shall be held at such places, dates and times as may be fixed by mutual agreement of PSE and Puget LNG.

(c) Scheduled Meetings. Scheduled Meetings of the Joint Operating Committee shall be held at least once every quarter. A notice convening a Scheduled Meeting must be in writing and given to the Parties at least fourteen (14) days before the date of the Scheduled Meeting, which notice may be given by electronic communication.

(d) Special Meetings. In addition to Scheduled Meetings, Special Meetings of the Joint Operating Committee may be called by any Representative upon seven (7) days' prior written notice to each Representative, which notice may be given by electronic communication and shall identify the purpose of the special meeting or the business to be transacted.

(e) Telephone Meetings and Written Resolutions. Unless an in-person meeting is requested by a Representative, meetings of the Joint Operating Committee may, in addition to taking place in-person, take place by or include one or more Representatives present through conference telephone, videoconference, or similar communications equipment. A resolution in writing or by electronic transmission approved by the signature (which shall include an electronic signature, in the case of an electronic transmission) of each Representative who would be eligible to vote on the subject matter of the resolution if it were put to vote at a meeting of the Joint Operating Committee is as valid and effectual as if

the resolution had been passed by the required vote at a duly convened meeting of the Joint Operating Committee on the date when the resolution is last signed. A written resolution may consist of one or more documents in like terms. Each reference in this Agreement to a vote includes a reference to the execution of, or the failure to execute, a written or electronic resolution.

(f) Costs. Each Party shall bear the costs associated with the attendance of its Representatives at meetings of the Joint Operating Committee.

4.7 Sub-Committees

The Parties may create such other committees as they may deem necessary or appropriate, each of which is to be comprised of one Representative appointed by each Party, provided that the Joint Operating Committee shall retain decisional power over any subject matter delegated to the said created committees for study or consultation. Each Party shall bear the costs associated with its sub-committee members.

4.8 Annual Budget

At least sixty (60) days prior to the anticipated Commercial Operation Date, the Joint Operating Committee shall prepare the initial budget detailing the expected capital and operating costs required for the Tacoma LNG Facility for the then-current calendar year and the first full calendar year thereafter (the "**Initial Annual Budget**"). At least sixty (60) days prior to (i) December 31st of calendar year in which the Initial Annual Budget expires and (ii) each calendar year thereafter, the Joint Operating Committee shall review and provide an updated budget (the "**Proposed Annual Budget**"). The Parties, in accordance with Section 4.3(a), shall have the right to approve, revise and approve, or reject each such Proposed Annual Budget. If such Proposed Annual Budget is approved by the Parties, or is revised and approved by the Parties, such Proposed Annual Budget, as so approved, shall become the "**Annual Budget**" hereunder (thereby superseding any the Initial Annual Budget or any prior Annual Budget, as applicable). If such Proposed Annual Budget is rejected by the Parties or is otherwise not approved by the Parties, the Parties shall direct the Joint Operating Committee to prepare and, within fifteen (15) Business Days, submit to the Parties a revised Proposed Annual Budget. This process shall continue until an Annual Budget for such period is approved or revised and approved by the Parties. In the event that no Annual Budget is approved prior to the first day of each year of the Term, the Annual Budget for the immediately preceding year shall continue in effect until the approval of a new Annual Budget in accordance herewith.

ARTICLE 5
O&M Services

5.1 O&M Contract

(a) Each Party hereby appoints PSE, as the Operator, to operate, manage, supervise and conduct the business of the Tacoma LNG Facility on behalf of such Party in accordance with the terms and conditions of this Agreement, and PSE hereby accepts such appointment and agrees to assume the obligations and liabilities of the Operator in accordance with the terms and conditions of this Agreement. The

Operator shall serve in such capacity for the Term, subject only to replacement pursuant to the terms and conditions of the O&M Contract.

(b) Each Party agrees to enter into the O&M Contract as soon as reasonably practicable and in any event prior to the Commercial Operation Date, in the form approved by the Joint Operating Committee. The O&M Contract shall include terms and conditions substantially similar to the terms and conditions set forth in Section 5.1(c). Each Party agrees that it shall not take any action with respect to the operation of the Tacoma LNG Facility unless such action is authorized or permitted by the O&M Contract or this Agreement or is agreed to by the other Party.

(c) The Parties anticipate that the O&M Contract will continue for the life of the Tacoma LNG Facility and shall provide for a cost of service based pricing structure pursuant to which PSE shall allocate costs incurred in providing services under the O&M Contract and shall bill Puget LNG for its allocable share of such costs. The scope of services under the O&M Contract will contemplate the implementation by PSE of capital improvements funded by the Parties in accordance with the Annual Budget. All work under the O&M Contract shall be in accordance with Prudent Utility Practice. Costs of service shall be reasonable and prudent. If Third Party services are utilized, the cost of such services shall be consistent with market pricing for such services. If market pricing is not available then the prices must be demonstrably reasonable.

5.2 Operator to Provide Information to Parties

Operator shall keep the Parties informed as to the exercise of the Operator's powers and the performance of its functions under this Agreement. Operator shall provide the Parties with reports in a form agreed between the Operator and the Joint Operating Committee and shall otherwise reasonably cooperate with the Parties to provide to the Parties such information as may be reasonably necessary for the Parties to account for their respective Ownership Interests in the Tacoma LNG Facility.

ARTICLE 6
Accounting Procedure and Credit Support

6.1 Expenditures

Costs, charges and expenditures shall be attributable to the Parties in accordance with their respective Ownership Interests.

6.2 Keeping of Records and Accounts

Each Party shall keep comprehensive, true and accurate records and accounts of the Project Operations, all in accordance with GAAP consistently applied, including accounting records required by any Authority, to enable the separate accounting by each Party of such Party's allocable share of all receipts, expenditures and other transactions undertaken on behalf of each Party. PSE will report charges PSE incurs in excess of the amount of its ownership interest or

charges to Puget LNG in excess of the amount of its ownership interests, if any, under this Agreement as part of its annual affiliated transactions report to the Commission.

6.3 Puget LNG Guaranty

Concurrent with the execution of this Agreement, and in support of its obligations hereunder, Puget LNG has delivered to PSE a parental guaranty of Puget Energy, Inc. to secure all of Puget LNG's obligations under this Agreement (as executed and delivered, the "**Guaranty**").

ARTICLE 7
Confidentiality

7.1 Confidentiality

Except as hereinafter provided, each Party shall treat as confidential, and not disclose to any Third Party not authorized by the other Party to receive such confidential information, any information obtained either directly or indirectly from the other Party unless such information (a) was already in the possession of the receiving Party at the time it obtained such confidential information hereunder, (b) was or is published or otherwise is or becomes generally available to the public through no fault of such receiving Party, (c) is developed independently by the receiving Party, (d) is required by Applicable Law to be disclosed, including information required to be disclosed to the Commission, (e) is provided to such Party's employees, officers, agents, attorneys, accountants and professional advisors on a need-to-know basis and such Person has been advised of the confidential nature of such information, or (f) in the case of PSE, if PSE reasonably determines, based upon its status as a regulated public utility, that disclosure to an Authority is necessary or appropriate in connection with any submission or application to, or response from, any authorities regarding the obligations of PSE under this Agreement, the effect thereof on PSE's rates, investment return, proprietary business information or similar matters. Notwithstanding the foregoing, in no event shall customer-specific information of Puget LNG be disclosed to any Third Party not authorized by Puget LNG to receive such confidential information. The obligations of the Parties pursuant to this Section 7.1 shall survive the term of this Agreement for a period of two (2) years, irrespective of the manner in which this Agreement is terminated. The Parties agree that no adequate remedy at law exists for a material breach or threatened material breach of any of the provisions of this Section 7.1, the continuation of which unremedied will cause the injured Party to suffer irreparable harm. Accordingly, the Parties agree that the injured Party shall be entitled, in addition to other remedies which may be available to it, to immediate injunctive relief from any material breach of any of the provisions of this Section 7.1 and to specific performance of its rights hereunder, as well as to any other remedies available at law or in equity.

7.2 Public Announcements.

No press releases or other public announcements concerning this Agreement or the Tacoma LNG Facility shall be made by either Party without prior consultation with and consent of the other Party, except for any communication by either Party required by Applicable Law or stock exchange regulations and then, to the extent practicable, only with prior consultation with the other Party.

ARTICLE 8
Insurance

8.1 Insurance Policies

Each Party shall, with the approval of the Joint Operating Committee, obtain as of the Effective Date and thereafter maintain continuously until otherwise instructed by the Joint Operating Committee, adequate insurance as the Joint Operating Committee may require. Adequate insurance means insurance the nominal value of which reflects the size, value, and scope of the Tacoma LNG Facility and its operations.

ARTICLE 9
Claims and Indemnities

9.1 Liability Several

The liability of each Party hereunder or with respect to the Tacoma LNG Facility shall be several, not joint or collective, and except as otherwise provided herein, in proportion to each Party's Ownership Interest. For sake of clarity, if for any reason whatsoever the Parties are or become jointly or jointly and severally liable to any Third Party for any obligation related to this Agreement or the Tacoma LNG Facility, notwithstanding the provisions of Sections 3.5, 3.6 and 3.7 hereof, the respective liability of each of the Parties, as between themselves, shall be limited severally to their respective Ownership Interest, provided that, notwithstanding anything to the contrary in this Agreement, in no event will a Party be liable for the Taxes of the other Party.

9.2 Risk of Loss of the Joint Facilities.

Except for occurrences for which the Operator is liable under the O&M Contract, at all times during the development and operation of the Tacoma LNG Facility, each Party shall be responsible for the risk of loss of the Tacoma LNG Facility or any portion thereof, to the extent not covered by insurance, in proportion to the Parties' respective Ownership Interests and in accordance with the respective percentages set forth on Exhibit A, regardless of the name or names in which legal title to all or any part of the Tacoma LNG Facility may be held. By way of example, if any such loss arises out of or is related to liquefaction facilities, PSE shall bear ten percent (10%) of such loss and Puget LNG shall bear ninety (90%) of such loss. Notwithstanding the foregoing, if any loss, Claim or Damages are caused by actions performed exclusively for Puget LNG or actions performed exclusively for PSE, then Puget LNG or PSE, as applicable, will be fully responsible for such loss, Claim or Damages.

9.3 Indemnity by Party of Other Party

Subject to the limitations on Damages provided for in this Agreement, each Party (the "**Indemnifying Party**") hereby agrees to indemnify, defend and hold harmless the other Party and the Representatives of such other Party (each, an "**Indemnified Party**") from and against any and all Damages and Claims arising from or attributable to: (a) any joint or joint and several liability described in Section 9.1 in excess of the Indemnified Party's respective allocation thereof; (b) any breach or non-fulfillment in the performance of any of the covenants or

agreements of the Indemnifying Party under this Agreement; (c) any breach of any of the representations and warranties given by such Indemnifying Party under this Agreement; (d) the gross negligence or willful misconduct of the Indemnifying Party; and (e) all Party Taxes incurred by the Indemnifying Party or to which the Indemnifying Party is subject. In addition to the foregoing, Puget LNG (in such capacity, an Indemnifying Party) hereby agrees to indemnity, defend and hold harmless PSE and its Representatives (in such capacity, an Indemnified Party) from and against any and all Damages and Claims arising from or attributable to the TOTE FSA or the TOTE Letter Agreement.

9.4 Conduct of Indemnity Claims

The following provisions shall apply to any claim for indemnification pursuant to this Agreement, including pursuant to this Article 9 (each, an "**Indemnity Claim**"):

(a) Promptly after becoming aware of any matter that may give rise to an Indemnity Claim, the Indemnified Party shall provide to the Indemnifying Party notice of the Indemnity Claim specifying (to the extent such information is available) a reasonably detailed description of the basis for its potential claim for indemnification with respect to such Indemnity Claim; provided that failure to give such notice shall not relieve the Indemnifying Party of any indemnification obligation it may have under this Article 9 unless and only to the extent that such failure shall materially diminish the ability of the Indemnifying Party to respond to the Indemnity Claim or to defend the Indemnified Party.

(b) If an Indemnity Claim relates to an alleged liability to a Third Party (a "**Third Party Liability**"), including any Authority, the Indemnifying Party shall have the right to assume the conduct and control of the defense of or any negotiations in connection with the compromise or settlement of any Proceeding in respect of the Third Party Liability; provided that the Indemnified Party shall have the right and shall be given the opportunity to: (i) participate in the defense of such Proceeding, subject to the Indemnifying Party's control; (ii) consult with the Indemnifying Party in the settlement of the Third Party Liability and the conduct of the Proceeding (including consultation with the Indemnifying Party's counsel); (iii) disagree on reasonable grounds with the selection and retention of the Indemnifying Party's counsel, in which case counsel satisfactory to the Indemnifying Party and the Indemnified Party shall be retained by the Indemnifying Party; and (iv) retain, at the Indemnified Party's sole cost and expense, its own counsel to monitor the progress and status of the Indemnity Claim; provided further, however, that if the Indemnified Party reasonably concludes that there may be legal defenses available to it which are different from or additional to those available to the Indemnifying Party, the Indemnified Party shall have the right to select separate counsel to assert such legal defenses and participate in the defense, at the Indemnifying Party's sole cost and expense.

(c) No compromise or settlement of such Third Party Claim may be effected by the Indemnifying Party without the Indemnified Party's consent unless (i) there is no finding or admission of any violation of Applicable Law, (ii) such compromise or

settlement does not involve the entry by the Indemnified Party of a consent order or similar agreement with any Authority, (iii) there is no effect on or precedent established with respect to any other Third Party Claims that may be made against the Indemnified Party, and (iv) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party; and

9.5 Survival of Indemnities

The Parties agree that the indemnities, waivers and disclaimers of liability, releases from liability and limitations on liability set forth in this Agreement shall survive the termination or expiration of this Agreement and shall apply (whether in contract, equity, tort, statute or otherwise) even in the event of the fault, negligence, strict liability or breach of warranty of the Party indemnified, released or whose liabilities are limited.

9.6 Exclusion of Consequential Loss

Notwithstanding any other provision of this Agreement (except to the extent indemnification payments are made pursuant to Section 9.4(b) as a result of an Indemnified Party's obligation to pay special, indirect, incidental, punitive or consequential damages to a Third Party as a result of actions included in the protection afforded by the indemnification set forth in Section 9.4), neither Party nor its Representatives shall be liable for special, indirect, incidental, punitive, exemplary, or indirect damages, lost profits or other business interruption damages or consequential damages under, arising out of, due to, or in connection with its performance or non-performance of this Agreement or any of its obligations herein, whether based on contract, tort (including, without limitation, negligence), strict liability, warranty, indemnity or otherwise.

9.7 Insurance Proceeds

Any amount payable to an Indemnified Party for an Indemnity Claim hereunder shall be net of any insurance proceeds paid to such Indemnified Party under insurance policies maintained by the Indemnified Party, the Indemnifying Party or its or their respective Affiliates. The provisions of this Article 9 shall not be construed so as to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of valid and collectible insurance policies.

ARTICLE 10
Dispositions and Encumbrances of Ownership Interests

10.1 General Restriction on Disposition and Encumbrances of Ownership Interest

Except for the lien of the First and Refunding Mortgage, which shall automatically attach to PSE's Ownership Interest hereunder, neither Party may Dispose to any Person, nor Encumber in favor or for the benefit of any Person, such Party's Ownership Interest, without the prior written consent of the other Party, which approval shall not be unreasonably withheld, conditioned or delayed by such other Party (a "**Permitted Transfer**"). It shall be considered reasonable for a Party to withhold consent to a proposed Disposition until such time as the proposed transferee demonstrates its financial or operational capabilities, as appropriate, to the reasonable satisfaction of such Party. Any Disposition or Encumbrance or attempted Disposition or

Encumbrance that is not a Permitted Transfer shall be void *ab initio*. Prior to any such transfer, PSE must give notice to the Commission. Puget LNG agrees to cooperate with PSE in connection with such notice. In the case of any Disposition or Encumbrance made that is not a Permitted Transfer and that cannot be treated as void under applicable Law, the transferee shall have only such rights as it is required to have under Applicable Law.

ARTICLE 11
Default and Remedies

11.1 Events of Default

A Party shall be deemed to be in default hereunder if any of the following events occur (each of the following events to be referred to as an "**Event of Default**," the Party in default to be referred to as the "**Defaulting Party**" and the Party not in default to be referred to as the "**Non-Defaulting Party**"):

(a) a Party fails to advance funds or make any payment (including any indemnity amount) as and when due and payable in accordance with the terms of this Agreement and such failure is not remedied within thirty (30) days after receipt of notice thereof by such Party from the other Party;

(b) a Party fails to perform any material obligation imposed upon such Party under this Agreement and such failure is not remedied within sixty (60) days after such Party receives notice thereof from the other Party; provided that, if such sixty (60) day period is not sufficient to enable the remedy or cure of such failure in performance, and such Party shall have upon receipt of the initial notice promptly commenced and diligently continues thereafter to remedy such failure, then such Party shall have a reasonable additional period of time; or

(c) a Party or any Person providing a Guaranty on behalf of such Party in accordance with Section 6.3 experiences an Insolvency Event.

Each of the cure periods set forth in Section 11.1(a) and 11.1(b) above are referred to herein as the "**Moratorium Period**." Notwithstanding the foregoing a Party shall not be in default of its obligations hereunder to the extent such failure is (A) caused by or is otherwise attributable to a breach by the other Party of its obligations under this Agreement, or (B) occurs as a result of a Force Majeure Event declared by a Party in accordance with Article 14.

11.2 Default Notice

If either Party reasonably believes that an event has occurred which, if not remedied within the applicable Moratorium Period, would result in an Event of Default by or affecting the other Party, the Non-Defaulting Party shall give the Defaulting Party a notice (a "**Default Notice**"), which shall specify and provide particulars of the alleged Event of Default. If the Defaulting Party cures the alleged Event of Default before the expiration of the later of the Moratorium Period or the cure period specified in the Default Notice, then the Default Notice shall be inoperative with respect to the alleged Event of Default that has been so cured or remedied.

11.3 Remedies

If an Event of Default occurs and continues uncured following the applicable Moratorium Period, the Non-Defaulting Party shall have such remedies as may be available to it at law or in equity.

ARTICLE 12
Dispute Resolution

12.1 Dispute Resolution Process

The Parties shall inform one another promptly following the occurrence or discovery of any item or event that would reasonably be expected to result in any claim, controversy or dispute arising out of or relating to or in connection with this Agreement (a "**Dispute**"). The initial mechanism to resolve a Dispute will involve negotiations at the Joint Operating Committee level. In the event a Dispute is not resolved within sixty (60) days following the initial notice to the Joint Operating Committee, then such Dispute may be submitted for resolution in any state or federal courts located in the State of Washington. Each Party submits itself and its property to the personal jurisdiction of the federal and state courts located in the state of Washington, in any such action. In this connection, each Party waives any objection that it now or in the future may have to the venue of any such action and any right to assert that the court is inconvenient, and agrees not to raise any such objection or assertion. Each Party shall be responsible for its own costs incurred in connection with any Dispute resolution proceedings.

12.2 Continued Performance

Subject to the rights of the Non-Defaulting Party to exercise any remedies available to such Non-Defaulting Party under Section 11.3, during the continuation of any Dispute arising under this Agreement, the Parties shall continue to perform their obligations under this Agreement.

ARTICLE 13
Procedures on Termination

13.1 Agreed Termination

This Agreement shall terminate at the end of the Term.

13.2 Disposition of Ownership Interest Upon Expiration of the Term

If one Party desires to continue operating the Tacoma LNG Facility beyond the expiration of the Term (the "**Continuing Party**") and the other Party (the "**Exiting Party**") desires to cease operations and decommission the Tacoma LNG Facility at the end of the Term, the Parties shall negotiate in good faith towards a mutually acceptable transfer of the Ownership Interests of the Exiting Party to the Continuing Party. Prior to any such transfer, PSE must give notice to the Commission. Puget LNG agrees to cooperate with PSE in connection with such notice. If the Parties fail to agree on such transfer then the provisions of Section 13.3 shall apply.

13.3 Final Accounting and Settlement

Upon termination of this Agreement, a final accounting of the operations of the Tacoma LNG Facility, including a balance sheet and a listing of the assets and liabilities of the Tacoma LNG Facility, shall be prepared and submitted to each Party. After paying or providing for payment of all liabilities, including liabilities to the Parties, after establishing reserves for contingent liabilities in the amounts that the Joint Operating Committee shall determine, after disposing or arranging for the disposition of all non-cash assets and property of the Tacoma LNG Facility, any funds remaining to the credit of the Tacoma LNG Facility shall be distributed to the Parties in accordance with their respective Ownership Interest. Whenever the Joint Operating Committee determines that all or any part of any reserve for contingent liabilities established by the Tacoma LNG Facility is no longer required for such purpose, the reserve or part thereof shall be distributed to the Parties in accordance with their respective Ownership Interests.

ARTICLE 14
Force Majeure

14.1 Effect of Force Majeure Event

An Affected Party is excused from performance and shall not be deemed in breach of this Agreement for so long as, and to the extent that, any failure to perform its obligations under this Agreement is due to a Force Majeure Event; provided, however, that under no circumstances will a Force Majeure Event excuse the Affected Party from any obligation to make payment of any amounts due hereunder (whether accruing prior to or after the occurrence of the Force Majeure Event). Suspension of any obligation as a result of a Force Majeure Event shall not affect any rights or obligations which may have accrued prior to such suspension or, if the Force Majeure Event affects only some rights and obligations, any other rights or obligations of the Affected Party. To the extent that the non-Affected Party is prevented, hindered or delayed from performing its obligations under this Agreement as a result of the Affected Party's failure to perform its obligations as the result of the Force Majeure Event, such non-Affected Party shall be relieved of its obligations to the extent such non-Affected Party has been prevented, hindered or delayed by the Affected Party's failure in performance. No Party shall be obliged to settle any strike or other labor actions, labor disputes or labor disturbances of any kind, except on terms wholly satisfactory to it.

14.2 Obligations Following Occurrence of Force Majeure Event

The Affected Party shall (a) provide prompt notice to the other Party of the Force Majeure Event, giving an estimate of its expected duration and the probable impact on the performance by the Affected Party of its obligations hereunder; (b) exercise all reasonable efforts to continue to perform its obligations hereunder; (c) expeditiously act to correct or cure the Force Majeure Event to the extent such action is within the power of the Affected Party; (d) exercise all reasonable efforts to mitigate or limit Damages to the other Party to the extent such action will not adversely affect its own interests; and (e) provide prompt notice to the other Party of the cessation of the Force Majeure Event.

ARTICLE 15
Notices and Other Communications

15.1 Requirements for Notices and Other Communications

Each notice, request, demand, statement or routine communication required or permitted under this Agreement, or any notice or communication that either Party may desire to deliver to the other, shall be in writing and shall be considered delivered effective: (a) if sent by personal courier, overnight courier, or mail, two (2) Business Days after it was sent or such earlier time as is confirmed by the receiving Party; or (b) if sent be facsimile or email, when verified by automated receipt or electronic logs if sent by facsimile or email. Each such notice must be addressed to the other Party at its address indicated below or at such other address and by means as either Party may designate for itself in a written notice to the other Party in accordance with this Section 15.1.

If to PSE:
Puget Sound Energy, Inc.
10885 NE 4th Street
Bellevue, WA 98004-5591
Attn: Steve R. Secrist
Email: steve.secrist@pse.com
Telephone: 425-462-3178

If to Puget LNG:
Puget LNG, LLC
10885 NE 4th Street
Bellevue, WA 98004-5591
Attn: Roger Garratt
Email: roger.garratt@pse.com
Telephone: 425-462-3470

ARTICLE 16
General

16.1 Exercise of Rights

Subject to the express provisions of this Agreement, a Party may exercise a right or remedy at its discretion, and separately or concurrently with any other right or remedy. A single or partial exercise of a right or remedy by a Party does not prevent a further exercise of that or of any other right or remedy.

16.2 No Waiver

No delay or forbearance by a Party in exercising any right or remedy accruing to such Party upon the occurrence of any breach or default (including an Event of Default) by the other Party under this Agreement shall impair any such right or remedy of such Party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver on the part of either Party hereto of any provision or condition of this Agreement, must be in writing signed by the Party to be bound by such waiver and shall be effective only to the extent specifically set forth in such writing and shall not limit or affect any rights with respect to any other or future circumstance.

16.3 No Third Party Beneficiary

This Agreement is for the sole and exclusive benefit of the Parties and shall not create a third party beneficiary relationship with, or cause of action in favor of, any Third Party, except a Person entitled to indemnification by a Party under this Agreement.

16.4 Rights and Remedies Cumulative

Except where inconsistent with the express provisions set forth in this Agreement, the rights and remedies provided in this Agreement are cumulative with and not exclusive of the rights or remedies provided by law independently of this Agreement.

16.5 No Merger

The warranties, undertakings and indemnities in this Agreement do not merge on the execution of this Agreement.

16.6 Binding Effect

This Agreement and the rights and obligations of the Parties hereunder shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns.

16.7 Further Assurances

Each of the Parties shall from time to time execute and deliver all further documents and instruments and do all things and acts as the other Party may reasonably require to effectively carry out, clarify or more completely evidence or perfect the full intent and meaning of this Agreement.

16.8 Entire Agreement

This Agreement constitutes the entire agreement of the Parties in connection with the matters included in the Project Purposes and all previous agreements, understandings and negotiations (whether written or oral) on those subject matters are hereby superseded and shall have no further effect after the Effective Date; provided that in the event of any conflict between (a) this Agreement in connection with the Project Purposes and the Project Operations, this Agreement shall control and prevail.

16.9 No Other Representations or Warranties

Each Party acknowledges that in entering into this Agreement it has not relied on any representations or warranties about its subject matter except for the representations and warranties as expressly provided in this Agreement.

16.10 Counterparts; Electronic Delivery

This Agreement may be executed in one or more counterparts and the counterparts taken together shall constitute one and the same agreement. The delivery of an executed counterpart of

this Agreement by electronic exchange of .pdf documents or facsimile shall be deemed to be a valid delivery thereof.

16.11 Governing Law

This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Washington without regard to its conflicts of law principles; provided that, with respect to matters of law concerning the internal affairs of any corporation, limited partnership, limited liability company or similar entity which is a party to this Agreement, the law of the jurisdiction under which the respective entity derives its powers shall govern such matters.

16.12 Service of Process

Without preventing any other mode of service, any document in an action (including any writ of summons or other originating process or any third or other party notice) may be served on either Party by being delivered to or left for such Party (by hand) at its address for service of notices set forth in Section 15.1.

16.13 Fees and Commissions

Each of the Parties shall pay its own legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant hereto and any other costs and expenses whatsoever and howsoever incurred and hereby agree to indemnify and hold harmless the other Party from and against any claim for any broker's, finder's or placement fee or commission alleged to have been incurred as a result of any action by it in connection with the transactions hereunder.

16.14 Amendments

Except as provided herein, no amendment or variation of the provisions of this Agreement shall be binding upon the Parties hereto unless evidenced in a writing which indicates that such writing is intended to amend the terms of this Agreement and is signed by duly authorized officers of each Party. The Parties agree that this Agreement shall not be amended in any manner by any course of dealing among the Parties.

16.15 Survival of Rights and Obligations

Upon the expiration or termination of this Agreement, this Agreement shall have no further force and effect, except that any rights and remedies that have arisen or accrued to either Party prior to such expiration or termination, or any obligations or liabilities that have arisen or accrued before such expiration or termination and that expressly survive such expiration or termination pursuant to this Agreement, shall in each case survive expiration or termination. The rights, remedies and obligations set out in (a) Articles 7 (Confidentiality), 9 (Claims and Indemnities), 11 (Default and Remedies), 12 (Dispute Resolution), 15 (Notices) and 16 (Miscellaneous), shall survive in full force and effect the expiration or termination of this Agreement to the extent necessary to enable a Party to exercise any of such accrued rights and remedies.

16.16 Decision Making by Parties

Except where this Agreement expressly provides for a different standard, whenever this Agreement provides for a determination, decision, permission, consent or approval of a Party, the Party shall make such determination, decision, grant or withholding of permission, consent or approval in a commercially reasonable manner and without unreasonable delay. Any denial of an approval, permission, decision, determination or consent required to be made in a commercially reasonable manner shall include in reasonable detail the reason for such denial or aspect of the request that was not acceptable.

16.17 Severability

Any provision of this Agreement that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In the event any such provision of this Agreement is so held invalid, the Parties shall, within seven (7) days of such holding, commence to renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect. To the extent permitted by Applicable Law, the Parties hereby waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

16.18 No Recourse to Affiliates This Agreement is solely and exclusively between the Parties, and any obligations created herein on the part of a Party shall be the obligations solely of such Party. Neither Party shall have recourse to any parent, subsidiary, partner, Affiliate, director or officer of the other Party for performance of such obligations unless such obligations were assumed in writing by the Person against whom recourse is sought (which shall include the Guaranty provided in accordance with the terms of Section 6.3).

[SIGNATURE PAGE FOLLOWS THIS PAGE]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

PUGET SOUND ENERGY, INC.

By: _____
Name: Steve R. Secrist
Title: Senior Vice President,
General Counsel, and
Chief Ethics & Compliance Officer

PUGET LNG, LLC

By: _____
Name: Roger Garratt
Title: President

EXHIBIT A

OWNERSHIP INTERESTS

Component Ownership Share	PSE	Puget LNG
Liquefaction	10%	90%
Storage	79%	21%
Bunkering	0%	100%
Truck Loading	5%	95%
Vaporization	100%	0%
Common	43%	57%

* The component ownership shares for PSE and Puget LNG for liquefaction, storage, bunkering, truck loading and vaporization are fixed at the percentage ownership interests set forth above.

* The component ownership shares for PSE and Puget LNG for common facilities is initially set at the percentage ownership set forth above, but shall be adjusted following the Commercial Operation Date in accordance with Section 3.2 and Exhibit B.

EXHIBIT B

DEVELOPMENT COSTS

Component Ownership Share	PSE	Puget LNG	Projected Capital Expenditures (No AFUDC)	Projected Capital Expenditures Allocated to PSE	Projected Capital Expenditures Allocated to Puget LNG
Liquefaction	10%	90%	$88,546,234	$8,854,623	$79,691,611
Storage	79%	21%	$96,237,245	$76,027,424	$20,209,821
Bunkering	0%	100%	$29,671,922	$0	$29,671,922
Truck Loading	5%	95%	$6,229,252	$311,463	$5,917,789
Vaporization	100%	0%	$17,135,822	$17,135,822	$0
Common	43%	57%	$72,884,330	$31,340,262	$41,544,068
TOTAL	**N/A**	**N/A**	**$310,704,805**	**$133,669,593**	**$177,035,212**

* The component ownership share for "Common" for PSE shall equal the quotient of (i) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures Allocated to PSE," divided by (ii) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures (No AFUDC)" rounded to the nearest whole number.

** The component ownership share for "Common" for Puget LNG shall equal the quotient of (i) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures Allocated to Puget LNG," divided by (ii) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures (No AFUDC)" rounded to the nearest whole number.

*** Following the Commercial Operation Date this Exhibit B shall be updated to reflect the actual capital expenditures for the Tacoma LNG Facility and the component ownership shares for "Common" for PSE and Puget LNG shall be recalculated to reflect such actual capital expenditures and to allocate responsibility for the actual capital expenditures for common facilities to PSE and to Puget LNG.

EXHIBIT C

OPERATIONS AND MAINTENANCE COSTS

The following fixed operating costs represent the projected annual fixed operating costs for all operations for calendar year 2020 other than bunkering station costs and are not allocated between regulated and non-regulated operations of the Tacoma LNG Facility:

Fixed Operating Costs	**2020**
Maintenance	$751,249
Staff $	$3,157,852
Incremental Insurance	$864,769
Allocated Corporate Overheads	$1,812,388
Lease	$2,613,074
TOTAL	**$9,199,332**

Certificate of Service

CERTIFICATE OF SERVICE
DOCKET NO. UG-151663
(Re: LNG Petition)

I hereby certify that I have this day caused the foregoing to be served, in accordance with WAC 480-07-150(6), to the following persons via email and overnight courier:

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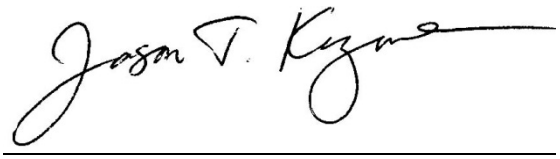
Dated in Bellevue this 27th day of January, 2017.



Jason Kuzma