



STATE OF WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION  
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March 23, 2017

Steven V. King, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Dr. SW  
P. O. Box 47250  
Olympia, Washington 98504-7250

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

Dear Mr. King:

Commission Staff has reviewed the compliance filing of Puget Sound Energy (PSE or company) dated January 27, 2017, which includes the following:

1. Exhibit A, Affidavit of Steve R. Secrist;
2. Exhibit B, Non-consolidation opinion<sup>1</sup>; and
3. Exhibit C, Joint Operating Agreement between Puget LNG and PSE.

On November 30, 2016, PSE made its initial compliance filing where it confirmed formation of Puget LNG. This initial compliance filing satisfied the ring fencing requirement associated with Merger Commitment No. 64.<sup>2</sup> This filing satisfies the following requirements specified in Order 10:

- Merger Commitment No. 65 – Exhibit B of the company’s filing contains the Non-

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<sup>1</sup> UG-151663, Order 10, ¶76 – “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.”

<sup>2</sup> Order 10, ¶ 74.

consolidation opinion. Staff, in conjunction with its counsel, have reviewed Exhibit B comparing it to the earlier Non-consolidation opinion in the 2007 merger case, Docket No. U-072375.

- Merger Commitment No. 66 – The Affidavit of Mr. Secrist in Attachment A affirms that PSE will hold its customers harmless from the liabilities and financial losses of any non-regulated activity of the Tacoma LNG Facility.
- Merger Commitment No. 67 - Exhibit C contains an executed copy of the Joint Ownership Agreement (JOA) between PSE and Puget LNG. The JOA is subject to approval by the Commission under RCW 80.16.020.<sup>3</sup>

Staff has examined all of the documents provided by PSE in this compliance filing and believes that they comply fully with the Commission's Order 10, entered October 31, 2016. Further, the JOA should be approved as part of this compliance filing in order to allow PSE and Puget LNG to finalize their agreement.

Sincerely,

DAVID CARLOS GOMEZ  
Assistant Power Supply Manager, Energy Regulation

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<sup>3</sup> Order 10, ¶88.