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June 17, 2019

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

Re: WUTC Docket No. U-180680 (the "Docket")
In the Matter of the Joint Application Puget Sound Energy, Inc., *et al.*
Non-Consolidation Opinion Regarding Puget Sound Energy, Inc.
and Certain of its Affiliates

Commissioners and Staff:

We have acted as counsel to Puget Sound Energy, Inc., a Washington corporation ("**PSE**"), and wholly-owned subsidiary of Puget Energy, Inc., a Washington corporation ("**Puget Energy**"), to, among other things, provide this opinion to you in connection with the approval of the sale of indirect interests in PSE and Commitment #36 of Appendix A to the *Multiparty Settlement Stipulation and Agreement* appearing on the Docket, which requires 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."

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

PSE is a public utility regulated by the Washington Utilities and Transportation Commission ("**WUTC**"). 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**"), which is, in turn, wholly owned by Puget Holdings LLC, a Delaware limited liability company ("**Puget Holdings**"). This letter refers collectively to Puget Holdings, Puget Intermediate, Equico, and Puget Energy as the "**Relevant Parties**" and each individually as a "**Relevant Party**." No Relevant Party is a public utility regulated by WUTC.

A. Documents Examined

In connection with this letter, we have examined originals or copies of the documents, records, and certificates of officers of PSE that we have considered necessary to provide a basis for the opinions expressed in this letter, including the following:

A-1. *Order 08 Approving and Adopting Settlement Stipulation; Authorizing Transaction Subject to Conditions* entered on December 30, 2009, in Docket U-072375 by the Washington State Utilities and Transportation Commission (the "**2009 Order**").

A-2. *Final Order 06 (Corrected) Approving Multiparty Settlement; Authorizing Proposed Transactions* entered on March 11, 2019, in Docket U-180680 by WUTC (the "**2019 Order**" and, together with the 2009 Order, the "**Orders**").

A-3. Each *Certificate In Support Of Opinion Of Perkins Coie LLP,* dated as of June 6, 2019, attached to this letter as Exhibit A (the "**Officer's Certificates**").

B. Assumptions

We have relied, without independent factual investigation, on the Officer's Certificates, which we assume to be true, complete, and accurate in all material respects, and on the following assumptions:

B-1. The copies of all documents, including those listed in A-1 through A-2 above, that we examined are accurate in all respects material to the opinions expressed in this letter.

B-2. Each Relevant Party and PSE validly exists in good standing under the laws of the jurisdiction of its organization.

B-3. Creditors of PSE and WUTC have reasonably relied and will in the future reasonably rely on PSE's separateness from any Relevant Party; those creditors and the public would suffer prejudice from, or would be harmed by, a consolidation of PSE's assets and liabilities with those of any Relevant Party.

B-4. To the extent material to its separateness, PSE has complied and will comply at all times with the ring-fencing provisions of the Orders.

B-5. PSE is, and intends in the future to remain, solvent (but our opinion is not based on any assumption regarding PSE's future solvency).

B-6. PSE maintains, and intends in the future to maintain, adequate capital in light of its contemplated business operations (but our opinion is not based on any assumption regarding PSE's future capitalization).

B-7. PSE will not engage in any type of fraudulent activity material to its separateness.

B-8. 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 in the future will cause, PSE to be operated and managed in compliance with the foregoing assumptions.

B-9. No Relevant Party will engage in any type of fraudulent activity material to PSE's separateness.

B-10. 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 that: (a) the Orders remain in effect without amendment material to our opinion and that PSE and the Relevant Parties have complied and will continue to comply with the Orders and with applicable law; and (b) that the matters certified in the Officer's Certificates and the factual assumptions set forth in this letter continue to exist and remain true and accurate in the future, except to the extent that any such assumption relates to the financial condition of any Relevant Party or PSE other than on the date of this letter.

B-11. There are no other agreements among any of the parties that would alter the terms of the Orders in any respect material to our opinion.

B-12. WUTC would object to, the public would be harmed and prejudiced by, and one or more parties-in-interest would timely present an objection to substantive consolidation of PSE with one or more Relevant Parties and completely brief and argue that objection.

C. Opinions

Based on the foregoing and the legal discussion below, subject to the assumptions, qualifications, and exclusions stated in this letter, and while there is no case litigated on the merits directly on point, we express the following opinion:

C-1. If one or more Relevant Parties became a debtor in a case under the Bankruptcy Code, under current reported decisional authority, in a properly presented and decided case, a bankruptcy court would not order substantive consolidation of the assets and liabilities of PSE with those of one or more Relevant Parties.

D. Discussion

D-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 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. Most recently, 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

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[1] The authority of bankruptcy courts to substantively consolidate is generally believed to derive from the equitable powers provided in Bankruptcy Code § 105. But at least one bankruptcy court has concluded that Bankruptcy Code § 542 serves as the statutory authority for substantive consolidation. *In re Cyberco Holdings, Inc.,* 431 B.R. 404, 432 (Bankr. W.D. Mich. 2010).

[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).

[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 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 a significant creditor has relied on the separateness of the entities.[11]

In circuits where there is no controlling Court of Appeals authority, courts may rely on an analysis based on 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

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[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.

[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, e.g.*, *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).

Circuit's opinion in *Fish v. East.*[13] The second commonly cited list of factors appears in *In re Vecco Construction Industries, Inc.*[14]

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

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[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 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 guarantees 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 guarantees as indicia of separateness.

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 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 a bankruptcy court's equitable jurisdiction, 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 on the creditors of each entity if

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[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 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. at 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 ("Thus 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.

consolidation were to be ordered and whether such parties would be unfairly prejudiced or treated more equitably by substantive consolidation.

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] Applicable state laws under which limited liability companies are formed establish the separateness of such entities from their partners and members with equivalent or greater specificity than do state laws applicable to corporations.[25]

D-2. **Application of General Principles to 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:

(a) 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;

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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).

[25] *See* 6 Del. Code Ann §§ 18-303, 18-701 (1995).

- 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;
- 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 under 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 arm's-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.

(b) 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.

(c) 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) can reasonably be assumed to have relied on PSE's separateness from each Relevant Party.

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

E. Limitations; Qualifications; Exclusions

The opinion expressed above is subject to the following limitations, qualifications, and exclusions:

E-1. 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.

E-2. Substantive consolidation is an equitable doctrine; courts have accorded different degrees of importance to the factual elements before them in determining whether to exercise their equitable power to order substantive consolidation.

E-3. We express no opinion with respect to the consolidation, substantive or otherwise, of the assets and liabilities of PSE with those of one or more Relevant Parties if such consolidation is incorporated in a plan of reorganization accepted by creditors under Bankruptcy Code § 1126 and not opposed by any creditor or party-in-interest.

E-4. In reaching our opinion, we have relied on concepts from the cases discussed above that involve general principles regarding the doctrine of substantive consolidation. Although we believe that the general principles applying to the analysis of substantive consolidation should be applied to reach the result described in the opinion, we caution that a court addressing the issue of substantive consolidation would rule on the issue of substantive consolidation based on the particular facts and circumstances before it, and might, therefore, reach a different result based on those facts. Therefore, our opinion is a reasoned opinion based on an analysis of case law that we believe would be applicable by analogy to the factual patterns set forth in this letter. Our opinion is not a guaranty as to what a particular bankruptcy court actually would hold, but is an opinion as to the decision a bankruptcy court would reach assuming that the issues were properly presented to it and assuming that the bankruptcy court correctly followed existing precedent as to legal and equitable principles applicable in bankruptcy cases.

E-5. We have found no controlling reported decisional authority directly on point; 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 bankruptcy court's decision regarding matters on which we opine in this letter would necessarily be based on the court's own analysis and interpretation of the factual evidence before it (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.[26]

E-6. A legal opinion on matters involving bankruptcy law unavoidably has inherent limitations that generally do not exist in respect of other issues on which opinions of third parties typically are provided. These inherent limitations exist primarily because of (a) the pervasive equitable powers of the bankruptcy court, (b) the overriding goal of reorganization to which other legal rights and policies may be subordinated, (c) the potential relevance of exercising judicial discretion, as evidenced by the fact that courts have accorded different degrees of significance to a variety of factual elements, (d) facts and circumstances arising in the future that are different from those assumed in this letter, and (e) the nature of the bankruptcy process in general. Accordingly, the Opinion must be considered in light of these broad statutory and equitable powers of the bankruptcy court over a debtor's estate, creditors, and equity security holders.

E-7. 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.

E-8. The foregoing analysis and opinion 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 the Bankruptcy Code 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 any assumed factual matters. We disclaim any obligation to revise or supplement this opinion, or to otherwise notify you, if such factual matters change or if such laws or regulations change by legislative or regulatory action, judicial decision, or otherwise.

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[26] This opinion also is not a prediction that an appellate court would reach the merits of any appeal of an adverse determination by a bankruptcy court of the matters on which we opine in this letter. Such a determination may be contained in an order confirming a plan of reorganization subject to the assertion of the doctrine of "equitable mootness"; if the bankruptcy court order were not stayed pending appeal and if the plan were substantially consummated, an appellate court might dismiss the appeal as "equitably moot" without reaching the appeal's merits.

This opinion letter is being rendered solely for the benefit of the addressee and may not be relied on in any manner by any other person or entity other than the addressee. This opinion letter may not be quoted or otherwise included, summarized, or referred to in any publication or document, in whole or in part, for any purpose, or furnished to any person or entity other than the addressee, except that this opinion letter also may be furnished to the addressee's attorneys or as may be required in accordance with any legal process or any court or governmental or regulatory authority to which the addressee is subject.

Very truly yours,

Perkins Coie LLP

Perkins Coie LLP

EXHIBIT A
OFFICER'S CERTIFICATES

CERTIFICATE IN SUPPORT OF OPINION OF PERKINS COIE LLP

June 17, 2019

This Certificate is given in connection with the opinion letter dated June 17, 2019 (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 in this Certificate 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**"), certifies, acknowledges and confirms the following:

1. I have knowledge of PSE's business and affairs. I have reviewed the Orders and the Opinion Letter and have, or someone assisting me has, examined all corporate records, and made such inquiries of PSE's officers and counsel, as I deemed reasonable and necessary to reasonably ensure the material accuracy of the certifications set forth here. With respect to the matters covered in this Certificate, I understand that I am certifying as to matters of fact and not as to conclusions of law. I understand and acknowledge 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. I am not, nor is PSE, 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 liability resulting from any material misrepresentation or misstatement contained in this Certificate.

4. The facts and assumptions contained in the Opinion Letter, including but not limited to those under the heading "Assumptions," that relate to PSE are, to the best of my knowledge and belief, true in all material respects as of today. 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

June 17, 2019

This Certificate is given in connection with the opinion letter dated June 17, 2019 (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 in this Certificate 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**"), 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 Opinion Letter and have, or someone assisting me has, examined all corporate records, and made such inquiries of the Relevant Parties' officers and counsel, as I deemed reasonable and necessary to reasonably ensure the material accuracy of the certifications set forth here. With respect to the matters covered in this Certificate, I understand that I am certifying as to matters of fact and not as to conclusions of law. I understand and acknowledge 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. I am not, nor is any Relevant Party, 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 the Relevant Parties' behalf.

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 liability resulting from any material misrepresentation or misstatement contained in this Certificate.

4. The facts and assumptions contained in the Opinion Letter, including but not limited to those under the heading "Assumptions," that relate to the Relevant Parties are, to the best of my knowledge and belief, true in all material respects as of today. 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