

**U-180680**  
**Sale of Noncontrolling Equity Interest in Puget Holdings LLC**  
**Public Comments**

Date	Support/Oppose	Commenter	Discussion Topics	Additional Commitment/Condition
10/24/2018	<p>Oppose (requests further review)</p> <p>[Requests adjudicatory proceeding under either a net benefit or a no harm standard]</p>	<p>Joint Petition – Public Counsel, AWEC, The Energy Project, WNIDCL</p>	<p><u>Net benefit standard applies</u> to fundamental restructuring of utility ownership, resulting in acquisition of effective control by purchasers. (The largest owner is divesting, the Canadian Pension Plan Investment Board will become the largest single shareholder, and there are two new owners. Canadian investment enterprises will own nearly 90% of the utility).</p> <p>(1) Legislative history shows an intent to apply the net benefit standard broadly to significant transfers of ownership</p> <p>(2) The new owners will be in a position to “control” PSE.</p> <p>a) A change in control will result from new owners acquiring veto power over PSE decisions.</p> <p>b) The new consortium members will be in a position to collectively exert control to achieve their shared interest.</p> <p>c) The former Macquarie Investor Consortium is being effectively replaced by a new consortium which will control PSE.</p> <p>An adjudicative proceeding is necessary to determine whether a “controlling interest” is being transferred.</p> <p><u>An adjudicative proceeding is necessary even under a “public interest” (no harm) standard</u> review because:</p> <p>(1) the transaction is material (over 40% of ownership) and requires substantive review and approval by the Commission,</p> <p>(2) the “public interest” test is robust, and the Commission has historically employed adjudicative proceedings for review,</p> <p>(3) PSE’s access to capital needs to be reviewed under new ownership that does not include Macquarie,</p>	

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			<p>(4) the transaction would result in a concentration or ownership (by Canadian pension funds) creating financial risk,</p> <p>(5) new commitments and conditions need to be shown to be sufficient to meet the public interest standard, and</p> <p>(6) Joint Petitioners will be prejudiced and cannot ensure that their interests are protected without the right to conduct discovery, present evidence, and conduct cross-examination.</p> <p>Adjudicative review should include:</p> <p>(1) the purchasers’ commitments to broad public service obligations,</p> <p>(2) protection for customers from rate increases caused by the transaction,</p> <p>(3) protection of the utility from financial distress,</p> <p>(4) the Commission’s ability to regulate,</p> <p>(5) financial and managerial fitness, and (6) the enforceability of any commitments made.</p> <p>The Commission made clear that the term “material part of PSE” meant “any sale or transfer of stock representing ten percent or more of the equity ownership of Puget Holdings or PSE, and that no sale or transfer subject to may close prior to approval by the Commission.</p> <p>The Joint Application does not indicate that there is any prospectus, private placement memorandum, or organizing document that would establish some framework going forward for the investment in and management of PSE, nor does it provide any specific information about how the new consortium will meet PSE’s capital needs.</p>	

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09/28/2018	Oppose – but proposes conditions	Richard Lauckhart	<p>Foreign Investor prioritizes returns over local community values.</p> <p>New conditions must be added so that the sale will not harm PSE customers.</p> <p>Energize Eastside: Commenter proposes commitments to mitigate Macquarie’s (and to safe guard against new owners of Puget Holdings) abuses of transmission planning that gold-plate investment.</p>	<p>7 Commitments related to planning and deploying transmission projects, specifically Energize Eastside.</p> <p>See Appendix A.</p>
10/17/2018	Oppose	Citizens for Sane Eastside Energy (CSEE)	<p>Energize Eastside: Issues with PSE’s lack of transparency and lack of meaningful IRP discussions.</p> <p>There is no need for this investment and is a massive fraud.</p>	
10/18/2018	Oppose	Sue Stronk	<p>Energize Eastside: Safety issues regarding adding taller towers that transport 230kV in the same place as two Olympic Pipelines.</p> <p>Request protection from foreign ownership and wants the UTC to exercise control over a runaway utility.</p>	

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10/23/2018	Oppose – proposes conditions	Norman Hansen	<p>The “no harm” standard is not enough.</p> <p>Requests conditions to improve the ratepayer customer experience.</p>	<p>7 Commitments related to:</p> <ul style="list-style-type: none"> <li>• CFIUS<sup>1</sup> review,</li> <li>• Work better with ratepayers,</li> <li>• Greater transparency for transmission planning (Energize Eastside),</li> <li>• Contributions to local causes,</li> <li>• “Good neighbor” policy,</li> <li>• Use of EFSEC for permitting of transmission projects, and</li> <li>• Provide names of board members to the public.</li> </ul>
10/20/2018	Oppose – proposes conditions	Russell Borgmann	<p>Request protection from foreign ownership and rate increases.</p> <p>Considers Tacoma LNG and Energize Eastside to be unnecessary.</p>	<p>Requests CFIUS review.</p> <p>Request EFSEC permitting process.</p>

<sup>1</sup> Committee on Foreign Investment in the U.S.

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10/21/2018	Oppose – proposes conditions	Lori Elworth	<p>Opposes utility (PSE) ownership by foreign entities.</p> <p>The UTC must regain control to properly protect citizens from rate increases and grid safety.</p> <p>Concerns regarding Energize Eastside.</p>	Requests CFIUS review.
10/22/2018	Oppose	Brain Elworth	Opposes utility (PSE) ownership by foreign entities because of risks related to economic manipulation and outright cybersecurity attacks.	

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10/24/2018	Oppose – proposes conditions	Aranburu & Eustis, LLP representing Coalition of Eastside Neighbors for Sensible Energy (CENSE)	<p>None of the foreign owners reside in or do business in PSE Service area. Returns to the new owners leave Washington and go to foreign retirees.</p> <p>Purchasers want stable returns on investment and the UTC approves substantial returns (currently 9.8 for capital investment projects).</p> <p>Pension fund return objectives are not consistent with the public interest.</p> <p>States investors believe that the UTC will continue to allow returns on investment greater than those in non-regulated investments.</p> <p>Energize Eastside: Not enough load growth to justify added capacity. Electric consumption is declining in the current growing economy. Project is no longer relevant because of load assumptions, has become obsolete, and gold-plates investment.</p> <p>PSE low bond rating from Moody’s.</p>	<p>Requests conditions:</p> <ul style="list-style-type: none"> <li>• Efforts to shave peak demand,</li> <li>• Address the buyers’ intentions to rely upon PSE operations and capital projects to create stable cash flow.</li> </ul> <p>2 Commitments</p> <p>See Appendix B.</p>

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10/24/2018	Oppose – proposes conditions	Puget Sound Sage	<p>Requests a full adjudication under the net benefit standard.</p> <p>Low income issues:</p> <ul style="list-style-type: none"> <li>• Racial equity – low-income programs not reaching all eligible households.</li> <li>• Interests in ensuring that the current energy assistance framework is working and capable of handling the infusion of potential funds from I-1631.</li> <li>• PSE’s low-income program lacks transparency and Sage has concerns on how I-1631 will interplay with PSE’s current program.</li> <li>• PSE’s reporting does not include stats on # of disconnections due to failure to pay, nor does it include race, gender, ages, or household makeup stats for those receiving assistance.</li> </ul> <p>Workplace safety – lack of proper vetting of contractors.</p> <p>Not employing well-trained, properly compensated workforce (example given is contracted flaggers) creates greater harm to the public and ratepayers.</p>	<p>Requests that:</p> <ul style="list-style-type: none"> <li>• PSE provide a low-income report that includes comprehensive data including demographics and incomes levels of participants, and identify those who are “slipping through the cracks.”</li> <li>• Define measurements of success beyond dollars spent.</li> <li>• See U-170970, Settlement Stipulation and Agreement, Appendix A, at 23-24, for labor commitments.</li> </ul>

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10/24/2018	Oppose (requests further review); proposes conditions	Schwerin Campbell Barnard Iglitzin & Lavitt LLP representing Washington and Northern Idaho District Council of Laborers (WNIDCL)	<p>A full review is necessary to ensure that ratepayers receive a net benefit and or meets the no harm standard.</p> <p>PSE rate base has grown significantly.</p> <p>Requests provisions for contracted labor which performs significant amount of work (gas distribution pipe replacement, installation programs, and traffic control).</p> <p>Low standards in utilizing contractor creates system safety and reliability issues.</p>	Requests conditions for contracted labor force.
10/24/2018	Oppose (requests further review)	NW Energy Coalition (Coalition)	<p>Not commenting on net benefit standard, at this time and cannot determine transactions are in the public interest.</p> <p>The applicants must demonstrate value added over the status quo otherwise change in the form of ownership is not necessary.</p> <p>Commitment status quo (energy efficiency, renewable energy resources, greenhouse gas emissions reduction policies and low income programs) not sufficient without more investigation.</p>	



Date	Support/Oppose	Commenter	Discussion Topics	Additional Commitment/Condition
10/24/2018	Oppose (requests further review)	UA Local 32 of Plumbers and Pipefitters	<p>Local 32 and 26 represent over 260 full-time, part-time, and temporary PSE employees, and also represents over 150 member that work for PSE contractors.</p> <p>Operates under collective bargaining agreement. Current contract is effective through Sept 2021.</p> <p>Believes further process is necessary.</p> <p>States the proposed transfer of PSE’s ownership will have a direct effect upon Local 32 and Local 26 members.</p> <p>Last two contract negotiations have seen reductions in covered employee benefits.</p> <p>Seeks to stop the erosion of covered employee benefits</p> <p>Concern that WNIDCL is attempting to interfere with Local 32, 26 and PSE employees that are already contracted with PSE for gas work (WNIDCL laborers are hired by subcontractors, not PSE).</p>	

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10/24/2018	Oppose (requests further review)	Robblee Detwiler PLLP representing International Brotherhood of Electrical Workers, Local 77 (IBEW 77)	<p>Local 77 represents over 800 full-time, part-time, and temporary PSE employees.</p> <p>Operates under collective bargaining agreement. Current contract is effective through March 2020.</p> <p>Desires to maintain current pension and other benefits.</p> <p>Transaction could negatively impact its members and in turn impact the safety and satisfaction of customers.</p> <p>PSE's use of technology and unskilled labor has been increasing in response to severe weather storm events which is dangerous to public safety. PSE has been reducing call center jobs while increasing call center employee duties – this directly impacts the customers experience and satisfaction.</p> <p>Need more transparency on PSE's capital investments.</p> <p>Concerned that change in ownership will demand higher profits at the expense of employee safety, health, and welfare.</p> <p>Concern that WNIDCL is attempting to use this proceeding to increase laborers' work and change the scope of subcontracted assignments.</p>	Requests more scrutiny of the proposed transfer and take its concerns into consideration before making a decision.

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10/24/2018	Oppose (requests further review)	Washington Senator Sharon Nelson, Senate Majority Leader	<p>Asserts the net benefits standard applies.</p> <p>Urge a full and robust review of the transfer of ownership.</p> <p>New ownership group will look substantially different than the 2008 merger.</p> <p>PSE will be 90% owned by Canadian pension funds that are answerable to the Canadian government at the province or federal level.</p> <p>This is the only opportunity to add commitments to improve safety, reliability, and service to PSE's ratepayers.</p> <p>Need a review on PSE's lowest-paid workers and lack of benefits (example given are the traffic controllers).</p>	
10/24/2018	Oppose (requests further review)	Sierra Club	<p>Transactions represent a major change in the ownership and deserve careful review. Major ownership changes have always been handled through a hearing.</p> <p>The public must be given a reasonable opportunity to participate and an Open Meeting is not sufficient.</p> <p>Concern regarding the potential influence of the Canadian government and the potential bias for natural gas.</p>	

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10/24/2018	Oppose – proposes conditions	Lin Hagedorn representing 350 Eastside	<p>Climate change concerns that requires efforts to reduce greenhouse gas emissions.</p> <p>Concern regarding how PSE is meeting demand using fossil fuels.</p> <p>Opposes the Lake Hills Transmission Line project.</p> <p>Concern that owners will push through investment to maximize returns.</p> <p>Need for greater transparency regarding critical data and analysis with well-qualified experts.</p>	See Appendix C.

## Appendix A

### Richard Lauckhart Proposed Commitments

1. If PSE believes it may need to make major improvements to its Transmission System in order to meet reliability requirements, PSE will first address the matter in the IRP. PSE will provide their studies to interested parties in the IRP process for review and inspection and will answer questions from those parties. The process will include a robust analysis of alternatives to any proposed transmission line. If necessary, the interested parties will get CEII approval from FERC and/or sign non-disclosure agreements with PSE in order to get the information they think they need about the justification of the line and alternatives to it. This process is the same process that FERC calls "an open and transparent process with stakeholder input." This is required by FERC for FERC jurisdictional transmission studies. It would be consistent with the PSE IRP rule regarding transmission needs. The WUTC should require the new owner to agree in writing that the new owner will do this.
2. PSE will do its transmission planning work under the auspices of its own transmission planning staff. They may choose to use consultants to help them, but it will be the PSE transmission planners that will testify to the appropriateness of the load flow work in the IRP and any permit proceeding. There is no evidence that Quanta was qualified to study the northwest transmission system. It is PSE transmission planners that have those qualifications. Clearly Quanta made many errors as evidenced in my filings in the IRP.
3. If after review in the IRP process PSE believes that a transmission project is necessary, then PSE will put the construction of the line out to bid so that third parties (i.e. Independent Transmission Companies...aka ITCs) can bid to do the construction and own the line with PSE getting use of the line under that company's FERC approved Open Access Transmission Tariff. That is consistent with FERC rules on building transmission lines for Regional Transmission projects. That is also consistent with the WUTC competitive bidding rule for needed new generation under which the WUTC wants to ensure that ratepayers get the needed infrastructure at the lowest cost.
4. Whether an ITC is selected to build the line or PSE itself will be building the line, the builder will attempt to get needed permits for building the line through EFSEC if EFSEC is authorized by law to permit the line. It makes no sense for PSE to go to five jurisdictions for a permit (and require PSE customers to participate in all these hearings) when EFSEC has the authority to grant the permit. EFSEC is much more knowledgeable about transmission needs studies and has an appropriate procedure where parties can submit testimony and cross examine PSE witnesses under oath. That is where the permitting should be done.
5. PSE will not tell WECC and/or ColumbiaGrid that they have committed to build a line until they have received permits for the line. They can advise WECC and/or ColumbiaGrid that they intend to build the line if they can get permits, but WECC and ColumbiaGrid should run some base cases without any PSE proposed line until permits to build the line are granted.
6. With respect to Energize Eastside, Macquarie/PSE have spent a lot of money trying to permit the line through filings with three of the 5 cities where they would need permits, but have not followed through on requesting all the permits. They have not asked EFSEC to permit the line. If the new owners believe that Energize Eastside is needed, they will request that EFSEC approve the line under the EFSEC procedures. PSE will make available to interested parties their load flow studies they believe justify the new line. Then parties can testify themselves at EFSEC on the need for the line and cross examine PSE witnesses under oath on their studies.
7. Also, with respect to Energize Eastside, PSE will never request inclusion in rate base of any dollar amounts that PSE has spent on their failed effort to get CUP permits from 5 different jurisdictions. It was imprudent to start down that path and then simply stop. And it was not prudent to refuse to show their studies to stakeholders who wanted to review the studies.

**Appendix B**

**Aranburu & Eustis, LLP representing Coalition of Eastside Neighbors for Sensible Energy (CENSE) Proposed Commitments**

1. Immediately following approval of the new upstream owners of PSE, an analysis shall be made of the resource adequacy, including a) the ability of fixed-cost, generation assets, including those close to the load, such as energy storage, to meet peak demand and b) demand side resources such as demand response. This analysis shall be performed and prepared by a third party provider and shall be open to public review and comment. PSE shall submit this analysis to this commission and local governments in the PSE service area.
2. Immediately following approval of the new upstream owners of PSE, a joint utility analysis as described in the Acknowledgment Letter shall be performed to analyze all available transmission and potential interconnections, including Seattle City Light, that might solve the Energize Eastside reliability issues. This analysis shall be performed and prepared by a third party provider and shall be open to public review and comment. PSE shall submit this analysis to this commission and local governments in PSE service area.

**Appendix C****Lin Hagedorn representing 350 Eastside Proposed Commitments**

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