



Puget Sound Energy
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PSE.com

Filed via Web Portal

June 10, 2021

Mr. Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

**Re: Affiliated Interest Filing Pursuant to WAC 480-90-245 and RCW 80.16
Purchase of Property from Puget Western, Inc.**

Dear Mr. Johnson:

Pursuant to WAC 480-90-245 and RCW 80.16.020, Puget Sound Energy (“PSE”) hereby submits for filing a copy of a Purchase and Sale Agreement (“PSA”) between Puget Western, Inc. (“PWI”) and PSE. PWI, a subsidiary of PSE, is a Washington corporation engaged in the business of real estate investment and development.

The copy of the PSA between PSE and PWI, which is in final form, governs the purchase by PSE of real property from PWI. The property is located in North Bend and is being purchased in order to construct a training facility to support PSE’s natural gas and electric operations. The purchase price of the property is supported by a third-party independent appraisal dated January 29, 2021.

PSE and PWI intend to execute the PSA as soon as possible, and hopefully no later than July 15, 2021, but in any event after the Commission closes the docket for this filing. Discretionary permitting activities currently in process will thereafter continue, with a target that they conclude by November 2021. Pursuant to the Addendum/Amendment (“Addendum”) to the PSA, this permitting work will be performed by PWI and reimbursed by PSE. This arrangement is in the public interest as PSE has determined that it is more efficient for PWI, the current owner of the real property, to perform this work prior to closing.

The Addendum also provides an outside closing date to be determined by PSE that is reasonably acceptable to PWI but will be on or before July 31, 2022. Finally, the PSA provides for a non-refundable earnest money payment of less than 5% of the purchase price, see RCW 64.04.005,

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and that forfeiture of earnest money is PWI's only remedy if PSE defaults. The agreement further provides that PSE can terminate the agreement without default, but that doing so would still entitle PWI to keep the earnest money deposit and be reimbursed for PWI's permitting costs

This agreement provides for the least cost alternative to build a training facility. PSE intends to present this training facility to the Commission for prudency review and cost recovery in a future rate case, but PSE is also providing a high-level overview of the need for the training facility in this filing to provide a discussion of why this transaction is reasonable and in the public interest.

A training facility is needed to support development of future field employees at PSE. As an example of that support, training in the area of PSE's gas first response ("GFR") and pressure control functions require hands on job experiences to effectively, properly, and safely train qualified workers. To train its work force PSE has traditionally had to rely on an apprenticeship style of training wherein seasoned and knowledgeable employees provide mentorship to new employees who are being trained. A change in the composition of PSE's work force is occurring so that employees who could have provided quality mentorship are retiring at a pace that PSE can no longer rely on this style of training exclusively.

In response to this transition, PSE has explored alternatives that will allow its employees to continue to be effectively and safely trained. Best practices in the industry show that a training facility that allows for a classroom and simulated field experiences along with an on-the-job component, provide the best opportunity to increase competence and reduce the speed to that competency. A PSE owned training facility will also allow scenario based training that will allow joint exercises with local first responders.

Instead of building its own training facility, alternatives such as utilization of training facilities owned by other utilities in the distant area and outsourcing of the training were not possible or feasible based on the level of specialized training that is required. As compared to other options a PSE training facility will allow intermittent training that can more easily and effectively be staggered with PSE employees existing shifts and work load. Additionally, a training facility will allow for the leveraging of controlled exercises that simulate real world emergent issues for which employees need to be sufficiently trained. The facility will have a flow lab that as one of its benefits will allow for the mock-up of an over-pressurized gas system that will allow training in a safe and controlled environment. Previously, training for such situations was handled in a one to one ratio of experienced to junior employees in real and unpredictable situations when the emergency was occurring. A training facility will allow the ability to control when and what is trained, rather than having to rely on emergent issues.

Finally, the training facility will allow space to conduct training for new computer based tools. Other areas of the company such as PSE's Electric First Response working on the new Integrated Work Management platform can train in the facilities computer lab and classroom. Accordingly, the construction of a PSE training facility is the appropriate solution for the work force transition PSE will be experiencing and as such is in the public interest. PSE conducted an extensive search for the appropriate location on which to build the facility, and the PWI property was the least cost solution to support the project and at the same time provided the best location for

Mr. Mark L. Johnson

June 10, 2021

Page 3

PSE's work force and appropriate size to accommodate the specialized equipment required for the training facility.

If you have any questions about the information contained in this filing, please contact Chris Schaefer at 425-456-2932 or chris.schaefer@pse.com.

Sincerely,

/s/ Susan Free

Susan E. Free

Director, Revenue Requirements & Regulatory Compliance

Puget Sound Energy

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cc: Lisa Gafken, Public Counsel
Sheree Carson, Perkins Coie

Attachments:

Purchase and Sale Agreement

Declaration