

**Voters might pull the plug on Puget Sound Energy**

In light of PSE's acquisition by an overseas holding company, residents of Skagit and Jefferson counties and Whidbey Island will decide next week whether to form their own public utility districts.

**By** [**Bob Simmons**](http://crosscut.com/account/bob_simmons/)

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**There have been signs of stress** from within Washington's largest power company the past few days over an incipient revolt in a small part of its service area. Officials of [Puget Sound Energy](http://www.pse.com/) made clear how very seriously they view the possibility of consumers taking control of their electrical service. Even little parts of it, serving the relatively small populations of Skagit and Jefferson counties and Whidbey Island.

Voters in those three communities will decide on Tuesday, Nov. 4, whether to create their own electric utilities — formally known as public utility districts, or PUDs — with authority to condemn and operate portions of Puget Sound Energy's production and transmission properties.

Puget Sound Energy executives and board members were already on edge, waiting for state regulators to approve [a buyout of the company](http://www.pse.com/insidePSE/newsroom/Pages/FAQ.aspx) by an international consortium headed by [Macquarie Infrastructure Partners](http://www.macquarie.com/) of Australia. Public power advocates in the three counties have used the specter of foreign control as a major theme of their campaigns.

The effectiveness of the PUD organizers — [endorsed by *The Seattle Times*](http://seattletimes.nwsource.com/html/editorialsopinion/2008308444_edit27puds.html) a few days ago — seems to have rattled the leadership at Puget Sound Energy. President and CEO Steve Reynolds told Crosscut he's been "surprised that foreign investment became such an issue" in the public power movement. But he denied telling reporters that he might have worked harder to find a U.S. investor had he anticipated the public response. A story in the *Port Townsend & Jefferson County Leader* [quoted Reynolds](http://www.ptleader.com/main.asp?Search=1&ArticleID=22019&SectionID=36&SubSectionID=55&S=1) as saying, "If I had known this [foreign ownership] was going to be the headline, I would have tried to find someone closer to home."

"That's wrong," Reynolds said in an interview this week. "That's not what I said. Macquarie came to us with an offer, we didn't go looking for them. We were required to consider it on behalf of the stockholders. As the board went through a careful deliberation, they decided it was the best way we could have access to the capital we need to modernize and to keep expanding into alternative energy sources."

Reynolds gets hot under the collar at suggestions that his support for the merger derives from the executive enrichment that will follow. "I deeply resent the public power people suggesting that I'm supporting this for my own benefit," he said. "I will benefit from the increased value of the stock, as will everyone who owns shares in Puget Sound Energy. But the merger's about benefiting the customers, not making anyone rich." The CEO stands to gain some $20 million, tax-paid, in bonuses and increased stock value, with a Macquarie buyout at the agreed price of $30 per share. (Puget Sound Energy shares traded for less than $23 this week.) Reynolds says he abstained from voting on the Macquarie merger question, although he chaired the board meeting where it was approved.

**Tension surfaced also** at a public forum in Bellingham a few days ago. A panel of three public power advocates and Puget Sound Energy Chief Financial Officer Eric Markell were discussing the Skagit-Jefferson-Whidbey ballot questions and the proposed Macquarie takeover. A Bellingham City Club moderator asked Markell about the published reports that Reynolds was having second thoughts about the Macquarie decision. But Puget Sound Energy Board member, Craig Cole, seated in the audience, interrupted the questioning and effectively took over from Markell.

"These are decisions that were made by the board," Cole told the City Club audience, "and Eric should not be in the position of having to explain them." His action left some listeners wondering what Markell might have said if Cole hadn't stopped him.

He was trying to save Markell from being "ambushed," Cole said later in an interview. "It was the directors who [unanimously] voted to accept Macquarie's offer, and I felt I was in a better position to explain the board's action than Eric was." Cole will leave the Puget Sound Energy Board if state regulators approve the Macquarie buyout but says he voted for the history-making change as the best way to modernize the company and meet new requirements for green power.

As for the PUD movement in Jefferson, Whidbey and Skagit, Cole said, "I understand why that's so attractive. Local control's always a powerful argument. But if they decide to do this, they'll have to find electricity somewhere. They count on getting it from BPA [Bonneville Power Administration], but there's not going to be enough BPA power to go around."

**BPA as a source of low-cost power** has been a key point in the arguments both for and against the creation of the local PUDs. Bonneville is required to give public power a preference in allocating its vast supply and to hold in reserve some 250 megawatts for new PUD startups. Small electric co-ops would expect to use BPA power at least in their formative years.

But Puget Sound Energy officials warn that BPA's in danger of running short and can't be depended on to meet the demands of three new power providers. That would mean (so Puget Sound Energy says in its $900,000 campaign against the public power vote) that the [newly formed utilities would be stuck with paying market price for at least some of their power](http://www.pse.com/newsarchive/Pages/NewsReportPUDIncreaseElecRates.aspx), meaning higher rates for PUD customers.

That argument ignores BPA's role as a wholesale energy broker, [pubic power advocates say](http://www.wpuda.org/PDF_files/Press_releases/PSE%20rate%20study.pdf) [PDF]. The huge federal agency exists in part to buy wholesale power on behalf public utility districts, at far lower prices than Puget Sound Energy has to pay, even if BPA's lowest-cost supply were to be over-subscribed.

The [intensity](http://www.pse.com/community/yourneighborhood/pages/IslandCounty.aspx?tab=3&chapter=1) with which Puget Sound Energy has fought the public power question might seem out of proportion to what's at stake in the three counties, about 53,000 of Puget Sound Energy's one million customers, or about five percent of its base. A larger concern would seem to be what happens two or four years from now, when restless ratepayers in Whatcom, King, and Kitsap counties might look to the tiny new PUDs as models for their own revolt.

**Meanwhile, Puget Sound Energy's** Australian suitor is not deterred by the Puget Sound tempest, according to a New York-based spokesperson, Alex Doughty. He agreed that Macquarie — which owns power and water companies, toll roads, and airports all over the world — has not come across anything quite like the legislated authority of Washington electrical consumers to take over the means of production. But the Australian suitor will consummate the marriage, no matter that the dowry may be reduced by a public vote on Tuesday.

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