

**EXHIBIT NO. \_\_\_\_ (EMM-12)**  
**DOCKET NO. UE-07 \_\_\_\_**  
**2007 PSE PCORC**  
**WITNESS: ERIC M. MARKELL**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-07 \_\_\_\_**

**ELEVENTH EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED DIRECT TESTIMONY OF  
ERIC M. MARKELL  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**MARCH 20, 2007**

**PUGET ENERGY, INC.**  
**MINUTES OF THE**  
**BOARD OF DIRECTORS' MEETING**  
**JANUARY 9, 2007**

---

Pursuant to notice duly given on January 4, 2007 (a copy of which is filed with these minutes), a meeting of the Board of Directors of Puget Energy was held in the Board Room on the 12<sup>th</sup> floor of the Puget Sound Energy Building beginning at 8 a.m. on Tuesday, January 9, 2007.

The following Directors were present:

W. S. Ayer  
P. J. Campbell  
C. W. Cole  
S. E. Frank  
T. Moriguchi  
K. P. Mortimer  
S. G. Narodick  
S. P. Reynolds  
H. B. Simon  
G. W. Watson

being more than a quorum.

Also present were:

Puget Energy and PSE Management

J. W. Eldredge, Vice President, Corporate Secretary and Controller  
J. L. O'Connor, Senior Vice President General Counsel, Chief Ethics and Compliance Officer  
B. A. Valdman, Senior Vice President Finance and Chief Financial Officer

The following PSE management employees were present:

D. P. Brady, Senior Vice President Customer Service, Information Technology and Chief Information Officer  
P. K. Bussey, Senior Vice President Corporate Affairs  
J. W. Elsea, Energy Resource Financial Analysis Manager  
S. K. Emmert, Energy Resource Financial Analyst  
R. A. Garratt, Director of Resource Acquisition  
K. J. Harris, Senior Vice President Regulatory Policy and Energy Efficiency

E. M. Markell, Senior Vice President Energy Resources  
S. McLain, Senior Vice President Operations  
M. D. Mellies, Vice President Human Resources

Mr. Reynolds presided and Mr. Eldredge kept the records of the meeting.

**REDACTED**

**GOLDENDALE ACQUISITION UPDATE**

Mr. Reynolds then asked Mr. Markell to give the Board an update on the status of the proposed PSE acquisition of the Goldendale natural gas electric generation facility. Mr. Markell then distributed and discussed a report he had prepared regarding the proposed Goldendale transaction, a copy of which is filed with the records of the meeting.

After the Goldendale update Mr. Brady, Mr. Bussey, Mr. Elsea, Mr. Emmert, Mr. Garratt, Ms. Harris, Mr. Markell, Ms. McLain and Ms. Mellies left the meeting.

**REDACTED**

**REDACTED**

**ADJOURNMENT**

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously

RESOLVED - That this meeting be and hereby is adjourned.

A true record.

ATTEST:

  
\_\_\_\_\_  
Corporate Secretary

**PUGET SOUND ENERGY, INC.**  
**MINUTES OF THE**  
**BOARD OF DIRECTORS' MEETING**  
**JANUARY 9, 2007**

---

Pursuant to notice duly given on January 4, 2007 (a copy of which is filed with these minutes), a meeting of the Board of Directors of Puget Sound Energy was held in the Board Room on the 12<sup>th</sup> floor of the Puget Sound Energy Building beginning at 8 a.m. on Tuesday, January 9, 2007.

The following Directors were present:

W. S. Ayer  
P. J. Campbell  
C. W. Cole  
S. E. Frank  
T. Moriguchi  
K. P. Mortimer  
S. G. Narodick  
S. P. Reynolds  
H. B. Simon  
G. W. Watson

being more than a quorum.

Also present were:

Puget Energy and PSE Management

J. W. Eldredge, Vice President, Corporate Secretary and Controller  
J. L. O'Connor, Senior Vice President General Counsel, Chief Ethics and Compliance Officer  
B. A. Valdman, Senior Vice President Finance and Chief Financial Officer

The following PSE management employees were present:

D. P. Brady, Senior Vice President Customer Service, Information Technology and Chief Information Officer  
P. K. Bussey, Senior Vice President Corporate Affairs  
J. W. Elsea, Energy Resource Financial Analysis Manager  
S. K. Emmert, Energy Resource Financial Analyst  
R. A. Garratt, Director of Resource Acquisition  
K. J. Harris, Senior Vice President Regulatory Policy and Energy Efficiency

E. M. Markell, Senior Vice President Energy Resources  
S. McLain, Senior Vice President Operations  
M. D. Mellies, Vice President Human Resources

Mr. Reynolds presided and Mr. Eldredge kept the records of the meeting.

**REDACTED**

**REDACTED**

**GOLDENDALE ACQUISITION UPDATE**

Mr. Reynolds then asked Mr. Markell to give the Board an update on the status of the proposed PSE acquisition of the Goldendale natural gas electric generation facility. Mr. Markell then distributed and discussed a report he had prepared regarding the proposed Goldendale transaction, a copy of which is filed with the records of the meeting. Following discussion between the Board and the Company's management, the substance of which is described in the recitals below, Mr. Markell stated that management recommends that the Board approve an increase in the price payable to Calpine for the Goldendale Facility in the event an auction for it takes place. Upon motion duly made and seconded, and after discussion, the Board approved the following resolutions:

WHEREAS, Puget Sound Energy, Inc. ("PSE" or the "Company") entered into that certain Membership Interests Purchase Agreement, dated as of November 3, 2006 (the "MIPA"), with Goldendale Energy Center, LLC



("GEC"), an affiliate of Calpine Corporation ("Calpine"), in respect of the purchase by PSE of the Goldendale Energy Center, an approximately 250 MW natural gas electric generation facility situated on approximately 41 acres of land located in the City of Goldendale, Klickitat County, Washington, together with certain related facilities and certain nearby real property (collectively, the "Goldendale Facility");

WHEREAS, at a meeting of the Board of Directors of the Company duly called and held on November 3, 2006, the Board of Directors of the Company approved the purchase of the Goldendale Facility pursuant to the terms contemplated by the MIPA for a purchase price of \$100,000,000, less certain pre-agreed amounts to be paid by PSE to cure existing defaults of any assigned contracts (the "Purchase Price");

WHEREAS, the MIPA and certain related matters are described more fully in a memorandum provided to the Board of Directors in advance of the November 3, 2006 meeting and filed with the minutes thereof (the "Goldendale Facility Proposal");

WHEREAS, Calpine and GEC each filed and commenced cases under chapter 11 of the Bankruptcy Code, Title 11 of the United States Code (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), and Calpine and GEC have determined the sale of the Goldendale Facility to be in the best interest of each, provided that such sale be conducted in accordance with the relevant sections of the Bankruptcy Code under the auspices of the Bankruptcy Court;

WHEREAS, in accordance with the terms of the MIPA, Calpine and GEC have obtained an order from the Bankruptcy Court, dated December 6, 2006, specifying the bidding procedures to be employed in an auction open to third parties and required by the Bankruptcy Court (the "Bidding Procedures Order");

WHEREAS, pursuant to the Bidding Procedures Order, Calpine and GEC intend to seek qualified third-party bidders to participate in a court-ordered auction for the Goldendale Facility, with preliminary qualified bids for the Goldendale Facility due no later than January 29, 2007;

WHEREAS, in the event that any qualified third-party bidders offer a bid for the Goldendale Facility with a purchase price that is at least \$3.6 million greater than the Purchase Price in the MIPA (this initial increment reflects a \$2.5 million break up fee payable to the Company under certain circumstances plus a \$1.1 million initial overbid amount set forth in the Bidding Procedures Order), Calpine and GEC will, in accordance with the

Bidding Procedures Order, conduct an auction for the Goldendale Facility (currently scheduled to occur on February 5, 2007) for all bidders qualified therefor in accordance with the Bidding Procedures Order (the "Auction");

WHEREAS, at the November 3, 2006 meeting of the Board of Directors of the Company, the Company was authorized, in the event that the Auction is to occur, to increase its purchase price for the Goldendale Facility consistent with the range reflected in the Goldendale Facility Proposal filed with the minutes of such meeting;

WHEREAS, at this January 9, 2007 meeting of the Board of Directors of the Company, Mr. Markell presented an update regarding the Goldendale acquisition process, a written copy of which is filed with the minutes of this meeting (the "January Update"), which includes additional information regarding possible replacement costs and alternative generation facility construction costs;

WHEREAS, Mr. Markell and other members of the Company's management further described certain changes in the market that have occurred subsequent to the Board's November 3, 2006 meeting which could impact the value of the Goldendale Facility, including (1) prices obtained in recent sales by Calpine and other sellers of similar combined-cycle generation facilities, (2) upward revisions in the Company's expected load growth which exacerbate expected capacity and energy shortfalls, and (3) the recent negotiation with the Bonneville Power Administration of transmission arrangement relating to the Goldendale Facility that is more favorable to the Company than that set forth in the November 2006 Goldendale Facility Proposal and thus affects the "all in" cost of ownership; WHEREAS, the Company's management also described the continued efforts by the Company to identify additional generation resources and the difficulties in identifying any alternative generation facility of comparable capacity, at a comparable level of completion, or with comparable fuel supply and transmission solutions;

WHEREAS, in the event that the Auction is to occur, the Company's management continues to believe and this Board of Directors continues to agree that a purchase of the Goldendale Facility remains in the best interest of the Company, its customers, its shareholders and other stakeholders;

WHEREAS, the officers now seek Board approval of and authority to increase the Purchase Price for the Goldendale Facility in connection with any Auction therefor beyond the range reflected in the original Goldendale Facility Proposal, if circumstances so warrant, as more particularly described below.

IT IS, THEREFORE

RESOLVED, that the Board of Directors of the Company, after lengthy discussion of the merits and possible cost of the acquisition and its alternatives, and following full consideration and due deliberation, deems it advisable and in the best interests of the Company, its customers, shareholders and other stakeholders that, notwithstanding the terms of the MIPA, in the event that during the course of the Auction required by the Bidding Procedures Order the purchase price for the Goldendale Facility exceeds the range reflected in the Goldendale Facility Proposal and approved by the Board of Directors on November 3, 2006, it remains in the best interests of the Company, its customers, shareholders and other stakeholders for the Company to offer and pay an amount equaling up to one hundred and fifteen percent (115%) of the amount identified in the January Update as the maximum bid to acquire the Goldendale Facility (the "Potential Auction Price"); and be it further

RESOLVED, that the Board of Directors of the Company hereby authorizes the Company's Chief Executive Officer, its Chief Financial Officer, its Senior Vice President Energy Resources, its General Counsel, and any such other officers they deem appropriate (the "Authorized Officers") to increase the Purchase Price under the MIPA up to the Potential Auction Price if so necessary; and be it further

RESOLVED, that in the event that during the course of the Auction required by the Bidding Procedures Order the purchase price for the Goldendale Facility exceeds the Potential Auction Price, the Securities Pricing Committee of the Board of Directors of the Company, or any quorum thereof, be and hereby is authorized, empowered and directed, in the name and on behalf of the Company, to determine whether to proceed with the Auction and to increase the Purchase Price offered and paid by the Company for the Goldendale Facility above the Potential Auction Price;

General Authority

AND IT IS FURTHER

RESOLVED, that any and all actions taken by the officers of the Company, or any of them, as deemed by such officers to be necessary or advisable to effectuate the transactions contemplated by the foregoing resolutions, including the filing of appropriate documentation with the WUTC, whether prior to or subsequent to this action by this Board of Directors, are hereby authorized, approved and ratified, and the taking of any and all such actions and the performance of any and all such things in connection with the foregoing shall conclusively establish such officers' authority therefor from the Company and the approval and ratification thereof by this Board of Directors.

After the Goldendale update Mr. Brady, Mr. Bussey, Mr. Elsea, Mr. Emmert, Mr. Garratt, Ms. Harris, Mr. Markell, Ms. McLain and Ms. Mellies left the meeting.

**REDACTED**

**ADJOURNMENT**

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously

RESOLVED - That this meeting be and hereby is adjourned.

A true record.

ATTEST:

  
\_\_\_\_\_  
Corporate Secretary