

## BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705  
Puget Sound Energy, Inc.'s  
2009 General Rate Case

## PUBLIC COUNSEL DATA REQUEST NO. 323

PUBLIC COUNSEL DATA REQUEST NO. 323:

Refer to PSE's Response to Public Counsel Data Request No. 127.

- a) If the balances shown are "unconsolidated" as indicated, please explain the source of \$1.455 Billion of long-term debt on the books of Puget Intermediate, and provide supporting documentation (indicating the type of debt, lenders, cost rate, term sheets, etc.).
- b) Is the debt appearing on the books of Puget Intermediate in addition to the \$1.2 Billion of new debt on the books of Puget Energy as of 3/31/09? If not, please explain why the data provided in PSE's Response to Public Counsel Data Request No. 127 was termed "unconsolidated;" if so, please explain why a debt issuance of that magnitude was not discussed as part of the merger plan.
- c) Please provide the consolidated balance sheets at 3/31/09 and 6/30/09 (when available) for Puget Holdings, Puget Intermediate and Puget Equico.

First Supplemental Response:

Puget Sound Energy, Inc. ("PSE") objects to Public Counsel Data Request No. 323 to the extent it seeks information that is neither relevant to the issues in this proceeding nor reasonably calculated to lead to the discovery of admissible evidence. In particular, this objection applies to requested information regarding Puget Energy, Inc., Puget Equico LLC, Puget Intermediate Holdings Inc., and Puget Holdings LLC that does not pertain to PSE. Without waiving this objection and subject thereto, PSE responds as follows:

Please PSE's Response to Public Counsel Data Request No. 380 for the consolidated balance sheets of Puget Equico LLC, Puget Intermediate Holdings Inc., and Puget Holdings LLC as of June 30, 2009. These balance sheets were not available at the time of PSE's original Response to Public Counsel Data Request No. 323.

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2009 General Rate Case****PUBLIC COUNSEL DATA REQUEST NO. 323****PUBLIC COUNSEL DATA REQUEST NO. 323:****Refer to PSE's Response to Public Counsel Data Request No. 127.**

- a) If the balances shown are "unconsolidated" as indicated, please explain the source of \$1.455 Billion of long-term debt on the books of Puget Intermediate, and provide supporting documentation (indicating the type of debt, lenders, cost rate, term sheets, etc.).
- b) Is the debt appearing on the books of Puget Intermediate in addition to the \$1.2 Billion of new debt on the books of Puget Energy as of 3/31/09? If not, please explain why the data provided in PSE's Response to Public Counsel Data Request No. 127 was termed "unconsolidated;" if so, please explain why a debt issuance of that magnitude was not discussed as part of the merger plan.
- c) Please provide the consolidated balance sheets at 3/31/09 and 6/30/09 (when available) for Puget Holdings, Puget Intermediate and Puget Equico.

**Response:**

- a) The March 31, 2009, balances shown for Puget Equico LLC, Puget Intermediate Holdings Inc. ("Puget Intermediate"), and Puget Holdings LLC in Puget Sound Energy, Inc.'s ("PSE") Response to Public Counsel Data Request No. 127 are unconsolidated as indicated. A portion of the Investor Consortium's capital investment was made in the form of loans to Puget Intermediate. The \$1.445 billion in long-term debt shown on the balance sheet of Puget Intermediate represents investor loans totaling \$1.5 billion net of a 3% original issue discount. Attached as Attachment A to PSE's Response to Public Counsel Data Request No. 323, please find the Loan Agreements with each investor, dated February 5, 2009, as well as certain related Assignment and Assumption Agreements dated May 22, 2009. Attachment A to PSE's Response to Public Counsel Data Request No. 323 is provided in electronic format only due to its large size.
- b) Yes; the investor loans to Puget Intermediate are separate from the debt of Puget Energy, Inc. Such debt of Puget Intermediate was discussed during the merger proceeding – please see PSE's Response to ICNU Data Request No. 04.02 in WUTC Docket No. U-072375. In that response, the amount of prospective investor loans was estimated at \$1.6 billion. In fact, the investor

PSE's Response to Public Counsel Data Request No. 323

Date of Response: August 19, 2009

Person who Prepared the Response: D. Gaines

Witness Knowledgeable About the Response: Donald E. Gaines/Eric Markell

loans totaled \$1.5 billion at closing as described in PSE's Response to Public Counsel Data Request No. 323(a), above.

- c) Attached as Attachment B to PSE's Response to Public Counsel Data Request No. 323, please find the requested consolidated balance sheets of Puget Equico LLC, Puget Intermediate Holdings Inc. and Puget Holdings LLC as of March 31, 2009. The June 30, 2009, consolidated balance sheets of Puget Equico LLC, Puget Intermediate Holdings Inc. and Puget Holdings LLC will be provided when they become available.

Attachments A and B to PSE's Response to Public Counsel Data Request No. 323 are CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-090704 and UG-090705.

## Attachment B

**PSE's RESPONSE TO PC Data Request No. 323**

**ATTACHMENT B**

**IS CONFIDENTIAL**

**IN ITS ENTIRETY**

**pp. 4-7**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION****Docket No. U-072375  
Puget Holdings LLC and Puget Sound Energy, Inc.  
Joint Application for an Order Authorizing Proposed Transaction****ICNU DATA REQUEST NO. 04.02****ICNU DATA REQUEST NO. 04.02:**

Concerning page 20 of Mr. Leslie's testimony, he states that Puget Holdings and Puget Intermediate are both currently unrated entities without third-party financing. With respect to this please answer the following:

- a. Please identify the expected debt amount and annual debt service obligations of Puget Holdings and Puget Intermediate after the proposed transaction closes and for the five-year period preceding the closing.
- b. Outline all sources of cash available to Puget Holdings and Puget Intermediate to service its debt service obligations.
- c. Please describe the debt terms and conditions related to all borrowing and the ability, if any, for Puget Holdings/Intermediate to postpone debt service payments in the event cash flows received are not adequate to meet its debt service obligations.
- d. Please describe all commitments that Puget Holdings and Puget Intermediate will make to ensure that PSE is not obligated to make dividend payments, cash loans, or the means of moving cash out of PSE up to Puget Holdings or Puget Intermediate in the event that funding is needed to support Puget Holdings or Puget Intermediate obligations.
- e. Please describe all commitments that Puget Holdings and Puget Intermediate will make to comply with orders from the Washington Utilities and Transportation Commission to restrict all dividend payments and cash movements from PSE up to its parent company, in the event retaining that capital is needed to preserve PSE's financial integrity, or to fund needed reliability and quality of service, capital programs, including environmental mandates.

**Response:**

- a. The Investor Consortium does not anticipate that either Puget Holdings LLC ("Puget Holdings") or Puget Intermediate Holdings Inc. ("Puget Intermediate") will have debt service obligations to third parties over the next five years. The only debt service obligations will be to service loans made by the members of the Investor Consortium to Puget Intermediate.

Attached as Attachment A to the Joint Applicants' Response to ICNU Data Request No. 04.02 is a schedule of projected capital investment provided by each member of the Investor Consortium. Please see Attachment C to the Joint Applicants' Response to Public Counsel Data Request No. 3050 for the structure of such capital investments. Please also see Attachment A to Joint Applicants' Response to WUTC Staff Data Request No. 1047 for a forecast of cash flows distributed up to the members of the Investor Consortium.

It is important to note that the structure of the capital investment of each member of the Investor Consortium will not be finalized until shortly before closing of the proposed transaction, based on facts and circumstances at that point in time. The projected capital investments reflected in Attachment A to the Joint Applicants' Response to ICNU Data Request No. 04.02 and in Attachment A to the Joint Applicants' Response to WUTC Staff Data Request No. 1047 reflect current projections.

- b. Please see Joint Applicants' Response to ICNU Data Request No. 04.02(a) above and 04.02(d) below. Currently, there are no sources of cash planned to be available to Puget Holdings or Puget Intermediate other than dividends from Puget Energy, Inc. ("Puget Energy") when and as such dividends may be declared in compliance with applicable law. Puget Energy will derive its operating cash flow from cash distributions from Puget Sound Energy, Inc. ("PSE") when and as such distributions are made in compliance with applicable law.
- c. Please see the Joint Applicants' Response to ICNU Data Request No. 04.02(a), above.
- d. The Joint Applicants have proposed extensive ring-fencing provisions in this proceeding intended to insulate the credit risk of PSE from the risks of Puget Holdings, Puget Intermediate, and Puget Energy. The Joint Applicants have made the following commitments, among others, in Appendix C to the Joint Application:
- (i) PSE will maintain separate books and records (see Commitment No. 9(i));

- (ii) The Joint Applicants will maintain the necessary books and records so as to provide an audit trail for all corporate, affiliate, or subsidiary transactions with PSE, or that result in costs that may be allocable to PSE (see Commitment No. 28(a));
- (iii) Commission Staff and Public Counsel access to books and records (including those of Puget Holdings or any affiliate or subsidiary companies) required to be accessed to verify or examine transactions with PSE, or that result in costs that may be allocable to PSE (see Commitment No. 28(b));
- (iv) PSE will maintain separate debt and preferred stock, if any (see Commitment No. 10);
- (v) PSE will maintain its own corporate and debt credit rating, as well as ratings for long-term debt and preferred stock (see Commitment No. 10);
- (vi) The Joint Applicants have committed to provide the Commission with access to written information provided by and to credit rating agencies that pertains to PSE (see Commitment No. 28(d));
- (vii) PSE will commit to a common equity ratio for PSE of not less than 50% at closing or shortly thereafter, and not less than 44% thereafter except to the extent a lower equity ratio is established for ratemaking purposes by the Commission (see Commitment No. 11);
- (viii) PSE will agree to prohibitions against loans or pledges of utility assets to Puget Energy or Puget Holdings without Commission approval (see Commitment No. 9(ii));
- (ix) PSE will generally hold PSE customers harmless from any business and financial risk exposures associated with Puget Energy, Puget Holdings and its other affiliates (see Commitment No. 9(iii));
- (x) At least one director of PSE will be an Independent Director who is not a member, stockholder, director (except as such Independent Director of PSE), officer, or employee of Puget Holdings or its affiliates, and the organizational documents for PSE will not permit PSE, without the unanimous consent of all its directors including the Independent Director, to consent to the institution of bankruptcy proceedings or the inclusion of PSE in bankruptcy proceedings (see Commitment No. 17); and
- (xi) The Joint Applicants will file a non-consolidation opinion with the Commission which concludes, subject to customary assumptions and exceptions, 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. If the ring-fencing provisions are insufficient to obtain a non-consolidation opinion, the Joint Applicants have agreed to notify the Commission of this inability to obtain a non-consolidation opinion and propose and implement, upon Commission approval, such additional ring-fencing provisions around PSE as are sufficient to obtain a nonconsolidation opinion subject



to customary assumptions and exceptions (see Commitment Nos. 8 and 26).

- e. Please see the Joint Applicants' Response to ICNU Data Request No. 04.02(d), above.

Attachment A to the Joint Applicants' Response to ICNU Data Request No. 04.02 is HIGHLY CONFIDENTIAL per Protective Order in WUTC Docket Nos. U-072375 and per WAC 480-07-160

**PSE's RESPONSE TO ICNU Data Request No. 04.02**

**ATTACHMENT A**

**Pages 12 through 14  
are  
HIGHLY CONFIDENTIAL**

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**Docket Nos. UE-090704 and UG-090705  
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**PUBLIC COUNSEL DATA REQUEST NO. 127****PUBLIC COUNSEL DATA REQUEST NO. 127:**

Please provide the per books capital structure of Puget Equico LLC, Puget Intermediate Holdings and Puget Holdings at March 31, 2009. For the purposes of this data request, please provide the information as follows:

- a) Long-term Debt (including that maturing within one year);
- b) Short-term Debt;
- c) Other Debt (specify);
- d) Preferred or Preference Stock;
- e) Common Stock;
- f) Additional Paid-in Capital;
- g) Retained Earnings; and
- h) Total Common Equity (please identify any common equity attributable to unregulated operations, if any).

Note: If the capital amounts supplied in response to this interrogatory are different from the amounts published in the companies' SEC Form and 10-Qs, please detail and describe those differences.

**Response:**

Attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to Public Counsel Data Request No. 127, please find a schedule of the capital structure of Puget Equico LLC, Puget Intermediate Holdings Inc. and Puget Holdings LLC at March 31, 2009.

**ATTACHMENT A to PSE's Response to  
Public Counsel Data Request No. 127**

**Data Request PC - 127****Puget Holdings****Puget Intermediate****Puget Equico****As of March 31, 2009****(Dollars in Thousands)**

**Note: The following amounts represent the unconsolidated balances for Puget Equico LLC, Puget Intermediate Holdings Inc., and Puget Holdings LLC.**

	<b>Puget Holdings</b>	<b>Puget Intermediate</b>	<b>Puget Equico</b>
Long-term Debt	\$0	\$1,455,446	\$0
Short-Term Debt	-	-	-
Other Debt	-	-	-
Preferred Stock	-	-	-
Common Stock	-	-	-
Additional Paid in Capital	1,969,797	1,938,022	3,393,022
Retained Earnings	(83,981)	(54,162)	(62,012)
Other Comprehensive Income	(52,640)	(52,640)	(52,640)
<b>Total Common Equity</b>	<b>\$1,833,176</b>	<b>\$1,831,220</b>	<b>\$3,278,370</b>