

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-070725
Amended Petition of Puget Sound Energy, Inc. For an Order Authorizing
the Use of the Proceeds from the Sale of RECs and CFIs**

PUBLIC COUNSEL DATA REQUEST NO. 012

PUBLIC COUNSEL DATA REQUEST NO. 012:

Please provide PSE's assessment of the probability of recovery of the California litigation claim amounts which it seeks to fund using REC Proceeds if the case were to be litigated.

Response:

As reported in Puget Sound Energy, Inc.'s ("PSE") 10-Qs and 10-Ks throughout the period of PSE's involvement in the California Receivables litigation, PSE was confident of the merits of its legal position. This confidence was reflected in the fact that, after the change in the natural gas inputs ordered by FERC in about 2003, ensuing California Receivables litigation developments did not result in any further adjustment to PSE's net receivable balance. Of course, as the 10-Qs and 10-Ks noted, litigation is subject to inherent and unpredictable risks, so PSE had no ability to "guarantee" that result.

PSE held settlement discussions with the California parties several times over the course of such proceedings, before achieving the settlement ultimately negotiated. On each previous occasion, PSE chose to continue with litigation instead of proceeding with a settlement because the settlement proposals did not offer sufficient value to PSE based on PSE's evaluation of its legal position.

In addition to regular litigation reports from outside counsel, PSE conducted a formal litigation risk assessment evaluating these proceedings under the protections of attorney client and attorney work product privileges. PSE's decision to walk away from prior settlement efforts and to re-engage in them with the REC transaction in 2008-09 was consistent with PSE's evaluation of the merits of its position in the case.

**THIS PAGE IS HIGHLY CONFIDENTIAL IN
ITS ENTIRETY**

**THIS PAGE IS HIGHLY CONFIDENTIAL IN
ITS ENTIRETY**