Exhibit ___ (RHS-4)
Docket U-072375
Witness: Ronald H. Schmidt

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of **PUGET HOLDINGS LLC AND PUGET SOUND ENERGY, INC.,** **For an Order Authorizing Proposed Transaction**	**DOCKET U-072375**

EXHIBIT TO TESTIMONY OF

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On Behalf of Staff of the
Washington Utilities and Transportation Commission

Article from The Australian:
Hedge funds gang up on Babcock & Brown
(June 12, 2008)
Article from theage.com.au:
Directors defend Macquarie valuations
(June 11, 2008)

June 18, 2008

THE AUSTRALIAN

June 12, 2008 12:27am AEST

Hedge funds gang up on Babcock & Brown

Michael Sainsbury and Lisa Macnamara | *June 12, 2008*

THE shares of Macquarie Bank's most ardent and successful imitator, Babcock & Brown, and several of its satellites, plumbed new depths yesterday as Barclays lost faith in the group.

Shares in Babcock's headstock have slumped from $16 to $9.50 in just three weeks and many market observers believe the group's large debts are being tested by hedge funds.

"It has fallen about 35 per cent over the past three weeks," Patersons Securities senior private client adviser Tony Tascone said yesterday.

It appeared Babcock & Brown was being shorted by hedge funds, he said.

"It is very reminiscent of Allco and Centro Property, where funds continually sell and bully the stock down to where it has issues," Mr Tascone said.

"B&B is in a situation where, if their market capitalisation by valuation is less than $2.5 billion for more than four months, then they have got debt covenant issues and they have to refinance. Obviously, in a credit crunch that is not an easy process to undertake."

This has massive implications for the financial sector because all the big banks have exposure to Babcock.

To add to the group's woes, it has been rocked by the gas explosion at Apache's Varanus Island facility in WA and has been hit by a fresh wave of doubts about the investment banking sector.

Babcock & Brown Power (BBP) owns WA's biggest gas retailer, Alinta -- bought at inflated prices in an auction battle with Macquarie -- and its shares remained in a trading halt imposed on Tuesday after the explosion.

The move also took Babcock out of its infrastructure comfort zone and into retail.

Last week BBP completed a refinancing of $2.7 billion of debt and began a program to sell assets not secured under the facility. Last week AMP dumped its shareholding in the company.

BBP is now looking to finalise a corporate debt facility of up to $360 million, expected to be completed by August 31.

Babcock's headstock hit three-year lows yesterday, falling 90c, or almost 9 per cent, to $9.52 to cap off a miserable five days of trading in which the stock has slumped from $11.11.

At its peak last year, BNB shares were trading at $34 but the company's market capitalisation has now slumped to $3.1 billion.

The Babcock rout started on May 23 and a further significant share price fall may cause the company to breach its loan covenants.

"It does not help when your satellites are having trouble refinancing," a senior client adviser said.

"The biggest risk is going to be refinancing the satellites in 12 months."

Macquarie itself was not immune to fresh pressure on the financing sector yesterday, with shares in satellites Macquarie Airports, Macquarie Communications and Macquarie Infrastructure all falling.

New doubts emerged earlier this week about the investment banking sector when New York-based Lehman Brothers forecast a worse than expected result and more write-downs.

Directors defend Macquarie valuations

Stuart Washington
June 11, 2008

DIRECTORS of Macquarie CountryWide Trust and Macquarie Office Trust say their asset valuations are robust and they have not made substantial write-downs on their portfolios of real estate assets.

As managers of the funds, the directors have maintained their valuations, even as the market continues to hammer listed real estate investment trusts.

The two funds have reported property valuations — or net asset values — exceeding the unit prices in their recent results.

In the case of Macquarie CountryWide, the directors' valuation of net assets is $1.91 a unit, or 42% above its market price yesterday of $1.11.

And Macquarie Office Trust's valuation of net assets is $1.71, or 44% above its market price of 96.5¢.

But as an investor in the funds, Macquarie Group at its annual results last month wrote down its stakes in the trusts to market value as at March 31.

This translated to $1.17 a unit for Macquarie CountryWide and 99¢ for Macquarie Office Trust.

Macquarie Group's directors made the write-downs after judging the investments to be "impaired", which is a test that acknowledges a structural change affecting its investment.

During Macquarie Group's annual results briefing last month, chief executive Nicholas Moore highlighted the uncertainty about the value of property in real estate investment trusts as investors came to terms with the credit crunch.

Macquarie Group's starkly different views on the value of the funds highlight an industry-wide disparity between what investors see as the market value of trusts and the value most trust directors place on their holdings.

If asset prices fall markedly, the industry faces large write-downs as directors' valuations are brought into line with market values.

A spokeswoman for Macquarie Group said the difference between its valuation as an investor and its valuation as directors of the funds was based on the group's different responsibilities.

"The valuation of the assets within the funds is a matter for the board of directors of the funds," she said.