

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
Complainant,)
v.) **Docket No. U-072375**
PUGET SOUND ENERGY, INC.)
Respondent.)
_____)

EXHIBIT NO. ____ (MPG-3)

ICNU's Proposed List of
Additional Conditions

June 18, 2008

PUGET SOUND ENERGY, INC.**ICNU's Proposed List of Additional Conditions**

1. The proposed Part Two recapitalization will be modified to increase the use of common equity by \$700 million and decrease the use of long-term debt by \$700 million in the acquisition of Puget Sound common stock.
2. PSE's corporate costs will not rise as a result of the merger.
3. PSE will file a long-term projection of PSE's costs absent the transaction.
4. Unless such a disclosure is unlawful, Puget Holdings shall notify the Commission of:
 - a. Its intention to transfer more than five percent of PSE's retained earnings to Puget Holdings over a six-month period, at least 30 days before such a transfer is expected.
 - b. Its intention to declare a special cash dividend from PSE, at least 30 days before declaring such dividend.
 - c. Its most recent quarterly stock cash dividend payment from PSE, within 30 days after declaring such dividend.
5. Puget Holdings commits that PSE will not directly own equity shares of Puget Holdings, should Puget Holdings ever become publicly traded.
6. Puget Holdings commits to provide 30 days' notice to the Commission if it intends to create a corporate entity between Puget Intermediate and Puget Holdings. Puget Holdings further states that it has no intention to create such a corporate entity.
7. Puget Holdings commits that immediately following the closing of the transaction, the acquiring company (Puget Intermediate) will have no debt in its capital structure. Puget Holdings will provide the Commission with 30 days' notice if Puget Intermediate intends to issue debt. Puget Holdings and PSE acknowledge that if Puget Intermediate does issue debt, the Commission has the authority pursuant to a re-opener under RCW § 80.04.210 to consider additional ring-fencing provisions that may be appropriate.
8. Puget Holdings and PSE will commit that they will interpret RCW § 80.12.020 to require Commission approval of any transaction which results in a merger of PSE with, or acquisition by PSE of, any other electric, gas or telecommunications company, whether or not such other company provides service in Washington

9. Puget Holdings commits that no amendments, revisions or modifications will be made to the ring-fencing provisions without prior Commission approval pursuant to a limited re-opener under RCW § 80.04.210.
10. Puget Holdings and PSE commit that PSE will not make any dividends to Puget Intermediate or Puget Holdings if PSE's unsecured debt rating is BBB- or lower by Standard & Poor's or Fitch (or Baa3 or lower by Moody's), as indicated by two of the three rating agencies.
11. No company, entity, or person, other than PSE, shall use PSE's regulated assets as collateral for any loan, guarantee, or other such use, without prior express Commission approval.
12. PSE will not make any proposals regarding industrial decoupling for at least 10 years.
13. The taxes included in rates for PSE customers shall reflect the actual amount of taxes paid to governmental authorities.
14. PSE commits that it will not make any proposals to materially change or impact industrial service under rate Schedule 449, including any change to the methodology that is used for calculating rates for Schedule 449 customers.
15. PSE will eliminate its Power Cost Only Rate Case ("PCORC") mechanism.
16. In order to ensure customers are not harmed by the transaction, PSE agrees to a rate credit or a rate freeze over the next two years.