EXHIBIT NO. \_\_\_(EMM-11) DOCKET NO. U-072375 2007 MERGER PROCEEDING WITNESS: ERIC M. MARKELL

## BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of

PUGET HOLDINGS LLC

And

**Docket No. U-072375** 

PUGET SOUND ENERGY, INC.

For an Order Authorizing Proposed Transaction

## SIXTH EXHIBIT (NONCONFIDENTIAL) TO THE PREFILED REBUTTAL TESTIMONY OF ERIC M. MARKELL ON BEHALF OF PUGET SOUND ENERGY, INC.

**JULY 2, 2008** 

## Proposed Commitments Relating to Puget Energy's and PSE's Post-Closing Governance and Disclosure Requirements

New York Stock Exchange Corporate Governance Standards				
Rule	Description of Requirement	Post-Closing Requirement	Post-Closing Commitment	
NYSE §203.01	<ul> <li><u>Annual Report Availability</u>: If required to file annual report with SEC, issuer must:</li> <li>Simultaneously make such report available to shareholders on or through the company's website.</li> <li>Indicate that a hard copy of the report can be requested free of charge.</li> <li>Issue a press release regarding the annual report.</li> </ul>	<ul> <li>Website Posting of 10-K: Not required.</li> <li>Requesting Copy of 10-K: Not required.</li> <li>Press Release re: 10-K: Not required.</li> </ul>	<ul> <li>Puget Energy/PSE will continue to file an annual report on Form 10-K with the SEC.</li> <li>Puget Energy/PSE will continue to make such report available on or through the company's website and indicate that a hard copy of the report can be requested free of charge.</li> <li>Puget Energy/PSE will issue a press release regarding the availability of the annual report on the company's website.</li> </ul>	
NYSE §203.02	<ul> <li><u>Interim Financial Statements</u>:</li> <li>If required to file interim financial statements, company must issue an earnings release.</li> </ul>	• Earnings Release: Not required.	<ul> <li>Puget Energy/PSE will not issue quarterly earnings releases.</li> <li>But, Puget Energy/PSE will continue to file quarterly reports on Form 10-Q, which will include interim financial statements, with the SEC.</li> </ul>	
NYSE \$303A.01	<ul> <li><u>Independent Directors</u>:</li> <li>Must have a majority of independent directors on the Board of Directors.</li> <li>Must disclose independent directors in the proxy statement and the standard of independence it adopts in the proxy statement or if not proxy statement, in the 10-K</li> </ul>	<ul> <li>Majority of Independent Directors: Not required.</li> <li>Independence Standards: Not required.</li> <li>Disclosure of Standards: Not required.</li> </ul>	<ul> <li>Puget Energy/PSE's Board will include at least two (2) independent directors (based on NYSE's independence standards) and one (1) director who is unaffiliated with the Macquarie Consortium.</li> <li>Puget Energy/PSE will disclose independent and unaffiliated directors in its Form 10-K.</li> </ul>	
NYSE §303A.03	<ul> <li><u>Executive Sessions</u>:</li> <li>Non-management directors must meet regularly in executive sessions without</li> </ul>	<ul> <li>Executive Sessions: Not required.</li> <li>Disclosure re: presiding director or procedure to select presiding director: Not</li> </ul>	• Non-management Puget Energy/PSE directors will continue to meet regularly in executive sessions without	

New York S	New York Stock Exchange Corporate Governance Standards				
Rule	Description of Requirement	Post-Closing Requirement	Post-Closing Commitment		
	management.	required.	management.		
	• Non-management director must preside over each executive session.		• Non-management director will continue to preside over each executive session.		
	• If one director chosen to preside over all executives sessions, must disclose name in proxy statement or if no proxy statement, in the 10-K. If no specific director selected, disclose procedure on selecting the presiding director at each session.		• One director will be chosen to preside over all executive sessions and the name of that director will be disclosed in the Form 10-K.		
NYSE §303A.03	Communication with Presiding Director / Non- Management Directors:	• Disclose Communication Method: Not required.	• Puget Energy/PSE will continue to disclose in its Form 10-K a means by which non-management and/or		
	• Disclose method to communicate in proxy statement, or if no proxy statement, in the 10-K.		independent directors may be contacted.		
NYSE	Nominating/Governance Committee:	Nominating Committee: Not required.	• Puget Energy/PSE will maintain a		
§303A.04	• Listed companies must have a nominating/corporate governance committee composed of independent directors.		nominating/governance committee, however, it will not be composed entirely of independent directors.		
	<ul> <li>Must have a written charter.</li> </ul>		• The Committee will have a written charter that is substantially the same as the existing charter, except for changes necessary to conform to the post-closing governance structure.		
NYSE §303A.05	<ul> <li><u>Compensation Committee</u>:</li> <li>Listed companies must have a compensation committee composed of independent directors.</li> </ul>	Compensation Committee: Not required.	• Puget Energy/PSE will maintain a compensation committee, however, it will not be composed entirely of independent directors.		
	Must have written charter.		• The Committee will have a written charter that is substantially the same as the existing charter, except for changes necessary to conform to the post-closing governance structure.		

New York Stock Exchange Corporate Governance Standards					
Rule	Description of Requirement	Post-Closing Requirement	Post-Closing Commitment		
NYSE §303A.06; NYSE §303A.07	<ul> <li><u>Audit Committee</u>:</li> <li>Listed companies must have an audit committee composed of independent directors.</li> </ul>	Audit Committee: Not required.	• Puget Energy/PSE will maintain an audit committee, however, it will not be composed entirely of independent directors.		
20001107	• Must have a written charter.		• The Committee will have a written charter that is substantially the same as the existing charter, except for changes necessary to conform to the post-closing governance structure.		
NYSE §303A.07	<ul> <li><u>Audit Committee Members:</u></li> <li>Audit Committee must have a minimum of 3 members.</li> <li>Each member must be financially literate.</li> <li>One member must have financial management expertise.</li> </ul>	Audit Committee Member Requirements: Not required.	• Puget Energy/PSE will maintain the eligibility requirements for its audit committee members.		
NYSE §303A.07	<ul> <li><u>Audit Committee - Impairment of Ability</u> <u>Determination</u>:</li> <li>If a member serves on more than 3 public company audit committees, company must determine whether ability is impaired and disclose determination in proxy statement, or if no proxy statement, the 10-K.</li> </ul>	Audit Committee Member Requirements: Not required.	• Puget Energy/PSE will maintain its existing policy regarding service on multiple public company audit committees: generally, no member of the Committee shall serve on more than three audit committees of publicly traded companies at the same time, and any member's service on more than three audit committees of publicly traded companies will be subject to the Board's determination that such simultaneous service will not impair such member's ability to effectively serve on the Committee and Puget Energy/PSE will disclose such determination in the Form 10-K.		
NYSE	Audit Committee – Internal Audit	• Internal Audit: Not required.	Puget Energy/PSE will maintain an		

New York Stock Exchange Corporate Governance Standards				
Rule	Description of Requirement	Post-Closing Requirement	Post-Closing Commitment	
§303A.07	Must maintain internal audit function.		internal audit function.	
NYSE §303A.09	<ul> <li><u>Corporate Governance Guidelines</u></li> <li>Must adopt corporate governance guidelines.</li> </ul>	Corporate Governance Guidelines: Not required.	• Puget Energy/PSE will maintain corporate governance guidelines, revised as necessary to reflect the post-closing governance structure.	
NYSE §303A.09	<ul> <li><u>Disclosure of Corporate Governance</u> <u>Guidelines and Charters</u></li> <li>Must include corporate governance guidelines and charters of its most important committees (including at least the audit, and if applicable, compensation and nominating committees) on its website.</li> </ul>	<ul> <li>Website Posting of Governance Guidelines: Not required.</li> <li>Website Posting of Committee Charters: Not required.</li> </ul>	• Puget Energy/PSE will include the revised corporate governance guidelines and charters of its most important committees on its website.	
NYSE §303A.10	<ul> <li><u>Code of Business Conduct and Ethics</u></li> <li>Must adopt a Code of Business Conduct and Ethics for directors, officers and employees.</li> </ul>	Code of Business Conduct and Ethics: Not required.	• Puget Energy/PSE will maintain a Code of Business Conduct and Ethics for its directors, officers and employees.	
NYSE §303A.10	Disclosure of Code of Business Conduct and Ethics         • Must promptly disclose any waivers.         • Post Code of Business Conduct and Ethics on website.	Disclosure: Not required.	• Puget Energy/PSE will promptly disclose any waivers granted and will post the Code on the company's website.	
NYSE §303A.12	<ul> <li><u>Officer Certification</u>:</li> <li>Must certify to NYSE that company is compliant with NYSE corporate governance requirements.</li> </ul>	• Certification: Not required.	• Puget Energy and PSE will not submit a certification to the NYSE, since neither will be a NYSE-listed company.	

Securities and	Securities and Exchange Commission Disclosure Requirements				
Rule	Description of Requirement	Post-Closing Requirement	Post-Closing Commitment		
Exchange Act §13(a)	<ul> <li>Section 13(a) disclosure requirements:</li> <li>Puget Energy has outstanding common stock registered pursuant to Section 12(b) of the Exchange Act.</li> <li>PSE has outstanding preferred stock registered pursuant to Section 12(g) of the Exchange Act.</li> <li>Under Section 13(a) of the Exchange Act, Section 12 registration requires compliance with the SEC's periodic and current reporting requirements, which include the preparation and filing of an annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.</li> </ul>	<ul> <li>Puget Energy         <ul> <li>Post-closing, Puget Energy will not have any outstanding securities registered pursuant to Section 12 of the Exchange Act and will therefore not be subject to Section 13(a) disclosure requirements.</li> </ul> </li> <li>PSE         <ul> <li>PSE preferred stock (registered pursuant to Section 12(g) of the Exchange Act) will continue to be outstanding. So long as registered under Section 12(g), SEC reporting obligations will continue.</li> <li>Under Rule 12g-4 of the Exchange Act, Section 12(g) registration may be terminated if the preferred stock is held by less than 300 persons.</li> <li>Preferred stock is currently held by fewer than 100 persons.</li> </ul> </li> </ul>	Puget Energy/PSE will continue to comply with the disclosure requirements of Section 13(a) and 15(d) of the Exchange Act to the same extent as it does prior to the merger (i.e., will continue to file SEC reports on Forms 10-K, 10-Q and 8-K), <i>even if it is no longer required to do so by law or indenture contractual covenants.</i>		
Exchange Act §15(d)	<ul> <li>Section 15(d) disclosure requirements:</li> <li>PSE has outstanding first mortgage bonds, senior notes and other debt securities that were issued pursuant to registration statements filed with the SEC.</li> <li>Under Section 15(d) of the Exchange Act, an issuer that files a registration statement of the type PSE has filed in connection with the issuance of its first mortgage bonds, senior notes and certain other debt securities is required to file the same SEC reports as are required to be filed in respect of a security that is registered pursuant to Section 12(g) of the Exchange Act – that is,</li> </ul>	<ul> <li>PSE</li> <li>PSE will continue to have outstanding debt securities issued pursuant to registration statements filed with the SEC. Section 15(d) reporting requirements may continue to apply.</li> <li>Duty to file reports pursuant such Section 15(d) is automatically suspended as to any fiscal year, other than the fiscal year in which the registration became effective, if at the beginning of such fiscal year, the securities of each class to which the registration relates are held of record by less than 300 persons.</li> </ul>			

Securities and Exchange Commission Disclosure Requirements				
Rule	Description of Requirement	Post-Closing Requirement	Post-Closing Commitment	
	Forms 10-K, 10-Q and 8-K.	• Status of possible suspension has not been determined, but would likely apply in the future if PSE does not continue to issue registered debt securities.		
Indenture Covenants	<ul> <li>Indenture covenants disclosure requirements:</li> <li>PSE's debt indenture (including mortgage indentures, senior note indenture and subordinated debt indenture) require PSE to continue to file the reports required by Sections 13(a) and 15(d) of the Exchange Act (i.e. Forms 10-K, 10-Q and 8-K), even if PSE is no longer required to do so under such sections of the Exchange Act.</li> </ul>	• Until the debt indenture provisions are eliminated (either through retirement of the debt or amendment of the indentures, which would require bondholder approval), PSE's SEC reporting obligations would not be substantially different than the reporting requirements applicable to PSE today.		

Sarbanes-Oxle	Sarbanes-Oxley Reporting and Governance Obligations <sup>1</sup>					
Sarbanes- Oxley Title	Sarbanes- Oxley Section	Applicable SEC / NYSE Rule and Brief Description of Requirement	Post-Closing Requirement	Post-Closing Commitment		
Title II: Auditor Independence	Section 201: Services Outside the Scope of Practice of Auditors	<ul> <li><u>Reg. S-X, Rule 2-01(c)(4)</u>: Qualifications of Accountants / Non- Audit Services</li> <li>Auditor is not considered independent if it performs certain non-audit services for an audit client.</li> </ul>	<ul> <li>apply to PSE so long as it has securities registered under §12(g) or is subject to reporting obligations under §15(d).</li> <li>Puget Energy will not be subject to most of these requirements since it is not an issuer with registered securities under §12 or subject to reporting obligations under §12 or subject to reporting obligations under §15(d). However, so long as Puget Energy files SEC reports, it must comply with those requirements regarding disclosure (i.e., pre-approval policies).</li> </ul>	Puget Energy/PSE will continue to engage an independent auditor in compliance with these requirements. See SEC commitments above regarding continued filing of SEC reports on Forms 10-K, 10-Q and 8-K.		
	Section 202: Preapproval Requirements	<ul> <li><u>Reg. S-X, Rule 2-01(c)(7)</u>: Qualifications of Accountants / Audit Committee Administration</li> <li>Auditor is not considered independent unless audit committee (or full board, if no committee exists) has policies/procedures for approval of services and pre- approves such services</li> <li><u>10-K Form, Item 14</u>: Principal Accountant Fees and Services</li> </ul>				
approval of non-audit servic audit committee, or if none, board of directorsSection 203:Reg. S-X, Rule 2-01(c)(6):	• Disclose pre-approval policies and approval of non-audit services by the audit committee, or if none, the full board of directors					
	Audit Partner	Qualifications of Accountants / Partner Rotation				

<sup>&</sup>lt;sup>1</sup> Provisions not relating to governance and reporting obligations, or that are not applicable to Puget Energy or PSE, were excluded (i.e., provision establishing the Public Company Accounting Oversight Board and provisions relating to fines and penalties).

Sarbanes-Oxley Reporting and Governance Obligations <sup>1</sup>				
Sarbanes- Oxley Title	Sarbanes- Oxley Section	Applicable SEC / NYSE Rule and Brief Description of Requirement	Post-Closing Requirement	Post-Closing Commitment
		independent unless certain partner rotation criteria are met.		
	Section 204: Auditor Reports to Audit Committees	<ul> <li><u>Reg. S-X, Rule 2-07</u>: Communication with Audit Committees</li> <li>Each accounting firm that performs an audit for an audit client that is an issuer shall provide a report (with certain disclosures) to the Audit Committee</li> </ul>		
	Section 206: Conflicts of Interest	<ul> <li><u>Reg. S-X, Rule 2-01(c)(2)</u>: Qualification of Accountants / Employment Relationships</li> <li>Auditor is not independent if certain employment relationships existed with an audit client</li> </ul>		
Title III: Corporate Responsibility	Section 301: Public Company Audit Committees	<ul> <li><u>NYSE §303A.06</u>: Audit Committee</li> <li>Listed companies must have an audit committee satisfying Rule 10A-3 under the Exchange Act.</li> <li>Requirements include:</li> <li>Committee to consist entirely of independent members</li> </ul>	• Since Puget Energy and PSE will no longer have any securities listed on an exchange, neither company will be subject to the rules of the exchange.	See NYSE commitments above regarding maintenance of an audit committee.
		<ul> <li>Responsible for appointment, compensation and oversight of auditor</li> <li>Adopt procedures to receive / administer complaints re: accounting and auditing matters (and confidential submission of</li> </ul>		

Sarbanes-Oxley Reporting and Governance Obligations <sup>1</sup>				
Sarbanes- Oxley Title	Sarbanes- Oxley Section	Applicable SEC / NYSE Rule and Brief Description of Requirement	Post-Closing Requirement	Post-Closing Commitment
		<ul><li>complaints by employees)</li><li>Authority to engage independent counsel and advisers</li></ul>		
	Section 302: Corporate Responsibility for Financial Reports	<ul> <li><u>Reg. S-K, Item 601</u>: Exhibits</li> <li>Certification of financial statements by Principal Executive Officer and Principal Financial Officer required for periodic and annual reports.</li> </ul>	• So long as Puget Energy/PSE continue to file SEC reports (on Forms 8-K, 10- Q, 10-K), this requirement will continue to apply post-merger.	<ul><li>Puget Energy/PSE will continue to provide required certifications in connection with SEC reports.</li><li>See SEC commitments above regarding continued filing of SEC reports on Forms 10-K, 10-Q and 8-K.</li></ul>
Title IV: Enhanced Financial Disclosures	Section 401: Forms for Periodic and Annual Reports	<ul> <li><u>Reg. S-K, Items 10; 303</u>: General; MD&amp;A of Financial Condition and Results of Operations</li> <li>Requires disclosure of material correcting adjustments, material off- balance sheet transactions and contractual obligations.</li> <li>Requires registrants to reconcile all publicly disclosed non-GAAP financial measures</li> </ul>	<ul> <li>So long as Puget Energy/PSE continue to file SEC reports (on Forms 8-K, 10- Q, 10-K), Puget Energy/PSE will still be required to disclose material correcting adjustments, material off- balance sheet transactions and contractual obligations.</li> <li>PSE will be required to reconcile all publicly disclosed non-GAAP financial measures since it will still be a registrant post-closing.</li> <li>Puget Energy may not be a registrant post-closing and therefore, may not be required to reconcile non-GAAP financial measures.</li> </ul>	Puget Energy/PSE will continue to comply with these requirements. See SEC commitments above regarding continued filing of SEC reports on Forms 10-K, 10-Q and 8-K.
	Section 403: Disclosures of Transactions involving Management and Principal	<ul> <li><u>Rule 16a-3 of Exchange Act</u>:</li> <li>Filing requirements for Section 16 reports</li> <li>Website posting requirements for Section 16 reports</li> </ul>	<ul> <li>PSE will continue to be subject to these requirements since it will have preferred stock outstanding that was registered pursuant to §12.</li> <li>Puget Energy will not have any securities registered pursuant to §12</li> </ul>	Puget Energy/PSE will comply with these requirements only to the extent required by Rule 16a-3 of the Exchange Act (i.e., only to the extent Puget Energy/PSE have equity securities registered pursuant to §12 of the Exchange Act.

Sarbanes- Oxley Title	Sarbanes- Oxley Section	Applicable SEC / NYSE Rule and Brief Description of Requirement	Post-Closing Requirement	Post-Closing Commitment
	Stockholders		post-closing and will therefore no longer be subject to these requirements.	
	Section 404: Management Assessment of Internal Controls	<ul> <li><u>Reg. S-K, Item 308</u>: Internal Control over Financial Reporting</li> <li>Provide report of management on internal control over financial reporting</li> <li>Provide attestation report of auditor</li> </ul>	• So long as Puget Energy/PSE continue to file SEC reports (on Forms 8-K, 10- Q, 10-K), Puget Energy/PSE will continue to be subject to these requirements.	Puget Energy/PSE will continue to comply with these requirements. See SEC commitments above regarding continued filing of SEC reports on Forms 10-K, 10-Q and 8-K.
	Section 406: Code of Ethics for Senior Financial Officers Regulation S-K: §406	<ul> <li><u>Reg. S-K. Item 406</u>: Code of Ethics</li> <li>Disclose whether registrant has adopted a code of ethics that applies to PEO, PFO, PAO or controller</li> <li>File code of ethics and post same on website, undertaking to provide a written copy upon request</li> </ul>	• So long as Puget Energy/PSE continue to file SEC reports (on Forms 8-K, 10- Q, 10-K), Puget Energy/PSE will continue to be subject to these requirements.	Puget Energy/PSE will continue to comply with these requirements. See SEC commitments above regarding continued filing of SEC reports on Forms 10-K, 10-Q and 8-K.
	Section 407: Disclosure of Audit Committee Financial Expert	<ul> <li><u>Reg. S-K, Item 407</u>: Corporate Governance</li> <li>Disclose whether the audit committee is comprised of at least 1 member who is a financial expert.</li> </ul>	• So long as Puget Energy/PSE continue to file SEC reports (on Forms 8-K, 10- Q, 10-K), Puget Energy/PSE will continue to be subject to these requirements.	Puget Energy/PSE will continue to comply with these requirements. See SEC commitments above regarding continued filing of SEC reports on Forms 10-K, 10-Q and 8-K.
Fitle IX: White Collar Crime Penalty Enhancements	Section 906: Corporate Responsibility for Financial Reports	<ul> <li><u>Reg. S-K. Item 601</u>: Exhibits</li> <li>Requires certification of financial statements by Principal Executive Officer and Principal Financial Officer.</li> </ul>	• So long as Puget Energy/PSE continue to file SEC reports (on Forms 8-K, 10- Q, 10-K), Puget Energy/PSE will continue to be subject to these requirements.	Puget Energy/PSE will continue to comply with these requirements. See SEC commitments above.

FERC Reporti	ng Obligations		
Rule	Description of Requirement	Post-Closing Requirement	Post-Closing Commitment
18 CFR §141.1(b)(1)(i)	<ul> <li><u>Annual Report (FERC Form 1)</u></li> <li>Each Major electric utility shall prepare and file Form 1 electronically with the FERC pursuant to the General Instructions set out in that form.</li> </ul>	<ul> <li>PSE will continue to be a Major electric utility and will therefore continue to comply with this requirement.</li> <li>Puget Energy has never been subject to this requirement since it is not a Major electric utility.</li> </ul>	• PSE will continue to be required to comply with this requirement.
18 CFR §141.400(b)(1)(i)	<ul> <li><u>Quarterly Reports (FERC Form 3)</u></li> <li>Each electric utility must prepare and file Form No. 3-Q with the FERC pursuant to the General Instructions set out in that form.</li> </ul>	<ul> <li>PSE will continue to be an electric utility and will therefore continue to comply with this requirement.</li> <li>Puget Energy has never been subject to this requirement since it is not an electric utility.</li> </ul>	• PSE will continue to be required to comply with this requirement.
18 CFR §260.2(b)	<ul> <li><u>Annual Reports (FERC Form 2-A)</u></li> <li>Each Nonmajor interstate natural gas pipeline subject to the jurisdiction of the FERC shall prepare and file Form 2-A electronically with the FERC pursuant to the General Instructions set forth in that form.</li> </ul>	<ul> <li>PSE owns an interest in the Jackson Prairie Underground Storage Project, which will continue to be a Nonmajor natural gas company and will therefore continue to comply with this requirement.</li> <li>Neither Puget Energy nor PSE has been subject to this requirement because neither is a natural gas company, as that term is defined by Natural Gas Act (15 U.S.C. §§ 717, <i>et seq.</i>).</li> </ul>	• The Jackson Prairie Underground Storage Project will continue to be required to comply with this requirement.
18 CFR §260.300(b)(1)	<ul> <li><u>Quarterly Reports (FERC Form 3)</u></li> <li>Each natural gas company must prepare and file Form 3-Q with the FERC pursuant to the General Instructions set out in that form.</li> </ul>	<ul> <li>The Jackson Prairie Underground Storage Project will continue to be a natural gas company and will therefore continue to comply with this requirement.</li> <li>Neither Puget Energy nor PSE has been subject to this requirement because neither is a natural gas company, as that term is defined by Natural Gas Act (15 U.S.C. §§ 717, <i>et seq.</i>).</li> </ul>	• The Jackson Prairie Underground Storage Project will continue to regarding continued filing of SEC reports on Forms 10-K, 10-Q and 8-K comply with this requirement.