

**EXHIBIT NO. ___(SPR-3T)
DOCKET NO. U-072375
2007 MERGER PROCEEDING
WITNESS: STEPHEN P. REYNOLDS**

**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 No. U-072375

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
STEPHEN P. REYNOLDS
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JULY 2, 2008

PUGET SOUND ENERGY, INC.

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
STEPHEN P. REYNOLDS**

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1 **PUGET SOUND ENERGY, INC.**

2 **PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF**
3 **STEPHEN P. REYNOLDS**

4 **I. INTRODUCTION**

5 **Q. Are you the same Stephen P. Reynolds who provided prefiled direct**
6 **testimony in this proceeding on December 17, 2007, on behalf of Puget Sound**
7 **Energy, Inc. (“PSE” or “the Company”)?**

8 A. Yes. On December 17, 2007, I filed direct testimony, Exhibit No. ___(SPR-1T),
9 and one exhibit supporting such direct testimony, Exhibit No. ___(SPR-2) in this
10 proceeding.

11 **Q. Please state the purpose of your rebuttal testimony.**

12 A. This rebuttal testimony provides an overview of the response of the Joint
13 Applicants to the issues raised by Commission Staff, the Public Counsel Division
14 of the Office of the Washington Attorney General (“Public Counsel”), the Energy
15 Project, the Industrial Customers of Northwest Utilities (“ICNU”), and the
16 Northwest Energy Coalition (“NWECC”). I also introduce additional commitments
17 offered by the Joint Applicants in this rebuttal filing to address specific issues
18 raised by the parties to this proceeding, and I generally explain why the Proposed
19 Transaction is in the public interest. Finally, I introduce additional witnesses on
20 behalf of the Joint Applicants who respond in more detail to issues raised in the

1 testimony of Commission Staff, Public Counsel, the Energy Project, ICNU, and
2 NWEC.

3 **Q. What is the Joint Applicants' reaction to the testimonies submitted by**
4 **Commission Staff, Public Counsel, the Energy Project, ICNU and NWE**

5 A. Generally, the testimonies submitted by parties to this proceeding focus
6 exclusively on *hypothetical* negative impacts of the Proposed Transaction. The
7 parties generally ignore the risk to the Company and its customers associated with
8 the status quo. Finally, the parties fail to identify *actual* negative impacts of the
9 Proposed Transaction.

10 The Joint Applicants have carefully considered the issues presented by
11 Commission Staff, Public Counsel, the Energy Project, ICNU and NWE and
12 now offer additional data, analysis, commitments to address these issues.

13 **II. ADDITIONAL COMMITMENTS OFFERED BY THE**
14 **INVESTOR CONSORTIUM**

15 **Q. Are the Joint Applicants proposing additional customer benefits and**
16 **commitments in response to the testimony of Commission Staff, Public**
17 **Counsel, the Energy Project, ICNU and NWE**

18 A. Yes. The Joint Applicants have categorized the issues raised by Commission
19 Staff, Public Counsel, the Energy Project, ICNU and NWE into three general
20 areas: (i) potential risks associated with increased leverage of Puget Energy, Inc.

1 (“Puget Energy”), the parent company of PSE; (ii) the need for additional
2 customer and regional benefits; and (iii) the need to continue current governance
3 and reporting practices. The Joint Applicants are now offering additional
4 commitments to (i) address each of these issues, (ii) mitigate any perceived risk of
5 the Proposed Transaction, (iii) provide meaningful and tangible rate credits and
6 service improvements to customers, and (iv) ensure access to information
7 regarding Puget Energy and PSE for all constituencies. The Proposed
8 Transaction becomes even more compelling with these additional commitments.
9 Please see Exhibit No. ___(SPR-4) for a list of the additional commitments being
10 offered by the Joint Applicants.

11 **A. Additional Commitments Offered to Address Perceived Risks**
12 **Associated with Increased Leverage of Puget Energy**

13 **Q. Please describe the additional commitments offered by the Joint Applicants**
14 **to address issues regarding potential risks associated with increased leverage**
15 **of Puget Energy.**

16 A. The Joint Applicants offer significant dividend restrictions to ensure that the
17 modestly increased debt leverage of Puget Energy will not reduce PSE’s ability
18 to execute its business plan in the event of variations in earnings arising from
19 unexpected operating events, such as declines in sales, costs increases, and major
20 storm costs. As discussed in the rebuttal testimony of Mr. Christopher J. Leslie,
21 Exhibit No. ___(CJL-8CT), the Investor Consortium and PSE’s senior
22 management are confident that the financial model supporting the Proposed

1 Transaction is sound. Nevertheless, the Investor Consortium agrees to restrict the
2 payment of dividends by both PSE to Puget Energy and from Puget Energy to its
3 parent companies should specific interest coverage ratios not be achieved.

4 The net effect of these dividend restrictions is to require free cash flow that would
5 otherwise be distributed to the members of the Investor Consortium be retained
6 by PSE and Puget Energy to meet operating needs, in the unlikely event that the
7 dividend restrictions are ever triggered. Such cash can be used to pay down debt,
8 invest in capital assets, and address operating challenges facing the utility that are
9 the root cause of any such decline in performance. These additional commitments
10 also indicate the Investor Consortium's willingness to forego returns to ensure
11 that the utility remains financially strong. Please see the rebuttal testimony of Mr.
12 Christopher J. Leslie, Exhibit No. ___(CJL-8CT), for detail regarding the
13 proposed commitments relating to dividend restrictions.

14 **Q. Do the Joint Applicants offer any changes to the proposed corporate**
15 **structure to address issues regarding perceived risks associated with**
16 **increased leverage of Puget Energy?**

17 A. Yes. ICNU proposed that any entity that owns Puget Energy's common stock
18 should "always be capitalized with 100% common equity unless the Commission
19 approves an alternative capitalization mix." Exhibit No. ___(MPG-1T) at
20 page 25, lines 2-3. The Joint Applicants have addressed ICNU's concern by
21 committing to the insertion of a special purpose entity between Puget Energy and

1 its parent company, Puget Intermediate Holdings Inc. (“Puget Intermediate”).
2 Such special purpose entity will own all of the common stock of Puget Energy,
3 and the organizational documents of the special purpose entity will prohibit it
4 from incurring any indebtedness or owning any securities other than the common
5 stock of Puget Energy. Please see the rebuttal testimony of Mr. Christopher J.
6 Leslie, Exhibit No. ___(CJL-8CT), for detail regarding the proposed
7 commitments regarding the insertion of the special purpose entity between Puget
8 Energy and Puget Intermediate.

9 **B. Additional Commitments Offered to Increase Customer and Regional**
10 **Benefits**

11 **Q. Please describe the additional commitments offered by the Joint Applicants**
12 **to provide for additional customer and regional benefits.**

13 A. The Joint Applicants offer additional commitments in four categories to increase
14 the benefits of the Proposed Transaction to PSE’s customers and the region:
15 (i) rate credits; (ii) service quality indices; (iii) conservation, renewable energy
16 program, and carbon policy commitments; and (iv) low income customer bill
17 assistance.

18 **1. The Joint Applicants Offer Significant Rate Credits to**
19 **Customers**

20 **Q. Please describe the rate credits offered by the Joint Applicants.**

21 A. The Joint Applicants offer a commitment to provide significant rate credits to

1 PSE's customers. Specifically, the Joint Applicants commit to provide rate
2 credits totaling \$100 million to PSE's customers, to be paid in annual amounts of
3 \$10 million over the ten year period following the closing of the Proposed
4 Transaction. Please see the rebuttal testimony of Mr. Christopher J. Leslie,
5 Exhibit No. ___(CJL-8CT), for detail regarding the proposed rate credits.

6 **2. The Joint Applicants Offer Additional Service Quality Indices**

7 **Q. Please describe the Service Quality Indices offered by the Joint Applicants.**

8 A. The Joint Applicants offer a commitment to provide additional Service Quality
9 Indices to enhance customer service levels and incent PSE to provide such
10 service. Please see the rebuttal testimony of Ms. Susan McLain, Exhibit
11 No. ___(SML-1T), for detail regarding the proposed Service Quality Indices.

12 **3. The Joint Applicants Offer Important Conservation,**
13 **Renewable Energy, and Carbon Policy Commitments**

14 **Q. Please describe the conservation, renewable energy, and carbon policy**
15 **commitments offered by the Joint Applicants.**

16 A. The Joint Applicants offer various commitments to ensure that PSE maintains its
17 role as a leader in conservation, renewable energy, and carbon policy issues in the
18 region. Please see the rebuttal testimony of Mr. Eric M. Markell, Exhibit
19 No. ___(EMM-5CT), for detail regarding the proposed conservation and
20 renewable energy commitments.

1 **4. The Joint Applicants Offer Significant Commitments to Assist**
2 **Low-Income Customers**

3 **Q. Please describe commitments offered by the Joint Applicants to provide**
4 **enhanced bill payment assistance to low-income customers.**

5 A. The Joint Applicants agree that PSE will propose in the concurrent general rate
6 case proceeding to increase low-income bill assistance program funding for
7 qualifying participants by 46 percent. Please see the rebuttal testimony of Mr.
8 Eric M. Markell, Exhibit No. ___(EMM-5CT), for detail regarding the proposed
9 commitments to assist low-income customers.

10 **C. Additional Commitments Offered to Address the Need to Continue**
11 **Current Governance and Reporting Practices**

12 **Q. Please describe the additional commitments regarding financial reporting,**
13 **governance and transparency offered by the Joint Applicants to address**
14 **issues regarding the need to continue current governance and reporting**
15 **practices.**

16 A. First, the members of the Investor Consortium believe that infrastructure
17 businesses, such as PSE, are best run by strong management teams with
18 headquarters in the service territory so that local community needs remain in the
19 forefront of consideration. To that end, the Joint Applicants would like to clarify
20 the commitment included in the Merger Agreement to maintain PSE's and Puget
21 Energy's headquarters in Bellevue, Washington. The wording of this

1 commitment has been erroneously interpreted to suggest that the corporate
2 headquarters of each of Puget Energy and PSE would move from Bellevue,
3 Washington, after five years. No party to the Merger Agreement intended this
4 commitment to have an “expiration date.” Accordingly, each of the Joint
5 Applicants commits to maintain PSE’s and Puget Energy’s headquarters in
6 Bellevue, Washington indefinitely. Furthermore, the revised commitment would
7 prohibit PSE and Puget Energy from moving their respective headquarters out of
8 Bellevue, Washington, without prior approval by the Commission.

9 Second, the members of the Investor Consortium further believe that corporate
10 boards should include directors who are residents of the region. Accordingly, the
11 Joint Applicants commit that (i) the board of directors of PSE will include at least
12 three directors who are residents of the region, one of whom shall be the chief
13 executive officer of PSE, and (ii) the board of directors of Puget Energy will
14 include at least two directors who are residents of the region, one of whom shall
15 be the chief executive officer of PSE. In that regard, the Joint Applicants have
16 already announced that (i) Mr. William S. Ayer, chairman and chief executive
17 officer of Alaska Air Group, will serve as chairman of the board of directors of
18 each of Puget Energy and PSE and (ii) Mr. Herbert B. Simon, a member of Simon
19 Johnson LLC, will serve on the board of directors of PSE. Please see Exhibit
20 No. ___(SPR-5) for a copy of the press release dated July 12, 2008, announcing
21 this news.

22 Third, the Joint Parties understand that Commission Staff, Public Counsel, the

1 Energy Project, ICNU and NWECC value Puget Energy's and PSE's regular
2 reporting pursuant to requirements of the Securities Exchange Commission
3 ("SEC"). Accordingly, the Joint Applicants commit that Puget Energy and PSE
4 will each continue their respective SEC reporting statuses and will file such
5 reports going forward. Please see the rebuttal testimony of Mr. Eric M. Markell,
6 Exhibit No. ____ (EMM-5CT), for detail regarding the proposed commitment for
7 Puget Energy and PSE to maintain their respective SEC reporting practices.

8 Fourth, the Joint Applicants commits that each of Puget Energy and PSE will
9 continue to comply with SEC governance requirements. This commitment means
10 that the current board committee structure and governance practices will be
11 maintained, and that each of Puget Energy and PSE will continue to comply with
12 Sarbanes-Oxley. Please see the rebuttal testimony of Mr. Eric M. Markell,
13 Exhibit No. ____ (EMM-5CT), for detail regarding the proposed commitment that
14 each of Puget Energy and PSE will continue to comply with SEC governance
15 requirements.

16 III. ACCESS TO CAPITAL

17 **Q. How do you respond to the allegation of Public Counsel that your "concern"**
18 **regarding Puget's capital budget does not amount to reliable evidence that**
19 **the Puget executives are *unable* to finance its necessary construction**
20 **expenditures"? (Exhibit No. ____ (SGH-1THC) at page 75, lines 9-11.)**

21 A. I did not offer my "concern" about PSE's capital budget as evidence that Puget

1 Energy and PSE are unable to finance necessary construction expenditures. As
2 stated in my direct testimony in this proceeding, Exhibit No. ____ (SPR-1T), Puget
3 Energy is able to access the public markets to finance PSE’s construction
4 expenditures, but it may not be at reasonable terms:

5 PSE faces significant challenges in its efforts to access capital at a
6 reasonable cost in order to meet the growing energy needs of our
7 customers, while continuing to provide safe and reliable service to
8 this dynamic region.

9 Exhibit No. ____ (SPR-1T) at page 4, lines 8-11.

10 **Q. How do you respond to Public Counsel’s assertion that “the Joint Applicants**
11 **have not established that there are benefits in terms of access to capital or**
12 **otherwise that offset the harm of increased risks to the public”?** (Exhibit
13 **No. ____ (SGH-1THC) at page 77, lines 10-12.)**

14 A. The Proposed Transaction clearly benefits customers by providing PSE with a
15 more predictable and stable source of capital to fund the Company’s capital
16 expenditure program to meet customer needs. Simply put, the Proposed
17 Transaction aligns PSE’s sizeable capital requirements with a group of investors
18 who are in a position to provide the amount of capital needed and—of equal
19 importance—when the capital is needed.

20 Please see the rebuttal testimony of Mr. Christopher J. Leslie, Exhibit
21 No. ____ (CJL-8CT), for detail regarding the predictable and stable access to
22 capital offered by the Investor Consortium at reasonable terms. Please also see

1 the rebuttal testimony of Mr. Justin Pettit, Exhibit No. ____ (JP-1CT) and of
2 Mr. Eric M. Markell, Exhibit No. ____ (EMM-5CT), regarding the significant
3 financing risks facing PSE and the challenges to PSE and its customers if it does
4 not have the benefit of a financial partner, such as the Investor Consortium.

5 **Q. How do you respond to Commission Staff’s allegation that “the Joint**
6 **Applicants failed to provide any dispositive analyses in support of their**
7 **conclusion that the proposed sale offers superior access to capital for PSE**
8 **compared to the *status quo*”? (Exhibit No. ____ THC(KLE-1THC) at page 27,**
9 **lines 20-22.)**

10 A. Commission Staff erroneously asserts, without any support, that the *status quo*
11 will continue to work for PSE simply because it has worked in the past. I am less
12 certain that the *status quo* will work. Commission Staff fails to acknowledge that
13 PSE competes with other firms for the same capital. Given PSE’s future earnings
14 prospects and likely adverse effect upon the value of Puget Energy’s common
15 stock, it will likely be very difficult for Puget Energy to raise equity in the public
16 markets at reasonable terms. Please see the rebuttal testimony of Mr. Justin Pettit,
17 Exhibit No. ____ (JP-1CT) and of Mr. Eric M. Markell, Exhibit No. ____ (EMM-
18 5CT), for information regarding the financing challenges facing PSE.

19 **Q. Commission Staff supports your statement that “PSE can obtain capital**
20 **through the public markets.” (Exhibit No. ____ (SPR-1T) at page 6, line 16.)**

1 **Can Puget Energy raise equity capital on reasonable terms under the *status***
2 ***quo* model over the next five years?**

3 A. I anticipate that Puget Energy could continue to raise capital through the public
4 markets over the next five years, but not likely at reasonable terms. Over the past
5 six years, Puget Energy has raised over \$800 million of capital through four
6 equity issuances, totaling approximately 37 million common shares. Puget
7 Energy found each such issuance to be challenging.

8 During my six years at Puget Energy and PSE, I have met with numerous
9 investors to educate and inform them about PSE in the hope that they will provide
10 equity capital at reasonable terms, when it is needed. I have found that investors
11 appetite for, and willingness to provide, capital is strongly influenced by several
12 factors, some of which cannot necessarily be managed directly by Puget Energy's
13 or PSE's management teams. Therefore, based on this first-hand experience,
14 I believe that, on a standalone basis, Puget Energy might not be able to obtain the
15 equity capital PSE needs at reasonable terms.

16 **Q. Please describe these factors that influence investors' appetite to provide**
17 **equity capital?**

18 A. Based on direct feedback from utility investors, investors generally favor a utility
19 that has an "equity story" that includes the following factors: (i) predictable
20 earnings per share (i.e. "no surprises"); (ii) increasing earnings per share;
21 (iii) capital spending programs accomplished with forward-looking test periods or

1 automatic rate adjustment mechanisms; (iv) customer growth above the national
2 average; (v) consecutive dividend increases (even if in small increments);
3 (vi) reasonable earned returns relative to industry averages, (vii) cost recovery
4 mechanisms, such as the Power Cost Only Rate Case (“PCORC”), and (viii) full
5 pass-through fuel clauses.

6 Investors, however, demand a higher equity risk premium for regulatory lag or the
7 gap between authorized returns and returns actually earned that is characteristic of
8 utilities that recover costs based on historic test periods. Although most investors
9 acknowledge that the PCORC serves to mitigate regulatory lag related to PSE’s
10 new generating resources, investors also believe that the PCORC falls short
11 because it does not provide any revenues to offset depreciation, capital and
12 operating costs for investments in delivery infrastructure. Indeed, investments in
13 delivery infrastructure constitute a substantial majority of PSE’s projected capital
14 needs over the next five years. Please see the rebuttal testimony of Mr. Eric M.
15 Markell, Exhibit No. ___(EMM-5CT), for further detail.

16 Additionally, when utilities submit rate cases on a regular basis to recover capital
17 investments, investors assign an even higher risk premium for the uncertainty
18 around future earnings during the review process. This typically results in a
19 lower stock price relative to other utilities, which can make it difficult to issue
20 equity at reasonable terms.

21 I have also learned that investors are typically not willing to concentrate too much

1 of their funds in any one company for a variety of reasons, including internal
2 policies that prohibit large interests in any one company and concerns related to
3 liquidity or low average trading volumes associated with mid-cap companies,
4 such as Puget Energy. The daily average trading volume or liquidity is important
5 to investors because it has a bearing on their ability to convert stocks into cash
6 quickly and without any price discount.

7 Therefore, I have concluded that smaller and mid-size utilities that need to fund
8 large projected capital spending programs but recover costs based on historic test-
9 periods, such as PSE, are often unfavorably viewed as “serial” issuers of equity
10 and filers of rate cases by the public markets. This investor view could hamper
11 Puget Energy’s ability to raise equity in a timely manner and at reasonable terms.

12 **Q. Have the Joint Applicants prepared any analysis to support this conclusion?**

13 A. Yes. Please see the rebuttal testimony of Mr. Justin Pettit, Exhibit No. ____ (JP-
14 1CT), for support for my conclusion.

15 **IV. THE PROPOSED TRANSACTION IS IN**
16 **THE PUBLIC INTEREST**

17 **Q. Do you agree with Commission Staff and Public Counsel that the Proposed**
18 **Transaction is not in the public interest?**

19 A. No, I do not. The Proposed Transaction is in the public interest because it allows
20 PSE to access more predictable and stable capital and deliver energy that is safe,

1 reliable, reasonably priced, and environmentally responsible. Without access to a
2 more predictable and stable capital source on reasonable terms, PSE will likely
3 face significant financing risks in the future, which could affect PSE's customers
4 and the region, as discussed in the rebuttal testimony of Mr. Eric M. Markell,
5 Exhibit No. ____ (EMM-5CT).

6 Furthermore, PSE and its customers will realize the benefits of a more predictable
7 and stable source of capital and, at the same time, continue to be a locally-
8 managed utility properly responsive to the needs of its region.

9 **Q. Public Counsel's witness makes the following assertion: "Mr. Reynolds'**
10 **concern for Puget's capital expenditure program as well as his support for**
11 **all aspects of the proposed transaction must be evaluated in light of the fact**
12 **that he will receive payments totaling more than \$20 Million if this**
13 **transaction is**
14 **approved." (Exhibit No. ____ (SGH-1THC) at page 75, line 14.) How do you**
15 **respond to that assertion?**

16 A. In my forty-plus years in the industry, my reputation, motivations and intentions
17 have never been questioned or doubted. The Proposed Transaction was a very
18 difficult decision undertaken by all of us who serve on PSE's and Puget Energy's
19 board of directors. My decision to support the Proposed Transaction was entirely
20 independent of any compensation that would result from it.

21 If this transaction occurs, I intend to make a significant personal contribution to

1 the Puget Sound Energy Foundation (PSE foundation) on behalf of the customers,
2 communities and employees of this wonderful region.

3 **Q. Please describe why the Investor Consortium is well suited to fulfill PSE's**
4 **capital needs in the future?**

5 A. The members of the Investor Consortium are well suited to meet PSE's capital
6 needs because they are patient, long-term holders of their investments.
7 Additionally, the members of the Investor Consortium will serve as a predictable
8 and stable source of funds. Indeed, the long-term investment goals of the
9 members of the Investor Consortium fit well with PSE's need for significant
10 capital investment over the foreseeable future. Please see the conclusions of the
11 rebuttal testimony of Mr. Eric M. Markell, Exhibit No. ___(EMM-5CT); the
12 rebuttal testimony of each of Mr. Mark Wiseman, Exhibit No. ___(MW-1T), on
13 behalf of the Canada Pension Plan Investment Board; Mr. Lincoln Webb, Exhibit
14 No. ___(LW-1T), on behalf of the British Columbia Investment Management
15 Corporation; and Mr. William R. McKenzie, Exhibit No. ___(WRM-1T) on
16 behalf of the Alberta Investment Management Corporation, for further
17 information regarding the investment philosophies of members of the Investor
18 Consortium.

19 **Q. Please describe the role of PSE's board of directors in the consideration of**
20 **the Proposed Transaction.**

21 A. The board of directors reviews PSE's long-term business plan annually as part of

1 its ongoing strategic planning. The Proposed Transaction grew out of the
2 realization that an ownership model that held a longer-term view of the service
3 PSE provides and the requirements it needs to meet would better position PSE to
4 execute on its strategic plan. Please see the rebuttal testimony of Ms. Phyllis J.
5 Campbell, Exhibit No. ____ (PJC-1T) for a discussion of the role of PSE's board of
6 directors in the consideration of the Proposed Transaction.

7 **V. WITNESSES**

8 **Q. Are there new witnesses testifying in this proceeding on behalf of the Joint**
9 **Applicants?**

10 **A.** Yes. The following additional witnesses will provide rebuttal testimony on behalf
11 of the Joint Applicants, which responds to issues raised in the testimony of
12 Commission Staff, Public Counsel, the Energy Project, ICNU, and NVEC:

- 13 (i) Mr. Mark Wiseman, Senior Vice President – Private
14 Investments for Canada Pension Plan Investment Board;
- 15 (ii) Mr. Lincoln Webb, Vice President, Private Placements for
16 British Columbia Investment Management Corporation;
- 17 (iii) Mr. William R. McKenzie, Head, Infrastructure and
18 Timber Investments for Alberta Investment Management
19 Corporation;
- 20 (iv) Ms. Susan McLain, Senior Vice President Operations,
21 Puget Sound Energy, Inc.
- 22 (v) Ms. Phyllis J. Campbell, President/Chief Executive Officer
23 of The Seattle Foundation and member of the board of
24 directors of each of Puget Energy and PSE;
- 25 (vi) Mr. Justin Pettit, Vice President with Booz Allen Hamilton;

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(vii) Mr. Robinson Kupchak, Managing Director Macquarie Holdings (U.S.A.) Inc.

VI. CONCLUSION

Q. Please summarize your rebuttal testimony.

A. As originally proposed, the Proposed Transaction provided significant benefits to PSE’s customers and the region by providing reliable access to the capital necessary to deliver energy that is safe, reliable, reasonably priced, and environmentally responsible. As a standalone company, Puget Energy faces significant challenges raising the capital necessary to meet PSE’s needs for additional energy sources and infrastructure upgrades. The Proposed Transaction with the Investor Consortium addresses that challenge by providing PSE with a more predictable and stable source of capital to fund the Company’s capital expenditure program to meet customer needs.

I firmly believe that the Proposed Transaction will enable PSE to continue building on its legacy, as a locally-managed, premier provider of energy service, and as a responsible environmental steward.

Q. Does that conclude your prefiled rebuttal testimony?

A. Yes.