

MELISSA CHEESMAN

1. Testimony of Melissa Cheesman (MCC-1T)
2. Exhibit DTA-3 (PSE Headcount from 2010 to 2018)
3. Exhibit DTA-4 (PSE OT Hours by Cost Center 2009-2018)
4. Exhibit BE-2 - Attachment A to Joint Applicants' Bench Request No. 001

ATTACHMENT A TO JOINT APPLICANTS’ RESPONSE TO BENCH REQUEST NO. 001 – DOCKET U-180680

PROPOSED COMMITMENTS IN DOCKET U-180680 SHOWING MODIFICATIONS FROM DOCKET U-072375

Legend:
<u>Insertion</u>
<u>Insertion reflecting Commission Conditions in Order 08 from Docket U-072375</u>
Deletion

NEW NO.	PRIOR NO. OR DOCKET	PROPOSED COMMITMENT IN DOCKET U-180680	PROPOSED COMMITMENTS IN DOCKET U-180680 SHOWING MODIFICATIONS FROM DOCKET U-072375 (IN TRACKED CHANGES)
1	41 and Condition 14	Puget Holdings and PSE commit that (i) the board of directors of PSE will include at least three directors who are residents of the region, one of whom shall be the chief executive officer of PSE, and (ii) the board of directors of Puget Energy will include at least two directors who are residents of the region, one of whom shall be the chief executive officer of PSE. The term “region” as it applies to this Commitment 1 means Washington State.	Joint Applicants <u>Puget Holdings and PSE</u> commit that (i) the board of directors of PSE will include at least three directors who are residents of the region, one of whom shall be the chief executive officer of PSE, and (ii) the board of directors of Puget Energy will include at least two directors who are residents of the region, one of whom shall be the chief executive officer of PSE. <u>The term “region” as it applies to this Commitment 1 means Washington State.</u>
2	12	Puget Holdings and PSE commit that PSE will honor its labor contracts.	Puget Holdings and PSE commit that PSE will honor its labor contracts.

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3	14	PSE and Puget Holdings will maintain staffing and presence in the communities in which PSE operates at levels sufficient to maintain the provision of safe and reliable service and cost-effective operations.	PSE and Puget Holdings will maintain staffing and presence in the communities in which PSE operates at levels sufficient to maintain the provision of safe and reliable service and cost-effective operations.
4	17	PSE and Puget Holdings commit that PSE and Puget Energy corporate headquarters will remain in PSE's service territory.	PSE and Puget Holdings commit that PSE and Puget Energy corporate headquarters will remain in PSE's service territory.
5	21 and Condition 7	Transaction Costs: PSE and Puget Holdings agree that there will be no recovery of any transaction costs associated with the Proposed Transactions, as well as, any legal and financial advisory fees associated with the Proposed Transactions in rates and no recovery of the acquisition premium in rates. The scope of transaction costs in this Commitment 5 includes any compensation of senior executives related to the Proposed Transactions.	Transaction Costs: PSE and Puget Holdings agree that there will be no recovery of <u>any transaction costs associated with the Proposed Transactions, as well as, any</u> legal and financial advisory fees associated with the Proposed Transactions in rates and no recovery of the acquisition premium in rates. <u>The scope of transaction costs in this Commitment 5 includes any compensation of senior executives related to the Proposed Transactions.</u>
6	9 and Condition 4	PSE will (i) maintain separate books and records; (ii) agree to prohibitions against loans or pledges of utility assets to Puget Energy or Puget Holdings, or any of their subsidiaries or affiliates, without Commission approval; and (iii) generally hold PSE customers harmless from any business and financial	PSE will (i) maintain separate books and records; (ii) agree to prohibitions against loans or pledges of utility assets to Puget Energy or Puget Holdings, <u>or any of their subsidiaries or affiliates,</u> without Commission approval; and (iii) generally hold PSE customers harmless from any business and financial risk

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		risk exposures associated with Puget Energy, Puget Holdings and its other affiliates.	exposures associated with Puget Energy, Puget Holdings and its other affiliates.
7	24 and Condition 8	<p>Puget Holdings and PSE will not advocate for a higher cost of debt or equity capital as compared to what PSE’s cost of debt or equity capital would have been absent the change in ownership at Puget Holdings.</p> <p>For future ratemaking purposes, Commitments 6(iii), 7, and 8(a) are clarified as follows:</p> <p>(a) Determination of PSE’s debt and equity costs will be no higher than such costs would have been assuming PSE’s credit ratings by S&P and Moody’s in effect on the day before the Proposed Transactions closed and applying those credit ratings to then-current debt and equity markets, unless PSE proves that a lower credit rating is caused by circumstances or developments not the result of financial risks or other characteristics of the Proposed Transactions.</p> <p>(b) Determination of the allowed return on equity in future general rate cases will include selection and use of one or more proxy group(s) of companies engaged in businesses substantially similar to PSE,</p>	<p>Puget Holdings and PSE will not advocate for a higher cost of debt or equity capital as compared to what PSE’s cost of debt or equity capital would have been absent the change in ownership at Puget Holdings’ ownership.</p> <p><u>For future ratemaking purposes, Commitments 6(iii), 7, and 8(a) are clarified as follows:</u></p> <p><u>(a) Determination of PSE’s debt and equity costs will be no higher than such costs would have been assuming PSE’s credit ratings by S&P and Moody’s in effect on the day before the Proposed Transactions closed and applying those credit ratings to then-current debt and equity markets, unless PSE proves that a lower credit rating is caused by circumstances or developments not the result of financial risks or other characteristics of the Proposed Transactions.</u></p> <p><u>(b) Determination of the allowed return on equity in future general rate cases will include selection and use of one or more proxy group(s) of companies engaged in businesses substantially similar to PSE,</u></p>

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		without any limitation related to PSE’s ownership structure.	<u>without any limitation related to PSE’s ownership structure.</u>
8	26 and Condition 9	<p>In furtherance of Commitment 6:</p> <p>(a) Puget Holdings and PSE commit that PSE’s customers will be held harmless from the liabilities of any non-regulated activity of PSE or Puget Holdings. In any proceeding before the Commission involving rates of PSE, the fair rate of return for PSE will be determined without regard to any adverse consequences that are demonstrated to be attributable to the non-regulated activities. Any new non-regulated subsidiary will be established as a subsidiary of either Puget Holdings, Puget Intermediate, or Puget Energy rather than as a subsidiary of PSE. Measures providing for separate financial and accounting treatment will be established for each non-regulated activity.</p> <p>(b) Puget Holdings and PSE will notify the Commission subsequent to Puget Holdings’ board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of Puget</p>	<p>In furtherance of Commitment 6<u>96</u>:</p> <p>(a) Puget Holdings and PSE commit that PSE’s customers will be held harmless from the liabilities of any non-regulated activity of PSE or Puget Holdings. In any proceeding before the Commission involving rates of PSE, the fair rate of return for PSE will be determined without regard to any adverse consequences that are demonstrated to be attributable to the non-regulated activities. Any new nonregulated<u>non-regulated</u> subsidiary will be established as a subsidiary of either Puget Holdings, Puget Intermediate-Holdings Inc., or Puget Energy rather than as a subsidiary of PSE. Measures providing for separate financial and accounting treatment will be established for each non-regulated activity.</p> <p>(b) Puget Holdings and PSE will notify the Commission subsequent to Puget Holdings’ board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of Puget Holdings;</p>

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		<p>Holdings; or (2) the change in effective control or acquisition of any material part of PSE by any other firm, whether by merger, combination, transfer of stock or assets.</p> <p>(c) Neither PSE nor Puget Holdings will assert in any future proceedings that the Commission is without jurisdiction over any transaction that results in a change of control of PSE.</p> <p>As regards Commitments 8(b), 8(c) and 13(c), within 14 days following the notice required by Commitment 8(b), PSE and Puget Holdings will seek Commission approval of any sale or transfer of: (1) any part of PSE that will give a new or existing member of Puget Holdings effective control of PSE, either in terms of ownership shares, or in terms of voting power under the then-applicable Puget Holdings LLC Agreement, or; (2) any material part of PSE. The term “material part of PSE” means any sale or transfer of stock representing ten percent or more of the equity ownership of Puget Holdings or PSE. <i>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, Order 08 at ¶ 86 (Dec. 30, 2008).</i> No sale or</p>	<p>or (2) the change in effective control or acquisition of any material part of PSE by any other firm, whether by merger, combination, transfer of stock or assets.</p> <p>(c) Neither PSE nor Puget Holdings will assert in any future proceedings, that, by virtue of the Proposed Transaction and the resulting corporate structure, <u>that</u> the Commission is without jurisdiction over any transaction that results in a change of control of PSE.</p> <p><u>As regards Commitments 8(b), 8(c) and 13(c), within 14 days following the notice required by Commitment 8(b), PSE and Puget Holdings will seek Commission approval of any sale or transfer of: (1) any part of PSE that will give a new or existing member of Puget Holdings effective control of PSE, either in terms of ownership shares, or in terms of voting power under the then-applicable Puget Holdings LLC Agreement, or; (2) any material part of PSE. The term “material part of PSE” means any sale or transfer of stock representing ten percent or more of the equity ownership of Puget Holdings or PSE. <i>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, Order 08 at ¶ 86 (Dec.</i></u></p>

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		transfer subject to Commitment 8(b) may close prior to approval by the Commission.	<u>30, 2008). No sale or transfer subject to Commitment 8(b) may close prior to approval by the Commission.</u>
9	New	PSE shall file notice with the Commission at least thirty (30) days prior to the closing of any transfer or sale of any membership interest in Puget Holdings. Such notice shall identify (i) the entity selling or transferring such membership interest, (ii) the entity purchasing or accepting assignment of such membership interest, and (iii) the membership interest to be sold or transferred. Such notice shall be only for informational purposes if such sale or transfer is less than ten percent of the membership interests in Puget Holdings. Such notice will not be required for an internal corporate reorganization of an existing member of Puget Holdings.	N/A
10	19	Puget Holdings and PSE will make reasonable commitments, consistent with recent Commission merger orders, to provide access to PSE's books and records; access to financial information and filings; audit rights with respect to the documents supporting any costs that may be allocable to PSE; and access to PSE's board minutes, audit reports, and information provided to credit rating agencies pertaining to PSE.	Puget Holdings and PSE will make reasonable commitments, consistent with recent Commission merger orders, to provide access to PSE's books and records; access to financial information and filings; audit rights with respect to the documents supporting any costs that may be allocable to PSE; and access to PSE's board minutes, audit reports, and information provided to credit rating agencies pertaining to PSE.

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11	27 And Condition 10	<p>In furtherance of Commitment 10:</p> <p>(a) PSE and Puget Holdings will maintain the necessary books and records so as to provide an audit trail for all corporate, affiliate, or subsidiary transactions with PSE, or that result in costs that may be allocable to PSE.</p> <p>(b) Puget Holdings and PSE commit that PSE will provide Commission Staff and Public Counsel access to books and records (including those of Puget Holdings, including reports produced by Puget Holdings for its members to the extent those reports are pertinent to PSE, or any affiliate or subsidiary companies) required to be accessed to verify or examine transactions with PSE, or that result in costs that may be allocable to PSE. The Proposed Transactions will not result in reduced access to the necessary books and records that relate to transactions with PSE, or that result in costs that may be allocable to PSE, and the Proposed Transactions and resulting corporate structure will not be used by PSE as a basis to oppose requests for such books and records made by the Commission or by Commission Staff or Public Counsel.</p>	<p>In furtherance of Commitment 19<u>10</u>:</p> <p>(a) PSE and Puget Holdings will maintain the necessary books and records so as to provide an audit trail for all corporate, affiliate, or subsidiary transactions with PSE, or that result in costs that may be allocable to PSE.</p> <p>(b) <u>Puget Holdings and PSE commit that</u> PSE will provide Commission Staff and Public Counsel access to books and records (including those of Puget Holdings, <u>including reports produced by Puget Holdings for its members to the extent those reports are pertinent to PSE,</u> or any affiliate or subsidiary companies) required to be accessed to verify or examine transactions with PSE, or that result in costs that may be allocable to PSE. The Proposed Transactions will not result in reduced access to the necessary books and records that relate to transactions with PSE, or that result in costs that may be allocable to PSE, and the Proposed Transactions and resulting corporate structure will not be used by PSE as a basis to oppose requests for such books and records made by the Commission or by Commission Staff or Public Counsel.</p>

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		<p>(c) Puget Holdings and PSE commit that nothing in the Proposed Transactions will limit or affect the Commission’s rights with respect to inspection of accounts, books, papers and documents of PSE pursuant to RCW 80.04.070 or RCW 80.16.030. Puget Holdings commits that nothing in the Proposed Transactions will limit or affect the Commission’s rights with respect to inspection of accounts, books, papers and documents of Puget Holdings pursuant to RCW 80.16.030; provided, that such right to inspection shall be limited to those accounts, books, papers and documents of Puget Holdings that pertain to transactions affecting PSE’s regulated utility operations.</p> <p>(d) Puget Holdings and PSE will provide the Commission with access to written information provided by and to credit rating agencies that pertains to PSE. Puget Holdings and each of its members will also provide the Commission with access to written information provided by and to credit rating agencies that pertains to Puget Holdings’ subsidiaries to the extent such information may potentially affect PSE.</p>	<p>(c) Nothing <u>Puget Holdings and PSE commit that nothing</u> in the Proposed Transactions will limit or affect the Commission’s rights with respect to inspection of accounts, books, papers and documents of PSE pursuant to RCW 80.04.070 or RCW 80.16.030. Nothing <u>Puget Holdings commits that nothing</u> in the Proposed Transactions will limit or affect the Commission’s rights with respect to inspection of accounts, books, papers and documents of Puget Holdings pursuant to RCW 80.16.030; provided, that such right to inspection shall be limited to those accounts, books, papers and documents of Puget Holdings that pertain to transactions affecting PSE’s regulated utility operations.</p> <p>(d) Puget Holdings and PSE will provide the Commission with access to written information provided by and to credit rating agencies that pertains to PSE. Puget Holdings and each of its members will also provide the Commission with access to written information provided by and to credit rating agencies that pertains to Puget Holdings’ subsidiaries to the extent such information may potentially affect PSE.</p>
12	20	Affiliate Transactions, Cross-Subsidization: PSE agrees (i) to file cost allocation methodologies used	Affiliate Transactions, Cross-Subsidization: PSE agrees (i) to file cost allocation methodologies used to

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	and Condition 6	to allocate Puget Energy or Puget Holdings related costs to PSE; (ii) to propose methods and standards for treatment of affiliate transactions; and (iii) that there will be no cross-subsidization by PSE customers of unregulated activities. The cost-allocation methodology filed pursuant to this Commitment 12 will be a generic methodology that does not require Commission approval prior to its being proposed for specific application in a general rate case or other proceeding affecting rates.	allocate Puget Energy or Puget Holdings- related costs to PSE; (ii) to propose methods and standards for treatment of affiliate transactions; and (iii) that there will be no cross-subsidization by PSE customers of unregulated activities. <u>The cost- allocation methodology filed pursuant to this Commitment 12 will be a generic methodology that does not require Commission approval prior to its being proposed for specific application in a general rate case or other proceeding affecting rates.</u>
13	28	<p>In furtherance of Commitment 12:</p> <p>(a) If and when any subsidiary of PSE becomes a subsidiary of Puget Holdings, Puget Intermediate, or Puget Energy, PSE will so advise the Commission within thirty (30) days and will submit to the Commission a written document setting forth PSE’s proposed corporate and affiliate cost allocation methodologies.</p> <p>(b) PSE will notify the Commission of any change in corporate structure that affects PSE’s corporate and affiliate cost allocation methodologies. PSE will propose revisions to such cost allocation methodologies to accommodate such changes. PSE</p>	<p>In furtherance of Commitment 20<u>12</u>:</p> <p>(a) If and when any subsidiary of PSE becomes a subsidiary of Puget Holdings, Puget Intermediate Holdings Inc., or Puget Energy, PSE will so advise the Commission within thirty (30) days and will submit to the Commission a written document setting forth PSE’s proposed corporate and affiliate cost allocation methodologies.</p> <p>(b) PSE will notify the Commission of any change in corporate structure that affects PSE’s corporate and affiliate cost allocation methodologies. PSE will propose revisions to such cost allocation methodologies to accommodate such changes. PSE will not argue that</p>

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		<p>will not argue that compliance with this provision constitutes approval by the Commission of a particular methodology for corporate and affiliate cost allocation.</p> <p>(c) PSE and Puget Holdings will comply with all applicable provisions of Title 80 RCW, including those pertaining to transfers of property under Chapter 80.12 RCW, affiliated interests under Chapter 80.16 RCW, and securities and the assumption of obligations and liabilities under Chapter 80.08 RCW.</p> <p>(d) With respect to the ratemaking treatment of affiliate transactions, PSE and Puget Holdings will comply with the Commission’s then-existing practice; provided, however, that nothing in this Commitment 13(d) limits PSE from also proposing a different ratemaking treatment for the Commission’s consideration or limit the positions any other party may take with respect to ratemaking treatment.</p> <p>(e) PSE will bear the burden of proof in any general rate case that any corporate and affiliate cost allocation methodology it proposes is reasonable for ratemaking purposes. Neither PSE nor Puget</p>	<p>compliance with this provision constitutes approval by the Commission of a particular methodology for corporate and affiliate cost allocation.</p> <p>(c) PSE and Puget Holdings will comply with all applicable provisions of Title 80 RCW, including those pertaining to transfers of property under Chapter 80.12 RCW, affiliated interests under Chapter 80.16 RCW, and securities and the assumption of obligations and liabilities under Chapter 80.08 RCW.</p> <p>(d) With respect to the ratemaking treatment of affiliate transactions, PSE and Puget Holdings will comply with the Commission’s then-existing practice; provided, however, that nothing in this Commitment 13(d) limits PSE from also proposing a different ratemaking treatment for the Commission’s consideration or limit the positions any other party may take with respect to ratemaking treatment.</p> <p>(e) PSE will bear the burden of proof in any general rate case that any corporate and affiliate cost allocation methodology it proposes is reasonable for ratemaking purposes. Neither PSE nor Puget Holdings will contest the Commission’s authority to disallow, for retail ratemaking purposes in a general rate case,</p>

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		Holdings will contest the Commission’s authority to disallow, for retail ratemaking purposes in a general rate case, unsupported, unreasonable, or misallocated costs from non-regulated or affiliate businesses to PSE’s regulated utility operations.	unsupported, unreasonable, or misallocated costs from non-regulated or affiliate businesses to PSE’s regulated utility operations.
14	29	PSE, and Puget Holdings acknowledge that all existing orders issued by the Commission with respect to PSE or its predecessors, Puget Sound Power & Light Company and Washington Natural Gas Company, will remain in effect, and are not modified or otherwise affected by the Proposed Transactions or any order of the Commission approving the Proposed Transactions. Notwithstanding the immediately preceding sentence, the Commission’s <i>Order Accepting Stipulation and Approving Corporate Reorganization to Create a Holding Company, With Conditions</i> , dated August 15, 2000, in Docket No. UE- 991779 is acknowledged to be superseded and replaced in its entirety by the 2008 Acquisition Order.	PSE, and Puget Holdings acknowledge that all existing orders issued by the Commission with respect to PSE or its predecessors, Puget Sound Power & Light Company and Washington Natural Gas Company, will remain in effect, and are not modified or otherwise affected by the Proposed Transactions or any order of the Commission approving the Proposed Transactions. Notwithstanding the immediately preceding sentence, the Commission’s <i>Order Accepting Stipulation and Approving Corporate Reorganization to Create a Holding Company, With Conditions</i> , dated August 15, 2000, in Docket No. UE- 991779 will <u>is acknowledged to</u> be superseded and replaced in its entirety by any order of the Commission approving the Proposed Transaction <u>the 2008 Acquisition Order</u> .
15	1	PSE and Puget Holdings commit to continue the Service Quality measures currently in place for PSE or as may be modified in any future proceeding. PSE and Puget Holdings commit that PSE will not seek to	PSE and Puget Holdings commit to continue the Service Quality measures currently in place for PSE or as may be modified in any future proceeding. <u>PSE and Puget Holdings commit that PSE will not seek to</u>

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		abolish its Service Quality program, but that such program may be modified, if warranted. PSE will serve any request to change a service quality measure on Commission Staff and Public Counsel.	<u>abolish its Service Quality program, but that such program may be modified, if warranted. PSE will serve any request to change a service quality measure on Commission Staff and Public Counsel.</u>
16	46	PSE will continue to meet all the applicable FERC reporting requirements with respect to annual reports (FERC Form 1) and quarterly reports (FERC Form 3) after closing of the Proposed Transactions.	PSE will continue to meet all the applicable FERC reporting requirements with respect to annual reports (FERC Form 1) and quarterly reports (FERC Form 3) after closing of the Proposed Transactions.
17	52	PSE will continue to actively participate in national and regional forums regarding transmission issues, pricing policies, siting requirements, and interconnection and integration policies.	Each of the Joint Applicants agrees that PSE will continue to actively participate in national and regional forums regarding transmission issues, pricing policies, siting requirements, and interconnection and integration policies.
18	51	PSE will (i) continue to offer customers the investment cost recovery incentive authorized by RCW 82.16.120 each year for as long as the law is in effect and (ii) dedicate resources to market and promote net metering. Such a commitment, however, is contingent on the continuation of implementing tariffs supporting such net metering programs on file with the Commission.	Each of the Joint Applicants agrees that PSE will (i) continue to offer customers the investment cost recovery incentive authorized by RCW 82.16.120 each year for as long as the law is in effect and (ii) dedicate resources to market and promote net metering. Such a commitment, however, is contingent on the continuation of implementing tariffs supporting such net metering programs on file with the Commission.

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19	30	Nothing in these Commitments shall be interpreted as a waiver of Puget Holdings' or PSE's rights to request confidential treatment for information that is the subject of any of these Commitments.	Nothing in these Commitments shall be interpreted as a waiver of Puget Holdings' or PSE's rights to request confidential treatment for information that is the subject of any of these <u>se</u> Commitments.
20	31 And Condition 11	PSE and Puget Holdings understand that the Commission has authority to enforce these Commitments in accordance with their terms. If there is a technical violation of the terms of these Commitments, then the offending party may, at the discretion of the Commission, have a period of thirty (30) calendar days to cure such technical violation. The scope of this Commitment 20 includes the authority of the Commission to compel from Puget Holdings and Puget Energy the attendance of witnesses pertinent to matters affecting PSE. Puget Holdings waives its right to interpose any legal objection it might otherwise have to the Commission's jurisdiction to require the appearance of any such witnesses.	The Joint Applicants <u>PSE and Puget Holdings</u> understand that the Commission has authority to enforce these Commitments in accordance with their terms. If there is a technical violation of the terms of these Commitments, then the offending party may, at the discretion of the Commission, have a period of thirty (30) calendar days to cure such technical violation. <u>The scope of this Commitment 20 includes the authority of the Commission to compel from Puget Holdings and Puget Energy the attendance of witnesses pertinent to matters affecting PSE. Puget Holdings waives its right to interpose any legal objection it might otherwise have to the Commission's jurisdiction to require the appearance of any such witnesses.</u>
21	33	Puget Holdings and PSE acknowledge that these Commitments are being made by Puget Holdings and PSE and are binding only upon them (and their affiliates) where noted. Puget Holdings and PSE are not requesting in this proceeding a determination of	Puget Holdings and PSE acknowledge that these <u>se</u> Commitments are being made by Puget Holdings and PSE and are binding only upon them (and their affiliates) where noted). Puget Holdings and PSE are not requesting in this proceeding a determination of the

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	And Condition 12	the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions referenced in these Commitments, and the Parties in appropriate proceedings may take such positions regarding the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions as they deem appropriate. The Commitments made by Puget Holdings and PSE also are binding, upon their successors in interest.	prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions referenced in <u>these</u> Commitments, and the Parties in appropriate proceedings may take such positions regarding the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions as they deem appropriate. <u>The Commitments made by Puget Holdings and PSE also are binding, upon their successors in interest.</u>
22	New	PSE shall file a notice with the Commission and serve such notice on the parties to Docket U-180680, within ninety (90) days of the effective date of any change in any of (i) the Alberta Investment Management Corporation Act, S.A. 2007, c. A-26.5; (ii) the Public Sector Pension Plans Act, S.B.C. 1999, c. 44; (iii) the Canada Pension Plan Investment Board Act, S.C. 1997, c. 40; (iv) the Ontario Municipal Employees Retirement System Act, S.O. 2006, c. 2; and (v) those restrictions that prohibit a pension plan administrator from investing directly or indirectly in the securities of a corporation to which are attached more than thirty percent (30%) of the votes that may be cast to elect the directors of that corporation, or	N/A

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		any amendment or replacement of that rule set out in section 11 of Schedule III of the Pension Benefits Standards Regulations, 1985 (SOR/87-19), as incorporated by reference in (a) subsection 72(2) of the Employment Pension Plans Regulation under the Employment Pension Plans Act (Alberta), (b) section 68(2) of the Pension Benefits Standards Regulation under the Pension Benefits Standards Act (British Columbia), and (c) section 79 of regulation 909 under the Pension Benefits Act (Ontario).	
23	New	PSE shall file a notice with the Commission and serve such notice on the parties to Docket U-180860, within thirty (30) days of any (i) change to the voting requirements in either the PSE Bylaws or Puget Holdings LLC Agreement or (ii) creation of an enforceable voting agreement among two or more members of Puget Holdings.	N/A
24	16 And Condition 5 (updated)	At least one director of PSE will be a PSE Independent Director who is not a member, stockholder, director (except as such PSE Independent Director), officer, or employee of Puget Holdings or its affiliates. The organizational documents for PSE will not permit PSE, without the unanimous consent of all its directors including the	At least one director of PSE will be ana <u>PSE</u> Independent Director who is not a member, stockholder, director (except as such <u>PSE</u> Independent Director- of PSE), officer, or employee of Puget Holdings or its affiliates. The organizational documents for PSE will not permit PSE, without the unanimous consent of all its directors including the Independent

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		<p>Independent Director, to consent to the institution of bankruptcy proceedings or the inclusion of PSE in bankruptcy proceedings. The Chief Executive Officer of PSE will be a member of the board of PSE. The Puget Holdings governance will be on terms substantively the same as presented in the Second Amended and Restated Limited Liability Company Agreement of Puget Holdings LLC, dated as of May 28, 2009, as amended on October 30, 2017, a copy of which is attached as Exhibit A to these Commitments, including a Puget Holdings Independent Manager on terms substantively the same as presented in Exhibit A to these Commitments. The Puget Energy, Puget Intermediate, and Puget Equico governance agreements will also include an independent director or manager, as applicable, on terms substantively the same as presented in the Amended and Restated Bylaws of Puget Sound Energy, Inc., dated as of October 30, 2014, a copy of which is attached as Exhibit B to these Commitments. The Puget Holdings, Puget Intermediate, Puget Equico, and Puget Energy governance agreements will be modified, as necessary, to require, in addition to supermajority member approval, supermajority Board approval, including the affirmative vote of the</p>	<p>Director, to consent to the institution of bankruptcy proceedings or the inclusion of PSE in bankruptcy proceedings. The Chief Executive Officer of PSE will be a member of the board of PSE. <u>The Puget Holdings governance will be on terms substantively the same as presented in the Second Amended and Restated Limited Liability Company Agreement of Puget Holdings LLC, dated as of May 28, 2009, as amended on October 30, 2017, a copy of which is attached as Exhibit A to these Commitments, including a Puget Holdings Independent Manager on terms substantively the same as presented in Exhibit A to these Commitments. The Puget Energy, Puget Intermediate, and Puget Equico governance agreements will also include an independent director or manager, as applicable, on terms substantively the same as presented in the Amended and Restated Bylaws of Puget Sound Energy, Inc., dated as of October 30, 2014, a copy of which is attached as Exhibit B to these Commitments. The Puget Holdings, Puget Intermediate, Puget Equico, and Puget Energy governance agreements will be modified, as necessary, to require, in addition to supermajority member approval, supermajority Board approval, including the</u></p>

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		Independent Manager, of matters identified in Exhibit A to these Commitments.	<u>affirmative vote of the Independent Manager, of matters identified in Exhibit A to these Commitments.</u>
25	10	PSE will maintain separate debt and preferred stock, if any. PSE will maintain its own corporate and debt credit rating, as well as ratings for long-term debt and preferred stock.	PSE will maintain separate debt and preferred stock, if any. PSE will maintain its own corporate and debt credit rating, as well as ratings for long-term debt and preferred stock.
26	39	Puget Holdings and PSE commit that each of Puget Energy and PSE will continue to be rated by both Standard & Poor's Ratings Group and Moody's Investors Service, Inc.	The Joint Applicants <u>Puget Holdings and PSE</u> commit that each of Puget Energy and PSE will continue to be rated by both Standard & Poor's Ratings Group and Moody's Investors Service, Inc. The Joint Applicants will use best efforts to obtain and maintain from Standard & Poor's Ratings Group confirmation of separation between the respective corporate credit rating for each of Puget Energy and PSE within the ninety (90) days following the closing of the Proposed Transaction. If the Joint Applicants are unable to obtain or maintain ratings separation, the Joint Applicants will make a filing with the Commission explaining the basis for their failure to obtain or maintain such separation, and parties will have an opportunity to participate and propose additional commitments.
27	38	All of the common stock of Puget Energy shall be owned by Puget Equico, a Washington limited	The Joint Applicants agree to amend the corporate organizational structure by inserting a new entity

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		liability company. Puget Equico shall be a wholly-owned subsidiary of Puget Intermediate. Puget Equico shall be a bankruptcy-remote special purpose entity, and shall not have debt.	(tentatively identified as “Equico”) in the organizational structure between Puget Intermediate and Puget Energy. See the post-acquisition organizational chart in Exhibit No. ___ (CJL-10). In summary, following closing of the Proposed Transaction, all <u>All</u> of the common stock of Puget Energy will <u>shall</u> be owned by <u>“Puget Equico,”</u> which will be a new Washington limited liability company. <u>“Puget Equico”</u> will <u>shall</u> be a wholly-owned subsidiary of Puget Intermediate. <u>“Puget Equico”</u> is expected to be established as <u>shall be</u> a bankruptcy-remote special purpose entity, and shall not have debt.
28	37	Puget Energy may not declare or make a Puget Energy distribution, unless on the date of such Puget Energy distribution, the ratio of consolidated EBITDA to consolidated interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 2.00 to 1.00.	Puget Energy may not declare or make a PE <u>Puget Energy</u> distribution, unless on the date of such PE <u>Puget Energy</u> distribution, the ratio of consolidated EBITDA to consolidated interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 2.00 to 1.00.
29	35	PSE and Puget Holdings commit that PSE will have a common equity ratio of not less than 44 percent, except to the extent a lower equity ratio is established for ratemaking purposes by the Commission. Puget Holdings represents that Puget Holdings is not prohibited from issuing new equity to third parties.	Joint Applicants commit that as of the closing of the transaction (or within sixty (60) days thereof), PSE will have a common equity ratio of not less than 50 percent. Joint Applicants commit that at all times thereafter, <u>PSE and Puget Holdings commit that</u> PSE will have a common equity ratio of not less than 44 percent, except

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		<p>PSE and Puget Holdings will not amend the LLC Agreement or other transaction documents to prohibit Puget Holdings from issuing new equity to third parties (including public markets). The transaction documents also permit PSE to issue certain hybrid securities to third parties (including public markets) and Puget Holdings. If Puget Holdings makes a new equity issuance for the purpose of (i) contributing the proceeds thereof (through its relevant subsidiaries) to Puget Energy or PSE, or (ii) applying the proceeds thereof toward the purchase from PSE of hybrid securities that are permitted to be issued under the transaction documents, the proceeds of any such new equity issuances by Puget Holdings shall be used for such purpose. PSE and Puget Holdings will provide an annual certificate of an officer of Puget Holdings certifying that neither Puget Holdings nor PSE is prohibited from undertaking the transactions described above.</p>	<p>to the extent a lower equity ratio is established for ratemaking purposes by the Commission. Joint Applicants<u>Puget Holdings</u> represents that Puget Holdings is not prohibited from issuing new equity to third parties. Joint Applicants<u>PSE and Puget Holdings</u> will not amend the LLC Agreement or other transaction documents to prohibit Puget Holdings from issuing new equity to third parties (including public markets). The transaction documents also permit PSE to issue certain hybrid securities to third parties (including public markets) and Puget Holdings. If Puget Holdings makes a new equity issuance for the purpose of (i) contributing the proceeds thereof (through its relevant subsidiaries) to Puget Energy or PSE, or (ii) applying the proceeds thereof toward the purchase from PSE of hybrid securities that are permitted to be issued under the transaction documents, the proceeds of any such new equity issuances by Puget Holdings shall be used for such purpose. Joint Applicants<u>PSE and Puget Holdings</u> will provide an annual certificate of an officer of Puget Holdings certifying that neither Puget Holdings nor PSE is prohibited from undertaking the transactions described above.</p>
30	36	PSE shall not be permitted to declare or make any PSE distribution unless, on the date of such PSE	PSE shall not be permitted to declare or make any PSE distribution unless, on the date of such PSE

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		distribution, the PSE common equity ratio after giving effect to such PSE distribution is not less than 44%, except to the extent a lower equity ratio is established for ratemaking purposes by the Commission.	distribution, the PSE common equity ratio after giving effect to such PSE distribution is not less than 44%, except to the extent a lower equity ratio is established for ratemaking purposes by the Commission.
31	40 And Condition 13	<p>PSE shall not declare or make any distribution, unless, on the date of such distribution, either:</p> <p>(a) The ratio of PSE EBITDA to PSE interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 3.00 to 1.00; or</p> <p>(b) PSE's corporate credit/issuer rating is at least BBB- (or its then equivalent) with S&P and Baa3 (or its then equivalent) with Moody's.</p> <p>However, if PSE satisfies part (a) above but its corporate credit/issuer rating is downgraded to a level below BBB- (or its then equivalent) with Standard & Poor's Ratings Group or Baa3 (or its then equivalent) with Moody's Investors Service, Inc., then PSE shall provide notice to the Commission of such downgrade within two business days of PSE's receipt of notice of such downgrade. Following such downgrade,</p>	<p>PSE shall not declare or make any distribution, unless, on the date of such distribution, either:</p> <p>(a) The ratio of PSE EBITDA to PSE interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 3.00 to 1.00; or</p> <p>(b) PSE's corporate credit/issuer rating is at least BBB- (or its then equivalent) with S&P and Baa3 (or its then equivalent) with Moody's.</p> <p>However, if PSE satisfies part (a) above but its corporate credit/issuer rating is downgraded to a level below BBB- (or its then equivalent) with Standard & Poor's Ratings Group or Baa3 (or its then equivalent) with Moody's Investors Service, Inc., then PSE shall provide notice to the Commission of such downgrade within two business days of PSE's receipt of notice of such downgrade. Following such downgrade,</p>

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		<p>distributions by PSE to Puget Energy shall be limited to an amount sufficient (i) to service debt at Puget Energy, and (ii) to satisfy financial covenants in the credit facilities of Puget Energy, and distributions by Puget Energy to Puget Equico shall cease. If PSE seeks to make any distribution to Puget Energy greater than such amount and Puget Energy seeks to make any distribution to Puget Equico whatsoever, PSE and Puget Energy shall within forty-five calendar days of such downgrade (or earlier if PSE anticipates that such a downgrade may be forthcoming) file a petition with the Commission to show cause why (i) PSE should be permitted to make any distribution to Puget Energy in excess of such amount and (ii) Puget Energy should be permitted to make any distribution to Puget Equico. It is the expectation of the Parties that the Commission within sixty (60) days after PSE’s and Puget Energy’s filing of such petition will issue an order granting or denying such petition. In considering such petition, due consideration shall be given to the financial performance and credit rating of PSE and to whether PSE has, and is expected to achieve, financial metrics that fall within the ranges used by Standard & Poor’s Ratings Group and Moody’s Investors Service, Inc. for investment grade-rated utility companies and any</p>	<p>distributions by PSE to Puget Energy shall be limited to an amount sufficient (i) to service debt at Puget Energy, and (ii) to satisfy financial covenants in the credit facilities of Puget Energy, and distributions by Puget Energy to <u>Puget</u> Equico shall cease. If PSE seeks to make any distribution to Puget Energy greater than such amount and Puget Energy seeks to make any distribution to <u>Puget</u> Equico whatsoever, PSE and Puget Energy shall within fortyfive<u>forty-five</u> calendar days of such downgrade (or earlier if PSE anticipates that such a downgrade may be forthcoming) file a petition with the Commission to show cause why (i) PSE should be permitted to make any distribution to Puget Energy in excess of such amount and (ii) Puget Energy should be permitted to make any distribution to <u>Puget</u> Equico. It is the expectation of the Joint Parties that the Commission within sixty (60) days after PSE’s and Puget Energy’s filing of such petition will issue an order granting or denying such petition. In considering such petition, due consideration shall be given to the financial performance and credit rating of PSE and to whether PSE has, and is expected to achieve, financial metrics that fall within the ranges used by Standard & Poor’s Ratings Group and Moody’s Investors Service, Inc. for investment grade-rated utility companies and any changes in such ranges since the date of closing of</p>

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		<p>changes in such ranges since the date of closing of the 2008 Transaction; provided that nothing in this Commitment 31 shall prohibit the parties from advancing any arguments regarding factors the Commission should consider. If PSE's corporate credit/issuer rating is subsequently upgraded to BBB- (or its then equivalent) or above with Standard & Poor's Ratings Group or Baa3 (or its then equivalent) or above with Moody's Investors Service, Inc., then PSE shall provide notice to the Commission of such upgrade within two business days of PSE's receipt of notice of such upgrade, and neither PSE nor Puget Energy shall be subject to any dividend restriction pursuant to this Commitment 31 as of the date PSE provides such notice to the Commission.</p> <p>Commitments 28, 30, and 31, which limit upward dividends or distributions from PSE to Puget Energy and from Puget Energy to Puget Equico, are clarified as follows:</p> <p>(a) If the ratio of PSE EBITDA to PSE interest expense is equal to or greater than 3.0 and PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not</p>	<p>the Proposed2008 Transaction; provided that nothing in this commitmentCommitment 31 shall prohibit the parties from advancing any arguments regarding factors the Commission should consider. If PSE's corporate credit/issuer rating is subsequently upgraded to BBB- (or its then equivalent) or above with Standard & Poor's Ratings Group or Baa3 (or its then equivalent) or above with Moody's Investors Service, Inc., then PSE shall provide notice to the Commission of such upgrade within two business days of PSE's receipt of notice of such upgrade, and neither PSE nor Puget Energy shall be subject to any dividend restriction pursuant to this Commitment 31 as of the date PSE provides such notice to the Commission.</p> <p><u>Commitments 28, 30, and 31, which limit upward dividends or distributions from PSE to Puget Energy and from Puget Energy to Puget Equico, are clarified as follows:</u></p> <p><u>(a) If the ratio of PSE EBITDA to PSE interest expense is equal to or greater than 3.0 and PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than</u></p>

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		<p>limited so long as PSE’s equity ratio is equal to or greater than 44 percent [Commitment 30] and distributions from Puget Energy to Puget Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment 28]</p> <p>(b) If the ratio of PSE EBITDA to PSE interest expense is less than 3.0, but PSE’s corporate credit/issuer rating with S&P and Moody’s (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE’s equity ratio is equal to or greater than 44 percent [Commitment 30] and distributions from Puget Energy to Puget Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment 28]</p> <p>(c) If the ratio of PSE EBITDA to PSE interest expense is equal to or greater than 3.0, but PSE’s corporate credit/issuer rating with either S&P or Moody’s (or their then equivalents) is not investment grade, distributions from PSE to Puget Energy are limited as specified in Commitments 30 and 31,</p>	<p><u>44 percent [Commitment 30] and distributions from Puget Energy to Puget Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment 28]</u></p> <p><u>(b) If the ratio of PSE EBITDA to PSE interest expense is less than 3.0, but PSE’s corporate credit/issuer rating with S&P and Moody’s (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE’s equity ratio is equal to or greater than 44 percent [Commitment 30] and distributions from Puget Energy to Puget Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment 28]</u></p> <p><u>(c) If the ratio of PSE EBITDA to PSE interest expense is equal to or greater than 3.0, but PSE’s corporate credit/issuer rating with either S&P or Moody’s (or their then equivalents) is not investment grade, distributions from PSE to Puget Energy are limited as specified in Commitments 30 and 31, unless allowed by specific Commission approval. No</u></p>

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		<p>unless allowed by specific Commission approval. No distributions are allowed from Puget Energy to Puget Equico.</p> <p>(d) If the ratio of PSE EBITDA to PSE interest expense is less than 3.0 and PSE’s corporate credit/issuer rating with either S&P or Moody’s (or their then equivalents) is not investment grade, no distributions are allowed from PSE to Puget Energy and no distributions are allowed from Puget Energy to Puget Equico.</p>	<p><u>distributions are allowed from Puget Energy to Puget Equico.</u></p> <p><u>(d) If the ratio of PSE EBITDA to PSE interest expense is less than 3.0 and PSE’s corporate credit/issuer rating with either S&P or Moody’s (or their then equivalents) is not investment grade, no distributions are allowed from PSE to Puget Energy and no distributions are allowed from Puget Energy to Puget Equico.</u></p>
32	13	PSE will maintain its pension funding policy in accordance with sound actuarial practice.	PSE will maintain its pension funding policy in accordance with sound actuarial practice.
33	43 And Condition 15	PSE will to the extent practical, comply with the rules applicable to a registrant under NYSE rules. Please see Exhibit C to these Commitments for an analysis of PSE’s present reporting and governance obligations under NYSE Corporate Governance Standards. Such analysis identifies the applicable NYSE rule, describes the current requirement, describes the post-closing requirement, and sets forth PSE’s post-closing commitment with respect to each requirement in the event a current requirement is not a continuing obligation. Such analysis also details the	PSE will to the extent practical, comply with the rules applicable to a registrant under NYSE rules. Please see Exhibit No. — (EMM-11) <u>at pages 1-4C to these Commitments</u> for an analysis of PSE’s present reporting and governance obligations under NYSE Corporate Governance Standards. Such analysis identifies the applicable NYSE rule, describes the current requirement, describes the post-closing requirement, and sets forth PSE’s post-closing commitment with respect to each requirement in the event a current requirement is not a continuing

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		<p>requirements of the NYSE with respect to the following:</p> <ul style="list-style-type: none"> (a) annual report availability, (b) interim financial statements, (c) independent directors, (d) director executive sessions, (e) communication with non-management directors, (f) nominating and governance committee matters, (g) compensation committee matters, (h) the audit committee and committee membership, (i) the internal audit function, (j) corporate governance guidelines, 	<p>obligation. Such analysis also details the requirements of the NYSE with respect to the following:</p> <ul style="list-style-type: none"> (a) annual report availability, (b) interim financial statements, (c) independent directors, (d) director executive sessions, (e) communication with non-management directors, (f) nominating and governance committee matters, (g) compensation committee matters, (h) the audit committee and committee membership, (i) the internal audit function, (j) corporate governance guidelines, (k) disclosure of corporate governance guidelines,

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		<p>(k) disclosure of corporate governance guidelines,</p> <p>(l) code of business conduct and ethics, and</p> <p>(m) officer certification.</p> <p>Puget Energy and PSE will each comply with applicable NYSE rules and the requirements of the Sarbanes-Oxley Act as specified in Exhibit D to these Commitments. Unless the Commission approves otherwise, Puget Energy and PSE will comply with any new NYSE rules, or rules not covered in Exhibit D to these Commitments. The independent managers or directors on the PSE, Puget Energy, and Puget Holdings boards will be members of the nominating/governance, compensation, and audit committees and their affirmative vote will be required on all matters subject to vote.</p>	<p>(l) code of business conduct and ethics, and</p> <p>(m) officer certification.</p> <p><u>Puget Energy and PSE will each comply with applicable NYSE rules and the requirements of the Sarbanes-Oxley Act as specified in Exhibit D to these Commitments. Unless the Commission approves otherwise, Puget Energy and PSE will comply with any new NYSE rules, or rules not covered in Exhibit D to these Commitments. The independent managers or directors on the PSE, Puget Energy, and Puget Holdings boards will be members of the nominating/governance, compensation, and audit committees and their affirmative vote will be required on all matters subject to vote.</u></p>
34	44	<p>Puget Holdings and PSE commit that Puget Energy and PSE will continue to make the same SEC financial reporting requirements after closing of the Proposed Transactions with respect to the following:</p> <p>(a) Section 13(a) disclosure requirements,</p>	<p>Joint Applicants <u>Puget Holdings and PSE</u> commit that Puget Energy and PSE will continue to make the same SEC financial reporting requirements after closing of the Proposed Transactions with respect to the following:</p>

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		(b) Section 15(d) disclosure requirements, and (c) indenture covenants disclosure requirements.	(a) Section 13(a) disclosure requirements, (b) Section 15(d) disclosure requirements, and (c) indenture covenants disclosure requirements.
35	45	PSE and Puget Holdings commit to the following commitments with respect to the Sarbanes-Oxley Act for both PSE and Puget Energy: (a) Section 201 guidance on the use of outside auditors, (b) Section 202 pre-approval requirements with respect to the engagement and compensation of auditors, (c) Section 203 requirements with respect to audit partner rotation, (d) Section 204 guidance with respect to the requirements of auditor reports to audit committees, (e) Section 206 guidance with respect to auditor conflicts of interest,	Joint Applicants <u>PSE and Puget Holdings</u> commit to the following post-closing commitments with respect to the Sarbanes-Oxley Act for both PSE and Puget Energy: (a) Section 201 guidance on the use of outside auditors, (b) Section 202 pre-approval requirements with respect to the engagement and compensation of auditors, (c) Section 203 requirements with respect to audit partner rotation, (d) Section 204 guidance with respect to the requirements of auditor reports to audit committees, (e) Section 206 guidance with respect to auditor conflicts of interest,

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		<p>(f) Section 301 requirements with respect to audit committee requirements,</p> <p>(g) Section 302 requirements with respect to corporate responsibility for financial reports,</p> <p>(h) Section 303 provisions prohibiting officers and directors, and persons acting under the direction of an officer or director, from taking any action to coerce, manipulate, mislead, or fraudulently influence the auditor,</p> <p>(i) Section 401 requirements with respect to the form and content of periodic and annual reports,</p> <p>(j) Section 402 provisions prohibiting providing personal loans to directors and executive officers,</p> <p>(k) Section 403 requirements with respect to disclosures of certain transactions involving management and shareholders,</p> <p>(l) Section 404 requirements with respect to management assessment of internal controls,</p>	<p>(f) Section 301 requirements with respect to audit committee requirements,</p> <p>(g) Section 302 requirements with respect to corporate responsibility for financial reports,</p> <p>(h) <u>Section 303 provisions prohibiting officers and directors, and persons acting under the direction of an officer or director, from taking any action to coerce, manipulate, mislead, or fraudulently influence the auditor.</u></p> <p>(i) Section 401 requirements with respect to the form and content of periodic and annual reports,</p> <p>(j) <u>Section 402 provisions prohibiting providing personal loans to directors and executive officers.</u></p> <p>(k) Section 403 requirements with respect to disclosures of certain transactions involving management and shareholders,</p> <p>(l) Section 404 requirements with respect to management assessment of internal controls,</p>

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		<p>(m) Section 406 requirements with respect to the code of ethics for senior financial officers,</p> <p>(n) Section 407 requirements with respect to disclosure of audit committee financial expert,</p> <p>(o) Section 409 requirements with respect to real time disclosure to the public on material changes regarding financial condition or operations, and</p> <p>(p) Section 906 requirements with respect to corporate responsibility for financial statements.</p>	<p>(k) Section 406 requirements with respect to the code of ethics for senior financial officers,</p> <p>(l) Section 407 requirements with respect to disclosure of audit committee financial expert,</p> <p><u>(o) Section 409 requirements with respect to real time disclosure to the public on material changes regarding financial condition or operations,</u> and</p> <p>(m) Section 906 requirements with respect to corporate responsibility for financial statements.</p>
36	8	<p>Within ninety (90) days of closing of all of the Proposed Transactions, Puget Holdings and PSE will file a non-consolidation opinion with the Commission which concludes that the ring fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of PSE with those of Puget Energy or its affiliates or subsidiaries.</p>	<p>Within ninety (90) days of <u>closing of all of the Proposed</u> Transaction closing, PSE and Transactions, Puget Holdings <u>and PSE</u> will file a non-consolidation opinion with the Commission which concludes, subject to customary assumptions and exceptions, that the ring fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of PSE with those of Puget Energy or its affiliates or subsidiaries.</p>
37	2	<p>Puget Holdings acknowledges PSE’s need for significant amounts of capital to invest in its energy supply and delivery infrastructure and commits that</p>	<p>Puget Holdings acknowledges PSE’s need for significant amounts of capital to invest in its energy supply and delivery infrastructure and commits that</p>

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		meeting these capital requirements will be considered a high priority by the Boards of Puget Holdings and PSE.	meeting these capital requirements will be considered a high priority by the Boards of Puget Holdings and PSE.
38	New	For a period of five (5) years following the date of a final order in Docket U-180860, PSE shall file with the Commission, no later than March 31 of each year, the total amount of debt held at each of Puget Energy and PSE, including the material terms of any new issuance(s) as of December 31 of the previous calendar year. Such material terms include: (1) the financing party; (2) the amount; (3) the interest rate; (4) the maturity date; and (5) the uses of the monies raised in each debt issuance.	N/A
39	18	Puget Holdings and PSE commit that PSE and Puget Sound Energy Foundation will maintain its existing level of corporate contributions and community support in the State of Washington through December 31, 2022, as set forth in Exhibit E to these Commitments.	<u>Puget Holdings and PSE commit that</u> PSE and Puget Sound Energy Foundation will maintain its existing level of corporate contributions and community support in the State of Washington (as identified by PSE for such region in its budget for 2007) for a period five years after closing. Upon closing of the Proposed Transaction, Puget Holdings will make a one time contribution of \$5 million to the Puget Sound Energy Foundation <u>through December 31, 2022, as set forth in Exhibit E to these Commitments.</u>

NEW NO.	PRIOR NO. OR DOCKET	PROPOSED COMMITMENT IN DOCKET U-180680	PROPOSED COMMITMENTS IN DOCKET U-180680 SHOWING MODIFICATIONS FROM DOCKET U-072375 (IN TRACKED CHANGES)
40	22	PSE and Puget Holdings commit to maintain existing low-income programs or as such programs may be modified in any future proceeding. In addition, PSE and Puget Holdings commit to increase the budgeted funding of low-income energy efficiency programs in future years at a level commensurate with increases in funding for energy efficiency programs for other residential customers through the CRAG process.	PSE and Puget Holdings commit to maintain existing low-income programs or as such programs may be modified in any future proceeding. In addition, the <u>Joint Applicants PSE and Puget Holdings</u> commit to increase the budgeted funding of low-income energy efficiency programs in future years at a level commensurate with increases in funding for energy efficiency programs for other residential customers through the CRAG process.
41	23	PSE and Puget Holdings commit to continue to work with low-income agencies to address issues of low-income customers.	PSE and Puget Holdings commit to continue to work with low-income agencies to address issues of low-income customers.
42	42	PSE shall continue bill assistance benefits for qualifying low-income customers under the HELP program, based upon the funding components and methodologies generally described in the 2016-2017 PSE HELP Annual Report and any other applicable orders. This Commitment 42 does not preclude parties from requesting or the Commission from approving increases to HELP funding in future proceedings based upon modified or additional components or methodologies.	Joint Applicants agree to PSE's proposal to increase <u>PSE shall continue</u> bill assistance benefits for qualifying low-income customers by making the appropriate tariff filings in the on-going general rate case to: (a) — increase the total aggregate funding cap for its low-income customer bill assistance program to approximately \$15 million per year from approximately \$10.25 million per year, and

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			<p>(b) — permit benefit funds not distributed to qualifying customers in any single program year be able to be carried over to provide supplemental benefit funding to be available in the next program year.</p> <p>Furthermore, the Joint Applicants agree to PSE’s proposal for clarification of the program accounting rules to define the program caps to include benefits and administrative costs. Amounts to be set in rates would include a gross up over and above the program caps sufficient to cover PSE’s revenue sensitive items. <u>under the HELP program, based upon the funding components and methodologies generally described in the 2016-2017 PSE HELP Annual Report and any other applicable orders. This Commitment 42 does not preclude parties from requesting or the Commission from approving increases to HELP funding in future proceedings based upon modified or additional components or methodologies.</u></p>
43	New	PSE agrees to continue to fund low-income weatherization programs that the low-income agencies inform PSE they can feasibly achieve with an annual base funding level of no less than \$4.43 million for low-income weatherization programs	N/A

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		<p>through December 31, 2022, which amount includes the following:</p> <p>(a) continued annual contributions of \$400,000 from shareholder funds for the Low-Income Weatherization Program; and</p> <p>(b) continued annual contributions of \$500,000 to the Low-Income Weatherization Program for so long as decoupling adopted in Dockets UE-121697 and UG-121705 continues.</p>	
44	New	PSE shall contribute financial and staff resources to assist in conducting a low-income needs assessment study, which study is intended to provide better understanding of the needs related to energy affordability of low-income households in PSE's service territory, including data related to energy efficiency/weatherization needs and opportunities.	N/A
45	New	PSE shall maintain a project cost allowance of thirty percent (30%) for Administrative/Indirect Rate associated with the delivery of the Low-Income Weatherization Program. The appropriateness of the project cost allowance of thirty percent (30%) will be	N/A

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		evaluated regularly through the low-income weatherization advisory committee.	
46	New	Puget Holdings shall make a one-time contribution from shareholder funds in the amount of \$2 million to the Low-Income Weatherization Program to be disbursed over a five-year period.	N/A
47	New	PSE shall take reasonable steps to include equitable participation of low-income households in renewable energy programs available to residential customers.	N/A
48	New	PSE shall continue to consult with the low-income advisory committee in the deployment of the Get-to-Zero initiative.	N/A
49	4	Puget Holdings acknowledges PSE's obligations under Washington's Renewable Portfolio Standard and commits to support PSE with additional expertise and capital as necessary to enable PSE to fulfill those obligations.	Puget Holdings acknowledges PSE's obligations under Washington's Renewable Portfolio Standard and commits to support PSE with additional expertise and capital as necessary to enable PSE to fulfill those obligations.
50	5	Puget Holdings commits to work with PSE to acquire all renewable energy resources required by law and such other renewable energy resources as may from	Puget Holdings commits to work with PSE to acquire all renewable energy resources required by law and such other renewable energy resources as may from

NEW NO.	PRIOR NO. OR DOCKET	PROPOSED COMMITMENT IN DOCKET U-180680	PROPOSED COMMITMENTS IN DOCKET U-180680 SHOWING MODIFICATIONS FROM DOCKET U-072375 (IN TRACKED CHANGES)
		time to time be deemed advisable in accordance with its biennial integrated resource planning process.	time to time be deemed advisable in accordance with its biennial integrated resource planning process.
51	6	Puget Holdings commits to and supports PSE’s goal to reduce greenhouse gas emissions by 50 percent of PSE’s 2016 greenhouse gas footprint by 2040.	Puget Holdings commits to and supports PSE’s Greenhouse Gas and Carbon Policy contained in goal to reduce greenhouse gas emissions by 50 percent of PSE’s current Integrated Resource Plan. <u>2016 greenhouse gas footprint by 2040.</u>
52	53	PSE will continue to produce an annual Greenhouse Gas Inventory Report, including an inventory of total emissions from each of the sources listed in Table 6-1 and 9-1 of PSE’s 2017 Greenhouse Gas Inventory Report, and make such Greenhouse Gas Inventory Report available to its customers and stakeholders.	Each of the Joint Applicants agrees that PSE will continue to produce an annual greenhouse gas emissions inventory report <u>Greenhouse Gas Inventory Report</u> , including an inventory of total emissions from each of the sources listed in Table 26-1 and 9-1 of PSE’s 2006 <u>2017</u> Greenhouse Gas Inventory Report, and make such greenhouse gas emissions inventory report <u>Greenhouse Gas Inventory Report</u> available to its customers and stakeholders.
53	48	PSE shall continue to support market transformation through participating in the Northwest Energy Efficiency Alliance (NEEA) at funding levels approved by the Board of Directors of NEEA, including funding and participation in all “optional” programs.	Each of the Joint Applicants agrees that PSE will <u>PSE shall continue to support increased funding market transformation through participating</u> in the next Northwest Energy Efficiency Alliance budget cycle. If (i) (NEEA) such funding is determined to have merit as an outcome of the strategic planning process and (ii) PSE’s proportion of the Northwest Energy Efficiency

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			<p>Alliance budget is not changed, PSE will pay its pro rata share of such budget, contingent on availability of sufficient rider/tracker funds. This commitment will not limit PSE's ability to engage in bilateral contracts with the Northwest Energy Efficiency Alliance for targeted program delivery in PSE's service area <u>at funding levels approved by the Board of Directors of NEEA, including funding and participation in all "optional" programs.</u></p>
54	New	PSE shall accelerate its business case review of an on-bill repayment program for customer investments in energy efficiency and will work collaboratively with the CRAG to determine if such a program is cost-effective and serves the best interests of PSE customers.	N/A
55	New	PSE shall work with NEEC and the CRAG to adaptively manage and modify PSE's "Pay for Performance" pilot to attract more participants with the goal of having a successful whole-building pilot that significantly reduces energy use intensity by 40 percent in at least five (5) large commercial or industrial buildings (over 50,000 sq ft).	N/A

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56	Docket UE-170033	At closure of Colstrip Units 1 and 2, PSE shall offset all additional unrecovered plant balances for Colstrip Units 1 and 2 with monetized production tax credits (“PTCs”). PSE assumes the risk that it is unable to monetize the PTCs to offset additional unrecovered plant balances for Colstrip Units 1 and 2; provided, however that if Colstrip Units 1 and 2 close prior to the monetization of sufficient PTCs to offset additional unrecovered plant balances for Colstrip Units 1 and 2, PSE shall hold remaining unrecovered plant balances of Colstrip Units 1 and 2 in a regulatory asset in rate base until the earlier to occur of (i) the recovery of all plant balances for Colstrip Units 1 and 2 through monetized PTC offsets or (ii) December 31, 2029.	N/A
57	Docket UE-170033	PSE shall place PTCs as they are monetized in a second, more flexible account not established pursuant to Chapter 80.84 RCW. PSE shall use the monetized PTCs in the second account in accordance with the following priority for use: (i) to fund community transition planning funds of \$5 million, as identified in paragraph 118 of the Settlement in Dockets UE-170033 & UG-170034; (ii) to recover unrecovered plant balances for Colstrip Units 1 through 4; and (iii) to fund and recover prudently	N/A

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		incurred decommissioning and remediation costs for Colstrip Units 1 through 4. The account shall be consistent with the discussion of the account set forth in the Prefiled Rebuttal Testimony of Ms. Katherine J. Barnard, Exh. KJB-17T in Dockets UE-170033 & UG-170034.	
58	Docket UE-170033	PSE shall engage in a process with stakeholders to develop a community transition plan, including a funding mechanism, to address the transitioning of PSE's interest in the community of Colstrip, Montana. PSE shall contribute the following amounts to the community transition plan: (i) \$5 million of shareholder dollars and (ii) \$5 million of monetized PTCs. PSE shall place the \$5 million of shareholder dollars in an escrow account (the "Escrow Account") by the end of calendar year 2018. PSE shall place \$5 million of monetized PTCs, when available, from the account established pursuant to paragraph 117 of the Settlement in Dockets UE-170033 & UG-170034 in the Escrow Account. All such funds shall remain in the Escrow Account until such time that there is a community transition plan, including a funding mechanism, in place.	N/A

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59	Docket UE-170033	<p>Beginning in 2018, on or before December 1 of each year, PSE shall provide the Commission an annual report containing the following:</p> <ul style="list-style-type: none"> (i) the most recent estimate of the actual retirement date for Colstrip Units 1 and 2 and Colstrip Units 3 and/or 4; (ii) in the event of an estimated retirement date earlier than July 1, 2022, for Colstrip Units 1 and 2, and upon the determination by PSE of an estimated retirement date for Colstrip Units 3 and/or 4, a discussion and evaluation of consequences to customers arising from those estimated retirement dates; (iii) decommissioning and remediation expenditures associated with Colstrip units since the time of the last report and updated estimates of future costs; (iv) an evaluation of the sufficiency of the retirement account established pursuant to Chapter 80.84 RCW to fund and recover decommissioning and remediation activities for Colstrip Units 1 and 2; 	N/A

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		<p>(v) an evaluation of the sufficiency of existing depreciation rates for Colstrip Units 3 and 4 to cover decommissioning and remediation costs for those units; and</p> <p>(vi) for years in which PSE issues an Integrated Resource Plan, updated replacement power costs.</p>	
60	56 As modified in Docket U-151663	Puget Energy shall not operate or own any business other than PSE and Puget LNG. Puget LNG shall be a special purpose entity formed by Puget Energy solely for the purposes of owning, developing, and financing, as a tenant-in common with PSE, an LNG facility at the Port of Tacoma (the “Tacoma LNG Facility”).	Puget Energy shall not operate or own any business other than PSE <u>and Puget LNG. Puget LNG shall be a special purpose entity formed by Puget Energy solely for the purposes of owning, developing, and financing, as a tenant-in common with PSE, an LNG facility at the Port of Tacoma (the “Tacoma LNG Facility”).</u>
61	58	PSE and Puget Holdings commit that the current and any future capital expenditure credit facilities will by their terms limit the use of such funds only for financing capital expenditures of PSE and Puget LNG. Quarterly officer certificates under each of the credit facilities of Puget Energy and PSE will be made available to the Commission and other interested parties, upon request and subject to the protective order in Docket No. U-072375.	Joint Applicants <u>PSE and Puget Holdings</u> commit that the current and any future capital expenditure credit facilities will by their terms limit the use of such funds only for financing PSE capital expenditures <u>of PSE and Puget LNG</u> . Quarterly officer certificates under each of the credit facilities of Puget Energy and PSE will be made available to the Commission and other interested parties, upon request and subject to the protective order in Docket No. U-072375.

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62	Docket UG-151663	<p>PSE’s customers will be held harmless from the liabilities and financial losses of any non- regulated activity of the Tacoma LNG Facility, including any non-regulated activity of Puget LNG. Puget Energy guarantees and will hold PSE’s customers harmless from all liabilities and financial losses of Puget LNG resulting from:</p> <p>(i) any non-regulated activity of the Tacoma LNG Facility, including the sale or assignment of the assets of Puget LNG to a third party; and</p> <p>(ii) circumstances in which Puget LNG or any successor to Puget LNG (a) becomes insolvent or is unable to pay its debts when due, (b) files a petition in bankruptcy, reorganization or similar proceedings (and if filed against, such petition is not removed within 90 days), (c) discontinues its business, or (d) a receiver is appointed or there is an assignment for the benefit of creditors of Puget LNG.</p>	N/A
63	Docket UG-151663	PSE will notify the Commission of any potential sale or transfer of all or substantially all of the assets of the Tacoma LNG Facility or the potential sale or	N/A

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		transfer of Puget LNG’s non-regulated operations. PSE must give this notice as soon as practicable.	
64	32	Puget Holdings and PSE understand and agree that the Commission has authority to enforce these Commitments in accordance with the terms of these Commitments. In support of this purpose, Puget Holdings will file with the Commission prior to closing the Proposed Transactions an affidavit affirming that it will submit to the jurisdiction of Washington courts for enforcement by the Commission of orders adopting these Commitments and subsequent orders affecting PSE. PSE will file a report with the Commission regarding any failure to comply with any of these Commitments. The report will, at a minimum, identify the commitment, provide a description of the failure, and provide a description of the corrective action taken. The report is due to the Commission within five business days once the failure has been identified and must be served on Commission Staff and Public Counsel.	By April 1, 2009 and each April 1 thereafter through April 1, 2013, <u>Puget Holdings and PSE understand and agree that the Commission has authority to enforce these Commitments in accordance with the terms of these Commitments. In support of this purpose, Puget Holdings will file with the Commission prior to closing the Proposed Transactions an affidavit affirming that it will submit to the jurisdiction of Washington courts for enforcement by the Commission of orders adopting these Commitments and subsequent orders affecting PSE. PSE will file a report with the Commission regarding the implementation of theany failure to comply with any of these Commitments as of December 31 of the preceding year. The report will, at a minimum, <u>identify the commitment,</u> provide a description of the performance of each of the Commitments. If any of the Commitments is not being met, relative to the specific terms of the Commitment, <u>the report shall provide proposed corrective measures and target dates for completion of such measures. PSE will make publicly available at the Commission non-confidential portions of the report</u> failure, and provide a description of the corrective action taken. The report is</u>

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			<u>due to the Commission within five business days once the failure has been identified and must be served on Commission Staff and Public Counsel.</u>
65	New	Each Owner of Puget Holdings is supportive of these Commitments. Prior to closing of the Proposed Transaction, each Owner of Puget Holdings will file an affidavit with the Commission affirming that it is supportive of these Commitments.	N/A

Exhibit DTA-3
PSE Response to IBEW Data Request No. 004,
Attachment A (PSE Headcount from 2010 to 2018)

TESTIMONY OF

D. Timothy Arnold

In Opposition to the Multiparty Settlement Stipulation on Behalf of IBEW 77

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket U-180680
Sale of Non-Controlling Interest in Puget Holdings LLC**

IBEW LOCAL 77 DATA REQUEST NO. 004

IBEW LOCAL 77 DATA REQUEST NO. 004

Please provide the annual staffing levels for all departments by classification since 2010.

Response:

Each of the Joint Applicants objects to IBEW Local 77 Data Request No. 004 as beyond the scope of IBEW Local 77's participation in this matter as provided by the WUTC in Prehearing Order 03, paragraph 23, which limits IBEW Local 77's participation as follows:

IBEW . . . will be limited to matters specifically addressing the safety and reliability of service to customers where its members are actually involved in the provision of such service. However, in the event it becomes clear later in the proceeding that either UA Local 32's or IBEW's continued participation is not in the public interest, the Commission has authority to dismiss either, or both, as an intervenor.

In particular, the WUTC in Prehearing Order 03, paragraph 22, identified topics that were outside of the Commission's review, such as what is requested in IBEW Local 77 Data Request No. 004:

As discussed above, employment issues such as workplace changes, labor contracts, wages, hours, and staffing are outside the Commission's purview.

Each of the Joint Applicants also objects to IBEW Local 77 Data Request No. 004 as overbroad because it exceeds the narrow scope of this proceeding and is not likely to lead to the discovery of evidence relevant to the possible harms associated with the proposed transactions. Given that discovery in this proceeding must be "narrowly defined and focused on the proposed transaction," (Docket U-180680, Order 01 at 8), information regarding annual staffing levels for all departments of Puget Sound Energy ("PSE") by classification since 2010 is not reasonably probative for consideration of the proposed transactions.

Each of the Joint Applicants further objects to IBEW Local 77 Data Request No. 004 as overbroad and unduly burdensome as it requests information for the past nine years.

Subject to and notwithstanding these objections, the Joint Applicants respond as follows.

Attached as Attachment A to the Joint Applicants' Response to IBEW Local 77 Data Request No. 004 is an MS Excel spreadsheet that provides year-end headcount of employees of PSE represented by IBEW Local 77, totaled by group and position title.

**ATTACHMENT A to
the Joint Applicants' Response to
IBEW Local 77 Data Request No. 004**

Puget Sound Energy
Headcount of Employees Represented by IBEW As of Year-End for 2010 through 2017, YTD Oct for 2018
Total By Group and Position

<u>Group</u>	<u>Position</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	
IBEW A Group	Advanced Metering Specialist						1	1	1	1	
	App Hydro-E 5th 6mo	1									
	Appr CT 1st 6mo			1							
	Appr CT 2nd 6mo						1				
	Appr CT 3rd 6mo		2		1						
	Appr CT 4th 6mo							1			
	Appr CT 5th 6mo			2		1					
	Appr CT 6th 6mo	1							1		
	Appr CT 7th 6mo				2		1				
	Appr CT 8th 6mo	1	1							1	
	Appr Hydro E 6th 6mo		1								
	Appr Hydro E 7th 6mo		1								
	Appr Hydro E 8th 6mo			2							
	Appr Hydro M 6th 6mo		2								
	Appr Hydro M 7th 6mo		1								
	Appr Hydro M 8th 6mo			3							
	Appr Hydro-E 5th 6mo	1									
	Appr Hydro-M 4th 6mo	2									
	Appr Hydro-M 6th 6mo	1									
	Appr Mtrman 1st 6mo		2	2	1	1			3		
	Appr Mtrman 3rd 6mo	5		2	2	2	1	1			
	Appr Mtrman 5th 6mo		4		2	2	2	2	1		
	Appr Mtrman 6th 6mo							1	1		
	Appr Wireman						1				
	Appr Wireman 1st 6mo	6	3	4	3	4	4	4	1	4	5
	Appr Wireman 2nd 6mo		1					1	2		2
	Appr Wireman 3rd 6mo	2	5	3	4	3	4	4	5	1	2
	Appr Wireman 4th 6mo			2						3	
	Appr Wireman 5th 6mo	4	2	4	2	2	2	2	5	5	4
	Appr Wireman 6th 6mo							3	1		1
	Appr Wireman 7th 6mo	5	4	2	5	2			2	4	4
	Appr Wireman 8th 6mo	1								2	4
	Biological Technician I	1									
	Biological Technician III	6									
	Building Maint Foreman	1									
	Building Svcman Step 3	2									
	Building Svcman Step 4	2									
	Building Svcman Step 6	4									
	Comm Repairman	1	1	1	1	1	1	1	1		
	Comm Tech 1st 2 Yrs	6	5	7	3						
	Comm Tech 1st 2yrs							3	2	2	3
	Comm Tech After 2 Yr	4									
	Comm Tech After 2yrs		4	4	5	4		3	3		
	Comm Tech B		1						2	2	2
	Comm Tech Class B	1		1	1	1	1	1			
	Comm Tech Foreman	6	7	7	7	7	5	5	7	6	5
	Comm Tech Trainee 1st 6mo	2	1		1	1	1	1	1		
	Comm Tech Trainee 2nd 6mo		1	2						1	1
	Comm Tech Trainee 3rd 6mo				1	1				1	1
	Comm Tech Trainee 4th 6 mo		1								
	Comm Tech Trainee 4th 6mo				1	1					
	Crew Dispatcher	8	7	8	5	3		3	3	3	3
	CT Foreman							7	7	7	7
	CT Journey Worker	45	47	47	50	51		49	48	50	50
	CT Journey Worker (P)	1									
	CT Tech I	1	1								
	CT Tech II	1				1					
	CT Tech III	1	1	1							
	CT Tech IV	4	5	6	7	6					
	Cust Field Rep I	9	5								
	Cust Field Rep II	39	26	24	28	28		27	25	21	21
	Cust Svc Field Lead	4	4	4	4	4		3	3	3	3
	Drayage Driver							1	1	1	1
	Drayageman Trailer				1	1					
	Electric GIS Tech I							2			
	Environmental Coordinator	6	5	5	5	5		6	6	6	6
	EP Helper IV	1									
	EP Helper VI	2			1	1		1	1	1	1

EP Helper VII	9	2	2	1	1	1	1	1	1
EP Temp Worker 3rd 6m			1						
EP Temp Worker 3rd 6mo	1	1	1						2
Equipment Op Fleet	1	1	1						
Fish & Wildlife Specialist I			1				1		
Fish & Wildlife Specialist II		1		1				1	
Fish & Wildlife Specialist III		6	6	6	7	6	6	6	7
Headwks Attend-Flume Ptrl	1	1							
Hydro Electrician	8	8	6	7	7	6	6	6	5
Hydro Foreman						3	3	3	3
Hydro Mechanic	20	21	19	19	18	18	17	17	16
Hydro Mechanic (P)	1								
Hydro Operator	4	4	4	3	3	3	3	3	3
Hydro Tech				2					
Hydro Tech I					1				
Hydro Tech III	1				1				
Hydro Tech IV	2	3	2	2	1				
ICE Tech 4				1					
ICE Tech I	1	1	2	1			2		
ICE Tech II	1	1				1			
ICE Tech III							1	1	
ICE Tech IV	1		1	1	1			1	
ICE Tech V	2	3	3	3	4	5	5	6	8
Janitor 4th 6 Mo	3	3	3	2	2	2	2	2	2
Journeyman Meterman	17	16	19	19	20	17	15	14	16
Lead Meter Tech						1	1	1	1
Lead Relay Tech		1	1	1	1	1	1	1	1
Lead System Operator					6	6	6	6	6
Meter Foreman	4	4	4	4	4	4	4	4	5
Meter Tech	3	3	3	3	3	2	2	2	1
Meter Tech Trainee I						1			
Meter Tech Trainee II							1	2	1
Meter Tester I	2								
Meter Tester II	5	6	5	5	5	3	2	4	5
Meter/Relay Tech I	3								
Meter/Relay Tech IV	1								
Meter/Relay Tech V	8								
Meter-Trfmr Helper A 2 Yr	1	1	1	1	1	1	1	1	1
PTA/ Cust Field Rep I		1	2	2	17	6	20	13	6
PTA/ Cust Field Rep II		15	14	7	5	14	8	20	23
PTA/ EP Helper IV		1							
PTA/ EP Helper VI		1	1						
PTA/ EP Helper VII		2	2						
PTA/ Meter Tester							1		
PTA/ Meter Tester I			1		1	1	4	2	2
PTA/ Meter Tester II		1		1		1			1
PTA/ Wire Helper 1st 6mo				1					
PTA/ Wire Helper 2nd 6mo		1							
PTA/ Wire Helper 4th 6mo		1			2	5	5	1	2
PTA/ Wire Helper 5th 6mo			2	2	2				
PTA/ Wire Helper 6th 6mo			2	1	1			3	
PTA/ Wire Helper 7th 6mo							2		
PTA/ Wire Helper After 3yrs		1	1						
PTA/Meter Tester I			1						
Pwr Genrtn Svcmn III--M	1								
Pwr Genrtn Svcmn M III		1							
Relay Tech Trainee						1	1		
Relay Tech Trainee I		2	2		1		1		
Relay Tech Trainee II		2	2	2					
Relay Tech Trainee III			2	2	2				
Relay Tech Trainee IV				2	2				
Relay Technician		8	8	7	9	11	10	11	8
Relay Technician Trainee I						1		1	2
Relay Technician Trainee II							1	2	2
Relay Technician Trainee IV						2	1		
Relief Operator/Hydro Journeyman			2						
Service Lineman I	1								
Service Lineman II	1								
Shuffelton Shop & Yard Forer	1	1	1	1	1	1			
Shuffleton Equipment & Tool	1	1	1	1	1	1	1	1	1
Shuffleton Shop & Yard Foreman							1	1	1
Sr Comm Tech I	5	2	1	2	5	4	4	8	7
Sr Comm Tech II	8	10	11	11	10	12	11	11	13
Storekeeper	8	9	10	10	9	9	9	10	10

Temp Cust Svc Seasonal Wc 3
(blank) 1
Gas GIS Technician III
Gas GIS Technician II
Gas GIS Technician I
I-Assoc Business Technology Analyst

1
14
3
1

IBEW B Total	461	444	428	404	368	373	353	372	350
IBEW Grand Total	954	922	899	850	823	819	818	841	822

Exhibit DTA-4
*PSE Response to IBEW Data Request No. 001,
Attachment A (PSE Overtime Hours by Cost Center 2009
to 2018)*

TESTIMONY OF

D. Timothy Arnold

In Opposition to the Multiparty Settlement Stipulation on Behalf of IBEW 77

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket U-180680
Sale of Non-Controlling Interest in Puget Holdings LLC**

IBEW LOCAL 77 DATA REQUEST NO. 001

IBEW LOCAL 77 DATA REQUEST NO. 001

Please provide the total number of overtime hours for IBEW represented employees by department and job classification from 2010 to present.

Response:

Each of the Joint Applicants objects to IBEW Local 77 Data Request No. 001 as beyond the scope of IBEW Local 77's participation in this matter as provided by the WUTC in Prehearing Order 03, paragraph 23, which limits IBEW Local 77's participation as follows:

IBEW . . . will be limited to matters specifically addressing the safety and reliability of service to customers where its members are actually involved in the provision of such service. However, in the event it becomes clear later in the proceeding that either UA Local 32's or IBEW's continued participation is not in the public interest, the Commission has authority to dismiss either, or both, as an intervenor.

In particular, in Prehearing Order 03, paragraph 22, the WUTC identified topics that were outside of the Commission's review, such as what is requested in IBEW Local 77 Data Request No. 001:

As discussed above, employment issues such as workplace changes, labor contracts, wages, hours, and staffing are outside the Commission's purview.

Each of the Joint Applicants also objects to IBEW Local 77 Data Request No. 001 as overbroad because it exceeds the narrow scope of this proceeding and is not likely to lead to the discovery of evidence relevant to the possible harms associated with the proposed transactions. Given that discovery in this proceeding must be "narrowly defined and focused on the proposed transaction," (Docket U-180680, Order 01 at 8), information regarding the total number of overtime hours for IBEW-represented employees of Puget Sound Energy ("PSE") by department and job classification from 2010 to present is not reasonably probative for consideration of the proposed transactions.

Each of the Joint Applicants further objects to IBEW Local 77 Data Request No. 001 as overbroad and unduly burdensome as it requests information for the past nine years.

Subject to and notwithstanding these objections, the Joint Applicants respond as follows.

PSE pays overtime to its employees represented by the IBEW per PSE's collective bargaining agreement with the IBEW, which has definitions of overtime more generous than the Fair Labor Standards Act definition of overtime as time worked beyond 40 hours in a workweek. Consistent with PSE's collective bargaining agreement with the IBEW, employees can (and often do) receive overtime pay in weeks when they have not worked 40 hours paid at regular rates prior to receiving overtime.

Attached as Attachment A to the Joint Applicants' Response to IBEW Local 77 Data Request No. 001 is an MS Excel spreadsheet that contains overtime hours by PSE department for the past ten years (2009 to YTD 2018), including group, cost center and the total of all overtime wage type hours, but does not include IBEW job classification.

**ATTACHMENT A to the
Joint Applicants' Response to
IBEW Local 77 Data Request No. 001**

Puget Sound Energy
Overtime Hours by Cost Center
2009 - YTD 2018

<u>Group</u>	<u>Cost Center</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
IBEW A	1210	867.2	838.5	879.0							
IBEW A	1212			0.0							
IBEW A	1215	8,945.0	6,821.0	9,808.4	9,447.8	6,715.3	6,887.2	4,734.4	7,349.6	125.0	0.0
IBEW A	1243									3,746.8	3,830.6
IBEW A	1253									2,742.3	3,228.5
IBEW A	1254									2,018.0	2,683.5
IBEW A	1265	2,449.3	1,839.8	2,190.0	605.0	825.8	1,339.5	684.5	875.8	705.5	250.6
IBEW A	1266										495.5
IBEW A	1410									0.0	0.0
IBEW A	1413		0.0	0.0				0.0			
IBEW A	1416					0.0	0.0		0.0		
IBEW A	3010						0.0			0.0	
IBEW A	3012	-6.0									
IBEW A	3060	17,286.6	18,670.2	17,003.2	21,683.9	19,747.0	25,430.4	20,523.1	19,146.3	784.8	
IBEW A	3065						0.0			25,966.5	24,672.5
IBEW A	3090	61,881.1	59,749.5	52,946.4	68,202.9	54,568.5	65,124.3	73,100.8	75,756.3	86,677.0	72,877.3
IBEW A	3095									1,989.3	1,579.3
IBEW A	3100				0.0						
IBEW A	3115	1,488.7	1,329.9	926.9	2,655.5	2,638.9	1,701.3	2,457.5	1,994.2	3,573.6	2,307.3
IBEW A	3130	0.6	1.2	7.2							
IBEW A	3309	4,245.5	4,198.8	2,310.9	2,943.0						
IBEW A	3332							0.0	0.0		
IBEW A	4010				0.0						
IBEW A	4050									53,362.9	52,961.8
IBEW A	4056	2,979.5	1,880.0	3,441.0	2,807.8	800.8	1,153.0	981.5	1,101.3	22.5	
IBEW A	4057				2,332.7	2,881.5	3,663.5	5,240.4	7,448.3	145.5	
IBEW A	4058	7,712.0	8,101.0	7,693.0	8,554.3	7,908.8	6,936.0	7,067.8	7,609.0	173.0	
IBEW A	4059									8,149.0	11,994.8
IBEW A	4060	7,523.0	7,574.5	7,400.3	6,173.3	4,974.8	7,599.5	10,424.0	9,590.5	156.5	
IBEW A	4070	6,001.0	6,205.3	8,134.3	7,913.3	5,053.3	8,644.3	9,722.5	7,966.5	305.5	
IBEW A	4080	7,256.5	4,500.0	6,194.5	5,713.3	2,818.5	6,697.0	5,854.3	9,545.5	93.8	
IBEW A	4090	10,790.3	10,487.0	12,000.5	11,286.8	7,890.0	10,001.5	8,758.3	10,691.0	183.5	
IBEW A	4230							0.0	0.0		
IBEW A	4300	65.0	86.5	16.5	343.5	5.5	64.5	103.8	137.0	484.3	250.5
IBEW A	4502			39.8							
IBEW A	4510	1,459.0	436.0	132.3	150.5						
IBEW A	4560	1,570.8	955.3	654.5	1,829.5	814.8	1,589.8	1,944.8	1,060.5	3,577.8	1,427.5
IBEW A	4570						0.0				
IBEW A	5009									5,408.8	6,361.5
IBEW A	5017	5,557.8	4,659.3	4,174.8	5,961.5	4,928.3	5,558.3	7,569.3	6,427.8	7,936.8	6,136.3
IBEW A	5019	6,659.0	6,142.8	6,509.8	7,580.8	6,532.5	6,765.3	5,871.8	5,953.3	8,612.0	7,618.8
IBEW A	5021	5,454.3	4,705.1	5,386.3	4,450.7	4,594.3	5,808.9	5,823.3	7,025.6	5,966.8	6,324.0
IBEW A	5025	3,221.5	4,311.5	4,785.3	4,825.5	6,408.9	6,178.8	6,029.1	5,816.3	7,628.8	5,967.5
IBEW A	5140	1,509.3	1,425.5	1,639.5	1,646.8	2,551.0	2,870.5	2,004.3	2,804.5	123.8	
IBEW A	5150	6,851.3	8,160.0	6,986.3	8,171.8	8,381.8	3,068.0	4,451.5	2,886.0	5,694.0	4,728.0
IBEW A	5160	493.5	289.0	372.3	286.0	307.0	6,160.3	5,082.8	1,791.5	91.3	
IBEW A	5170	735.8	270.0	672.5	1,163.0	668.0	906.8	944.0	1,772.5	38.8	
IBEW A	5210	9,747.3	7,060.0	7,540.5	1,457.5	1,305.5	421.8				
IBEW A	5220	1,998.8	1,828.8	2,294.0	935.5	1,194.3	1,986.0	2,873.8	1,924.5	30.5	
IBEW A	5230	1,119.0									
IBEW A	5231	10.0	1,446.0	1,686.5	857.5	0.0					
IBEW A	5240	<u>4,510.5</u>	<u>1,774.8</u>	<u>2,046.5</u>	<u>1,060.0</u>	<u>3,185.4</u>	<u>2,268.9</u>	<u>1,900.3</u>	<u>1,949.2</u>	<u>1,455.8</u>	<u>1,245.3</u>
IBEW A	TOTAL	190,382.7	175,747.0	175,872.5	191,039.3	157,699.9	188,825.0	194,147.3	198,622.6	237,969.9	216,940.8
IBEW B	1110									0.0	7.3
IBEW B	1410									0.0	0.0
IBEW B	1412										0.0
IBEW B	1413	0.0	0.0	0.0							
IBEW B	1416					0.0	0.0		0.0		
IBEW B	3010	8,379.8	4,182.6	8,477.9	16,069.3	16,350.3	21,270.4	18,252.3	9,887.4	9,885.0	3,929.9
IBEW B	3011	289.8	61.3	3.8	269.5	177.1	39.7	0.0		80.3	0.4
IBEW B	3012	226.7	39.8	138.8	149.5	162.8	22.0	2.0	0.0	0.0	
IBEW B	3014									634.4	1,950.3

<u>Group</u>	<u>Cost Center</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
IBEW B	3015	622.0	167.3	34.5	35.0	186.1	38.3	59.5	16.8	48.5	1.5
IBEW B	3026			0.0							
IBEW B	3036						0.0				
IBEW B	3037									0.0	0.0
IBEW B	3088									0.0	
IBEW B	3090	305.5	314.3	169.3	816.5	315.5	346.3	322.8	309.0	447.8	267.8
IBEW B	3095	75.5	117.0	195.8	133.3	334.4	508.8	675.5	353.3	385.9	209.8
IBEW B	3097				0.0						
IBEW B	3098				2.0	0.0	0.0	0.0	0.0	0.0	
IBEW B	3115	1,629.3	348.6	296.4	360.4	752.0	362.9	339.7	153.4	222.0	298.5
IBEW B	3130	231.3	107.4	47.4							
IBEW B	3180	3,908.3	627.5	417.5	1,336.6	5,854.8	4,026.3	24.0	-2.5		
IBEW B	3416									0.0	
IBEW B	3502			0.0							
IBEW B	3530	452.5	280.8	223.8	3,193.5	5,326.6	3,380.6	1,871.3	1,662.0	764.4	302.2
IBEW B	3590										0.0
IBEW B	3610				410.5	708.7	365.7	792.8	233.0	5.0	
IBEW B	4035	29.5									
IBEW B	4050	92.3	37.8	91.5	50.8	45.8	40.3	32.5	110.0	298.8	394.3
IBEW B	4057						117.3	24.0	197.8	0.0	
IBEW B	4059									89.0	300.8
IBEW B	4100									0.0	2.5
IBEW B	4120	197.8	3.8	0.8	3.5	2.0	7.5	1.5	2.5	1.0	
IBEW B	4130	57.5	6.5	46.5	2.0	0.0	1.0	63.5	0.0	0.0	
IBEW B	4230	1,122.4	132.8	2,997.3	3,067.3	2,428.2	3,270.6	3,235.8	2,580.8	2,066.9	1,375.1
IBEW B	4465	212.5	2.0	0.0	0.0	54.5	10.1	81.3	151.6	0.0	
IBEW B	4510	67.8	3.0	0.0	10.5						
IBEW B	4560	48.0	40.8	25.3	160.5	112.3	296.0	221.8	88.3	437.5	142.5
IBEW B	5009									11.3	5.0
IBEW B	5017	73.8	22.5	27.1	8.3	9.3	4.0	17.0	16.0	21.8	17.3
IBEW B	5019			3.0	4.0	8.3	2.5	5.8	8.5	3.3	
IBEW B	5021	46.8	36.8	81.0	89.0	83.8	91.5	48.0	44.0	5.0	13.1
IBEW B	5025		62.5	77.5	86.8	158.3	128.0	139.8	145.5	194.8	130.8
IBEW B	5140	66.5	4.8	4.0							
IBEW B	5150	20.0	43.0	167.0	183.5	133.5	119.5	102.8	9.0	646.3	216.5
IBEW B	5160					2.0	245.0	252.0	28.0	4.0	
IBEW B	5210	3.0	0.5	6.5	12.0	4.0					
IBEW B	5240	<u>30.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>17.5</u>	<u>18.9</u>	<u>20.3</u>	<u>27.6</u>	<u>27.5</u>	21.5
IBEW B	5362										<u>0.0</u>
IBEW B	TOTAL	18,188.5	6,642.9	13,532.5	26,454.0	33,227.5	34,712.8	26,585.9	16,021.8	16,280.1	9,586.8
	Grand Total	208,571.3	182,389.9	189,405.0	217,493.4	190,927.4	223,537.8	220,733.2	214,644.5	254,250.0	226,527.7

**Exh. MCC-1T
Docket U-180680
Witness: Melissa Cheesman**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of

DOCKET U-180680

**Puget Sound Energy, Alberta Investment
Management Corporation, British
Columbia Investment Management
Corporation, OMERS Administration
Corporation, and PGGM
Vermogensbeheer B.V.**

**For an Order Authorizing Proposed Sales
of Indirect Interests in Puget Sound
Energy**

TESTIMONY OF

MELISSA CHEESMAN

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Commission Staff's Testimony in Support of Settlement

January 18, 2019

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SCOPE AND SUMMARY OF TESTIMONY 3

III. PROPOSED TRANSACTION..... 4

IV. STAFF’S SUPPORT OF THE SETTLEMENT..... 8

1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Melissa Cheesman. My business address is the Richard Hemstad
5 Building, 1300 South Evergreen Park Drive Southwest, P.O. Box 47250, Olympia,
6 Washington 98504. My email address is melissa.cheesman@utc.wa.gov.

7

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by the Washington Utilities and Transportation Commission
10 (Commission) as a Regulatory Analyst in the Energy Section of the Regulatory
11 Services Division.

12

13 **Q. How long have you been employed by the Commission?**

14 A. I have been employed by the Commission since 2012.

15

16 **Q. Would you please state your educational and professional background?**

17 A. I graduated magna cum laude from Seattle University, Albers School of Business
18 and Economics in 2010, with a Bachelor of Arts degree in Business Administration
19 with a focus in accounting. In 2012, I earned a Masters of Professional Accounting
20 (MPAC) degree from Seattle University, Albers School of Business and Economics.

21

22 I attended the Western NARUC Utility Rate School in 2013 and the 2013
23 Staff Water Policy Forum of the National Association of Water Companies. I have
provided accounting guidance in various energy dockets; for example, in UG-170929

1 (general rate case with tax reform), UE-170327/UG-170328 (accounting petition
2 related to AMI investment), UE-160100 (accounting petition related to AMI
3 investment), and UE-151871/UG-151872 (tariff revision related to leases). Prior to
4 moving to the energy section in June 2016, I audited and reviewed water and solid
5 waste filings.

6
7 **Q. Have you testified previously before the Commission?**

8 A. Yes. I provided testimony before the Commission in Cascade Natural Gas's 2017
9 general rate case (Docket UG-170929), Puget Sound Energy's (PSE) 2017 electric
10 and gas general rate cases (Dockets UE-170033 and UG-170034), Avista's 2016
11 electric and gas general rate cases (Dockets UE-160228 and UG-160229), and solid
12 waste Dockets TG-130501, TG-130502, and TG-140560. In these dockets I testified
13 as an expert witness on behalf of Commission Staff (Staff) on a variety of issues
14 including revenue requirement and specific adjustments, rate spread and rate design,
15 and the treatment of tax reform.

16
17 **Q. Have you previously provided recommendations to the Commission on
18 transfers of property filings?**

19 A. Yes. I made recommendations to the Commission on the transfer of property
20 applications in Dockets UW-150742 and UW-150743. I also reviewed and advised
21 the Commission on two filings concerning the internal reorganization of upstream
22 owners and the sale of non-material interests in Puget Holdings, and indirectly in
23 PSE, in Dockets U-171039 and U-171127, respectively.

1 **II. SCOPE AND SUMMARY OF TESTIMONY**

2

3 **Q. Please explain the purpose of your testimony.**

4 A. The purpose of my testimony is to articulate Staff’s support of the Settlement
5 Stipulation and Agreement (Settlement) entered into by most of the parties to this
6 docket (the Settling Parties).¹ The Settlement expresses the Settling Parties’ support
7 of the proposed sale of approximately 44 percent equity interest in Puget Holdings
8 LLC (Puget Holdings) to four different buyers. The four buyers along with PSE are
9 collectively the “Joint Applicants.” The sales of interest to each of the proposed
10 buyers are collectively referred to as the “Proposed Transaction.” The foundation of
11 support of the Proposed Transaction rests on the commitments that the Settling
12 Parties have agreed upon, which are attached to the Settlement as Appendix A
13 (Commitments). My testimony will discuss the important role of the Commitments
14 in protecting the public interest.

15

16 **Q. Has Staff already provided its recommendation to the Commission regarding
17 the sale of a non-controlling interest in Puget Holdings?**

18 A. Yes. Staff filed comments on October 24, 2018, with proposed revisions to the set of
19 commitments the Joint Applicants had proposed in their application (the “Joint
20 Application”). Staff provided verbal and written recommendations, supported by

¹ Parties included in the settlement are the Joint Applicants (Puget Sound Energy, Alberta Investment Management Corporation, British Columbia Investment Management Corporation, OMERS Administration Corporation, and PGGM Vermogensbeheer B.V.), Commission Staff, the Public Counsel Unit of the Washington Office of Attorney General, the Alliance of Western Energy Consumers, The Energy Project, and Northwest Energy Coalition.

1 additional transaction information submitted with Staff's memo to the Commission
2 at the November 5, 2018, recessed open meeting. On November 7, 2018, Staff filed
3 an update to the proposed revisions that reflected agreement on a set of commitments
4 between the Joint Applicants and Staff.

5 The Commitments in the settlement stipulation include and build upon the set
6 of commitments that the Joint Applicants and Staff had agreed to previously.

7
8 **Q. What is Staff's interest in this proceeding?**

9 A. Staff is interested in ensuring that the Proposed Transaction meets the Commission's
10 standard for approval, meaning that the Proposed Transaction meets the no harm
11 standard and is in the public interest.

12

13 **III. PROPOSED TRANSACTION**

14

15 **Q. Please briefly explain the Proposed Transaction.**

16 A. On September 5, 2018, Puget Sound Energy (PSE) filed a joint application with
17 Alberta Investment Management Corporation (AIMCo), British Columbia
18 Investment Management Corporation (BCI), OMERS Administration Corporation
19 (OAC), and PGGM Vermogensbeheer B.V. (PGGM) for the proposed sale of a
20 minority interest of approximately 44 percent ownership in Puget Holdings currently
21 held by Macquarie Infrastructure Partners, Inc. (MIP) and Padua MG Holdings LLC,
22 a Macquarie entity (collectively "Macquarie"). Puget Holdings indirectly holds 100
23 percent ownership interest in PSE.

1 **Q. Will Macquarie continue to be an owner of Puget Holdings?**

2 A. No. Macquarie intends to sell all of its interest in Puget Holdings to four different
3 buyers. Two of the buyers are existing owners and the remaining two buyers are
4 potential new owners.

5
6 **Q. Please identify the proposed buyers and the percentage amounts of equity
7 interest each is acquiring.**

8 A. The four buyers are: (1) current owner AIMCo; (2) current owner BCI; (3) new
9 proposed owner OAC; and (4) new proposed owner PGGM. Current owner Canada
10 Pension Plan Investment Board (CPPIB) is not a party to the application and is not
11 changing its current equity interest in Puget Holdings. The following table
12 summarizes the proposed amounts of equity interest being acquired and the proposed
13 change of ownership in Puget Holdings.

TABLE 1 – SUMMARY OF PUGET HOLDINGS OWNERSHIP

Entities	Equity Interest Percentage	Equity Purchase and (Sale)	Proposed Equity Interest
Macquarie, collectively	43.99%	(43.99)%	0.00%
Canada Pension Plan Investment Board	31.57%	0.00%	31.57%
OMERS Administration Corporation	0.00%	23.94%	23.94%
British Columbia Investment Management Corporation	16.86%	4.01%	20.87%
Alberta Investment Management Corporation	7.59%	6.01%	13.60%
PGGM Vermogensbeheer B.V.	0.00%	10.02%	10.02%
Total	100%	0.00%	100%

1 **Q. What legal standard applies to the Proposed Transaction?**

2 A. The “no harm” legal standard applies to this transaction. RCW 80.12.020 prohibits a
3 public service company from transferring property unless it secures authorization
4 from the Commission. Pursuant to WAC 480-143-170, the Commission will
5 authorize a transfer of property that is consistent with the public interest: “If, upon
6 the examination of any application and accompanying exhibits, or upon a hearing
7 concerning the same, the Commission finds the proposed transaction is not
8 consistent with the public interest, it shall deny the application.” The Commission
9 refers to this standard as the “no harm” standard, because the transaction “must not
10 harm the public interest in order to be approved.”² As the Commission recently
11 stated, this standard “require[s] that ratepayers be, at worst, *indifferent* to the
12 proposed transfer of property.”³

13 If a transaction results in the acquisition of a controlling interest in a gas or
14 electrical company, under RCW 80.12.020 the Commission cannot approve the
15 transaction without a finding that the proposed transaction provides a net benefit to
16 customers. In this proceeding, the Commission has already found that the Joint
17 Application represents a proposed transfer of a *non-controlling* interest in Puget
18 Holdings and, therefore, the “no harm” legal standard, and not the net benefit
19 standard, applies.⁴

20

² See *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, Order 08, ¶ 6 (Dec. 30, 2008) (Macquarie Order).

³ *In the Matter of the Joint Application of Hydro One Ltd. and Avista Corp. For an Order Authorizing Proposed Transaction*, Docket U-170970, Order 07, ¶ 29 (Dec. 5, 2018) (emphasis in original).

⁴ Docket U-180680, Order 01, 3, ¶ 12.

1 **Q. What is the purpose of the Commitments?**

2 A. The Commitments are intended to insulate ratepayers from risk of harm and render
3 the Proposed Transaction in the public interest. In other words, the commitments
4 provide protections ranging from no rate recovery of costs associated with the
5 Proposed Transaction to financial and ring-fencing provisions that protect PSE's
6 assets from bankruptcy. The Settlement builds off of the work the Joint Applicants
7 and Staff completed earlier in this proceeding and incorporates feedback and
8 concessions from a diverse group, the Settling Parties, all with diverse interests.

9

10 **Q. What impact does the Proposed Transaction have on the current governance**
11 **boards?**

12 A. The overall governance of Puget Holdings has not changed substantially since the
13 Macquarie acquisition was approved in 2008 (Macquarie Order). The composition of
14 both Puget Holdings' and PSE's boards will change subsequent to the closure of the
15 Proposed Transaction consistent with the addition of two more owners. These
16 changes to each of the boards include an increase of two seats and changes in
17 individuals participating on the boards. Essentially, though, the Proposed
18 Transaction and the resulting changes in board composition represent a dilution of
19 ownership that reduces the influence of the owner with the largest interest
20 percentage. The current form of the Puget Holdings LLC Agreement as well as
21 PSE's current bylaws are attached to the Commitments.

22

1 **IV. STAFF'S SUPPORT OF THE SETTLEMENT**

2

3 **Q. What is Staff's recommendation?**

4 A. Staff recommends that the Commission approve the Settlement without condition.

5

6 **Q. Provide an overview of Staff's review of the Proposed Transaction.**

7 A. Staff's review included careful examination of the filing, independent research,
8 review of informal and formal discovery responses, formulation of written analysis
9 during the Open Meeting process, and discussions with the other parties that
10 ultimately lead to the multiparty settlement.

11

12 **Q. Have the purchasers in the Proposed Transaction demonstrated their**
13 **respective financial and managerial fitness?**

14 A. Yes. As previously stated in Staff's comments and open meeting memo, which are
15 on file in this docket, all four purchasers have demonstrated through testimony and
16 discovery responses their respective financial and managerial fitness. Staff is
17 satisfied that all four purchasers are financially fit, have the ability to access capital,
18 and have experience with managing and investing in the utility industry.

19

20 **Q. Please explain why Staff supports the Commitments.**

21 A. First, the Commitments include Staff's set of commitments filed with the
22 Commission on November 7, 2018, which Staff at that time determined to be

1 sufficient to meet the no harm standard. Second, the Commitments continue to
2 support public interest factors that the Commission has previously addressed.

3 The Commission has previously identified factors that weigh in favor of the
4 public interest, in Docket U-072375, Order 08, at paragraph 115. In doing so, the
5 Commission identified public service obligations related to customer service, safety,
6 reliability, resource adequacy including energy efficiency and conservation, support
7 for low-income customers and environmental stewardship. Staff believes that the
8 Commitments related to public service obligations continue to be consistent with the
9 public interest.

10 Additionally, the regulatory, and the ring-fencing and financial commitments
11 guard against financial risk and rate increases related to the Proposed Transaction.
12 Staff believes that these Commitments further the public interest.

13

14 **Q. Are the Commitments similar to the commitments made in the Macquarie**
15 **acquisition in Docket U-072375?**

16 A. Yes, a majority of the commitments made in the Macquarie acquisition in Docket U-
17 072375 (Macquarie Acquisition) have been retained. Where necessary, they have
18 been updated.

19

20 **Q. Did Staff carefully analyze which of the Macquarie Acquisition commitments**
21 **should be retained, which ones were no longer necessary, and which ones should**
22 **be updated?**

1 A. Yes. Staff compared the commitments that the Joint Applicants proposed with the
2 body of commitments from the Macquarie Acquisition. As I will explain next, Staff
3 reviewed the commitments to ensure that current important commitments would still
4 exist going forward. Specifically, Staff wanted to ensure that commitments related to
5 public service obligations, financial risk, ring-fencing, and regulation are relevant
6 and will continue after the Commission issues an order approving the Proposed
7 Transaction.

8 Staff reviewed all Macquarie Acquisition commitments that had expired or
9 had been otherwise satisfied. Staff believes that expired and satisfied commitments
10 should be removed. For example, Macquarie Acquisition commitment number 42
11 was related to increasing the bill assistance program funding to \$15 million. PSE's
12 current bill assistance program funding is approximately \$24 million, and so the
13 previous commitment has been fully satisfied and is no longer relevant. Other
14 examples include commitments regarding conservation. Macquarie Acquisition
15 commitment 47 required the development of a study to identify potential energy
16 efficiency improvements in PSE's distribution, transmission, and generation assets.
17 PSE has satisfied this commitment and has made this part of its daily operations.
18 Macquarie Acquisition commitment 49 set the objective to acquire renewable
19 resources to meet 10 percent of PSE's load by 2013. This commitment has been
20 satisfied and has since expired. Currently, PSE's renewable resource obligation is
21 defined by WAC 480-109-200, which requires PSE to use renewable resources to
22 meet 15 percent of its load by 2020.

1 The commitments from the Macquarie Acquisition, and in particular the ring-
2 fencing commitments, have served PSE’s customers well for a decade and will
3 continue to serve PSE’s customers if approved by the Commission. In that time there
4 have been no enforcement proceedings at the Commission concerning violations of
5 these commitments, and Staff is not aware of any allegations of wrongdoing
6 concerning any of the consortium investors or Puget Holdings. This is evidence that
7 the commitments work and are in the public interest.

8 Staff also ensured that those commitments that have stood the test of time
9 were updated to reflect current data and references. Updating the commitments
10 ensures that they remain relevant, and ensures that PSE and Puget Holdings will be
11 responsive to the Commission. Commitment 39, for example, was updated to
12 reference current funding for corporate contributions and community support.

13
14 **Q. Please discuss the public interest protections that the Commitments provide.**

15 A. The Commitments provide financial and ring fencing protections and also provide
16 protection from risk in the areas of identified public service obligations related to
17 customer service, safety, reliability, resource adequacy including energy efficiency
18 and conservation, support for low-income customers, and environmental
19 stewardship. The Commitments are now organized in a manner that make it easier to
20 identify commitments in various categories.

21 Regulatory, and Ring-Fencing and Financial Commitments protect ratepayers
22 from financial risk. These Commitments prohibit PSE from making loans to or
23 pledging assets to Puget Energy and Puget Holdings (Regulatory Commitment 6);

1 require that PSE and its ratepayers be held harmless for financial risk associated with
2 Puget Energy or Puget Holdings (Regulatory Commitments 6 and 8); support
3 maintaining the financial health of PSE (Regulatory Commitment 7); and restrict
4 upward distributions (Ring-Fencing Commitments 28, 30, and 31). Another Ring-
5 Fencing and Financial Commitment that remains supports PSE's access to capital by
6 ensuring that Puget Holdings has the ability to raise capital in public markets on
7 PSE's behalf (Commitment 29).

8 Governance and Operations Commitments provide protection related to
9 customer service, which is one of the areas identified as a public service obligation
10 that should be protected. These Commitments require PSE to maintain staffing and
11 presence in its communities of operation (Commitment 3), keep PSE's corporate
12 headquarters in PSE's service territory (Commitment 4), and honor PSE's labor
13 contracts (Commitment 2).

14 The Commitments also support the maintenance of safety and reliability.
15 Commitment 15 provides that PSE will continue its Service Quality program, and
16 Commitment 3, referenced above, supports safety and reliability by maintaining
17 staffing and presence in communities in which PSE operates, specifically to maintain
18 the provision of safe and reliable service. In addition, Commitment 37, which
19 requires Puget Holdings to make meeting capital requirements of PSE a high
20 priority, also supports reliability.

21 The Commitments provide assurances relating to environmental concerns. In
22 support of renewable energy, Puget Holdings commits to support PSE's obligations
23 under Washington's Renewable Portfolio standards and work with PSE to acquire all

1 renewable energy resources required by law and or deemed reasonable in accordance
2 with its biennial intergrated resource planning process (Environmental Commitments
3 49 and 50). In addition, Community and Low-Income Commitment 40 commits PSE
4 to increase funding of low-income energy efficiency programs in future years at a
5 level commensurate with increases in funding for energy efficiency programs for
6 other residential customers through the Conservation Resource Advisory Group
7 process. The Commitments support environmental stewardship through the goals to
8 reduce by 50 percent of PSE's 2016 greenhouse gas footprint by 2040 and annual
9 greenhouse gas inventory reporting (Environmental Commitments 51 and 52).

10 Last but certainly not least, the Commitments provide additional protections
11 for low-income customers. The Community and Low-Income Commitments require
12 PSE to maintain existing low-income programs and to increase funding for low-
13 income energy efficiency programs in future years (Commitment 40). And PSE and
14 Puget Holdings commit to continue to work with low-income agencies to address
15 issues of low-income customers (Commitment 41).

16
17 **Q. Are there specific provisions that Staff advocated for that are included in the**
18 **Commitments?**

19 A. Yes. Early on, Staff worked with the Joint Applicants to increase the protections
20 provided by the existing commitments. To provide additional assurance that the
21 commitments will continue to be adhered to going forward, Staff advocated for
22 Regulatory Commitment 64. In the event PSE or Puget Holdings fail to meet any of
23 the Commitments, Commitment 64 requires timely reporting of non-compliance with

1 any of the Commitments and a description of the action taken to correct the failure.
2 Commitment 64 also requires Puget Holdings to submit to the jurisdiction of
3 Washington courts for enforcement of the Commitments and subsequent
4 Commission orders affecting PSE.

5 Staff also advocated for additions to Regulatory, and Ring-Fencing and
6 Financial Commitments. Staff proposed revisions to Regulatory Commitment 5
7 which ensure that none of the costs of the Proposed Transaction can be recovered
8 through PSE's rates. In Ring-Fencing and Financial Commitment 35, Staff added
9 additional Sarbanes-Oxley Act sections to strengthen controls over PSE's and Puget
10 Energy's financial reporting. Specifically, Staff added Section 303, which prohibits
11 officers and directors from taking any action to coerce an external auditor's opinion;
12 Section 402, which explicitly prohibits providing personal loans to directors or
13 executive officers (or the equivalent thereof); and Section 409, which requires real-
14 time disclosures to the public with regard to material changes to PSE's financial
15 condition or operations.

16
17 **Q. Please discuss new commitments that resulted from the settlement negotiations.**

18 A. The Settling Parties have agreed to additional items related to energy efficiency, low-
19 income support and regulatory commitments. For example, Energy Efficiency
20 Commitment 53 requires PSE to continue to support and participate in the Northwest
21 Energy Efficiency Alliance. Energy Efficiency Commitment 54 requires PSE to
22 accelerate its business case review of on-bill repayment program for customer
23 investments in energy efficiency. Energy Efficiency Commitment 55 provides that

1 PSE will work with the Northwest Energy Efficiency Council and the Conservation
2 Resource Advisory Group to adaptively manage and modify PSE’s “Pay for
3 Performance” pilot to attract more participants. Staff supports these additions
4 because they further the public interest as it relates to cost effective conservation.

5 Community and Low-Income Commitments 43, 44, 45, and 46 strengthen
6 PSE’s support of its low-income weatherization program. Commitment 43 provides
7 for an annual base funding level of \$4.43 million through December 31, 2022 for
8 low-income weatherization programs. Commitment 46 requires Puget Holdings to
9 make a one-time \$2 million shareholder contribution to the Low-Income
10 Weatherization Program to be disbursed over a five-year period. These commitments
11 protect the public interest by specifying PSE and Puget Holding’s commitment to the
12 communities in which PSE operates and safeguarding assistance for the most
13 vulnerable customers.

14 New Regulatory Commitments address specific risks associated with the new
15 owners. Regulatory Commitment 22 includes language that requires PSE to file with
16 the Commission notice of changes in Canadian law affecting the Canadian investors,
17 including reporting on the laws that restrict Canadian pension funds from acquiring
18 more than 30 percent of the voting stock of a company. Regulatory Commitment 23
19 requires PSE to file a notice with the Commission of any changes to voting
20 requirements, or of the creation of additional voting agreements between the
21 members of Puget Holdings. These commitments protect the public interest by
22 ensuring that the Commission is kept abreast of changes to Puget Holdings’ and
23 PSE’s corporate governance.

1 **Q. In Staff's view, should the Commission grant the Joint Application and approve**
2 **the Proposed Transaction?**

3 A. Yes. The Commitments provide robust protections relating to governance and
4 operations, regulation and enforcement, ringfencing and financial matters,
5 community support and low-income concerns, and energy efficiency and the
6 environment. These Commitments serve to protect ratepayers from harm and render
7 the Proposed Transaction consistent with the public interest.

8

9 **Q. Does this conclude your testimony?**

10 A. Yes.