

Docket No. U-180680 - Vol. III

In the Matter of: Puget Sound Energy Transfer

February 15, 2019



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BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint)
 Application of)
)
 PUGET SOUND ENERGY, ALBERTA)
 INVESTMENT MANAGEMENT) Docket No. U-180680
 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)

SETTLEMENT HEARING, VOLUME III

Pages 117 - 313

ADMINISTRATIVE LAW JUDGES ANDREW O'CONNELL AND
RAYNE PEARSON

1:02 P.M.
FEBRUARY 15, 2019

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A P P E A R A N C E S

ADMINISTRATIVE LAW JUDGE:

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A P P E A R A N C E S (Continued)

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A P P E A R A N C E S (Continued)

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EXHIBIT INDEX

EXHIBIT A/R DESCRIPTION

BENCH EXHIBITS

BE-1	A	Public Comments Received Prior to 11/5/18 (131 pages)
BE-2	A	Joint Applicants' Response to Attachment Bench Request No. 1 and Attachment A (45 pages)
BE-3	A	Public Comments Received After 11/5/18

SETTLEMENT STIPULATION

Settlement Stipulation (HC)	A	Multiparty Settlement Stipulation and Agreement (Highly Confidential) (188 pages)
Settlement Stipulation	A	Multiparty Settlement Stipulation and Agreement (Redacted)(188 pages)

JOINT APPLICANTS

Joint Application	A	Joint Application (115 pages)
KIMBERLY J. HARRIS, President and Chief Executive Officer, PSE		
KJH-1T	A	Prefiled Direct Testimony (15 pages)
KJH-2	A	Professional Qualifications (3 pages)
KJH-3	A	Letter of Support from Christopher Hind (CPPIB) to Mark L. Johnson (3 pages)

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2	EXHIBIT	A/R	DESCRIPTION
3	DANIEL A. DOYLE, Senior Vice President and Chief		
4	Financial Officer, Puget Sound Energy (PSE)		
5	DAD-1T	A	Prefiled Direct Testimony (7 pages)
6	DAD-2	A	Professional Qualifications (4 Pages)
7	DAVID E. MILLS, Senior Vice President of Policy and		
8	Energy Supply, PSE		
9	DEM-1T	A	Prefiled Direct Testimony (13 pages)
10	DEM-2	A	Professional Qualifications (4 pages)
11	DEM-3	A	Proposed Commitments of the Joint Applicants in Support of the Proposed Transactions (17 pages)
12	DEM-4	A	Proposed Commitments of the Joint Applicants in Support of the Proposed Transactions Compared Against Existing Commitments from the 2008 Acquisition Order, the LNG Order, and the 2017 GRC Order (59 pages)
13	JON A. PILIARIS, Director, Regulatory Affairs, PSE		
14	jointly with Ahmed Mubashir, Martijn J. Verwoest,		
15	Lincoln Webb, Steven Zucchet		
16	JA-1JT	A	Testimony Supporting Settlement Stipulation (14 pages)
17	JP-2	A	Professional Qualifications (4 pages)
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3	CROSS-EXAMINATION EXHIBITS		
4	JP-3X	R	DTA-3
5	JP-4X	R	DTA-8, Servicemen, 6 Substation, and Metermen 7 Hours Worked 2013-2018
8	JP-5X	R	DTA-4, PSE OT Hours by Cost Center 2009-2018
9	JP-6X	A	DTA-9, PSE Motor Vehicle 10 Incidents 2013-2018
11	JP-7X	R	DTA-6, Damage Assessor Information
12	JP-8X	R	DTA-24 (Apprentices by Department)
13	JP-9X	A	PSE 2017 Service Quality 14 Report Card (1 page)
15	JP-10X	A	PSE Response to WNIDCL DR 28 (2 pages)
16	JP-11X	Not Offered	Joint Applicants' Response to 17 Check Transcript WNIDCL's DR 18 (1 page)
18	AHMED MUBASHIR, Portfolio Manager, Infrastructure and 19 Timber Group, Alberta Investment Management Corporation (AIMCo)		
20	AM-1T	A	Prefiled Direct Testimony (14 pages)
21	AM-2	A	Professional Qualifications 22 (3 pages)
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AM-3	A	Purchase and Sale Agreement between MIP Padua Holdings L.P. and PIP2PX (PAD) LTD. and PIP2GV (PAD) LTD. (8/8/2018)(106 pages)
JA-1JT	A	Testimony Supporting Settlement Stipulation (14 pages)
MARTIJN J. VERWOEST, Senior Director, Infrastructure Team, PGGM Vermogensbeheer B.V. (PGGM)		
MJV-1T	A	Prefiled Direct Testimony (22 pages)
MJV-2	A	Professional Qualifications (3 pages)
MJV-3	A	Purchase and Sale Agreement between MIP Padua Holdings, L.P. and Mount Rainier Utility Holdings, L.L.C. (8/8/18) (150 pages)
MJV-4	A	Background Information Regarding the PGGM Fund For Joint Account Structure (6 pages)
MJV-5	A	Organizational Chart of the PGGM Entities and Mount Rainier Utility Holdings LLC (2 pages)
JA-1JT	A	Testimony Supporting Settlement Stipulation (14 pages)

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		LINCOLN WEBB, Senior Vice President, Infrastructure & Renewable Resources, British Columbia Investment Management Corporation (BCI)
LW-1T	A	Prefiled Direct Testimony (10 pages)
LW-2	A	Professional Qualifications
LW-3	A	Purchase and Sale Agreement Between MIP Padua Holdings, L.P. and 6860141 Canada Inc., as Trustee for Padua Investment Trust (8/8/2018)
JA-1JT	A	Testimony Supporting Settlement Stipulation (14 pages)
		STEVEN ZUCCHET, Managing Director, OMERS Infrastructure Management Inc. (OMERS)
SZ-1T	A	Prefiled Direct Testimony (16 pages)
SZ-2	A	Professional Qualifications (3 pages)
SZ-3	A	Purchase and Sale Agreement by and among MIP Padua Holdings, L.P. and Moby Canada Limited Partnership and Macquarie Infrastructure Partners Canada, L.P., Macquarie Infrastructure Partners International, L.P., Macquarie Infrastructure Partners A, L.P., and Macquarie Infrastructure Partners II AIV, L.P. (8/8/2018) (258 pages)

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JA-1JT	A	Testimony Supporting Settlement Stipulation (14 pages)

CROSS-EXAMINATION EXHIBITS

SZ-4X	A	"1 electric worker Killed, 1 hurt during East Texas Repairs," February 17, 2017 by Associated Press
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COMMISSION REGULATORY STAFF

MELISSA CHEESMAN, Regulatory Analyst, Commission Staff

MCC-1T	A	Testimony Supporting Settlement Stipulation (18 pages)
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CROSS-EXAMINATION EXHIBITS

MCC-2x	R	DTA-3, PSE Head Counts from 2010-2018
MCC-3X	R	DTA-4, PSE OT Hours by Cost Center 2009-2018

PUBLIC COUNSEL

SARAH E. LAYCOCK, Regulator Analyst, Public Counsel

SEL-1T	A	Testimony Supporting Settlement Stipulation (11 pages)
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		J. RANDALL WOOLRIDGE, Professor of Finance and the Goldman, Sachs & Co. and Frank P. Smeal Endowed Faculty Fellow in Business Administration, Pennsylvania State University
JRW-1T	A	Testimony Supporting Settlement Stipulation (23 pages)
JRW-2	A	Professional Qualifications (2 pages)
JRW-3	A	Timeline of Proposed Transaction (2 pages)
JRW-4	A	Joint Applicants' Response to Public Counsel Data Request No. 19 (8 pages)
JRW-5HC	A	Joint Applicants' Response to Public Counsel Data Request No. 3 (7 pages) (Highly Confidential)
JRW-5	A	Joint Applicants' Response to Public Counsel Data Request No. 3 (7 pages) (Redacted)
JRW-6	A	Joint Applicants' Response to Public Counsel Data Request No. 12 (4 pages)
JRW-7	A	Joint Applicants' Response to AWEC Data Request No. 39 (8 pages)
JRW-8	A	Joint Applicants' Response to AWEC Data Request No. 51 (2 pages)

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JRW-9	A	Joint Applicants' Response to AWEC Data Request No. 33 (2 pages)
AWEC		
DR. MARC M. HELLMAN, MH Energy Economics LLC		
MMH-1HCT	A	Testimony Supporting Settlement Stipulation (Highly Confidential) (34 pages)
MMH-1CT	A	Testimony Supporting Settlement Stipulation (Confidential) (34 pages)
MMH-1T	A	Testimony Supporting Settlement Stipulation (Redacted) (34 Pages)
MMH-2	A	Professional Qualifications (7 pages)
MMH-3C	A	Joint Applicants' Response to AWEC Data Requests 13, 23, 43, 48, 50 (Confidential) (6 pages)
MMH-3	A	Joint Applicants' Response to AWEC Data Requests 13, 23, 43, 48, 50 (Redacted)(6 pages)
MMH-4HC	A	Attachment D to Joint Applicants' Highly Confidential First Supplemental Response to AWEC Data Request No. 5 (Highly Confidential) (6 pages)

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6			Supplemental Response to
7			AWEC Data Request No. 5
8			(Redacted) (4 pages)
9	MMH-5HC	A	Attachments L and O to
10			Joint Applicants' Highly
11			Confidential First
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16	MMH-5	A	Attachments L and O to
17			Joint Applicants' Highly
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19			Supplemental Response to
20			AWEC Data Request No. 5
21			(Redacted) (6 pages)
22	MMH-6HC	A	Attachments G and K to
23			Joint Applicants' Highly
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			AWEC Data Request No. 5
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	MMH-6	A	Attachments G and K to
			Joint Applicants' Highly
			Confidential First
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			AWEC Data Request No. 5
			(Redacted) (6 pages)
	MMH-7	A	Moody's Credit Opinion
			(Aug. 31, 2018)
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MMH-8C	A	Second Amended and Restated Senior Secured Loan Agreement Between Puget Intermediate Holdings LLC and MIP Padua Holdings, GP (Jan. 20, 2015) (Confidential) (58 Pages)
MMH-8	A	Second Amended and Restated Senior Secured Loan Agreement Between Puget Intermediate Holdings LLC and MIP Padua Holdings, GP (Jan. 20, 2015) (Redacted) (2 pages)
MMH-9	A	Joint Applicants' Response to AWEC Data Request No. 22 (13 pages)

THE ENERGY PROJECT

SHAWN M. COLLINS, Director, The Energy Project

SMC-1T	A	Testimony Supporting Settlement Stipulation (8 pages)
SMC-2	A	Professional Qualifications (4 pages)

NWECC

WENDY M. GERLITZ, Policy Director, NW Energy Coalition

WMG-1T	A	Testimony Supporting Settlement Stipulation (7 pages)
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WNIDCL		
Erin Hutson, Director of Corporate Affairs for the Laborers International Union of North America (LIUNA)		
EH-1Tr	A w/ strikes	Revised Testimony Opposing Settlement Stipulation (32 pages)
EH-2	R	PSE Response to WNIDCL DR 6
EH-3	R	PSE White Paper, "Distributing Outsourcing - Puget Sound Energy Experience"
EH-4	R	PSE Report of Essential Utilities Services Contracts
EH-5	A	PSE Service Quality and Electric Service Reliability Report, Filed 3/29/18
EH-6	R	PSE Response to WNIDCL DR 15
EH-7	R	WSDOT Collision Facts
EH-8	R	WSDOT Work Zone Safety Facts
EH-9	R	Analysis and L&I Data
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10	EH-16	A	PSE Response to WNIDCL DR 3
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14	EH-18	R	ProPublica, Temporary Work, Lasting Harm, 12/18/13
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16	EH-19	R	L&I SHARP Publication
17	EH-20	R	American Journal of Industrial Medicine Article
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19	EH-21	R	OSHA Violations, Department of Labor
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21	EH-22	R	Consolidated Edison Company of New York, Inc. Standard Terms and Conditions for Construction Contracts, 10/15/14
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EH-24	R	Operations Audit of Staffing Levels at the Major NY State Energy Utilities
EH-25	R	NY PSC Case No. 13-01886 "In the Matter of Focused Operations Audit of the Internal Staffing Levels and the Use of Contractors for Selected Core Utility Functions at Major New York Energy Utilities
EH-26	R	MD Case No. 9449 "In the Matter of the Merger of AltaGas Ltd. And WGL Holdings, Inc." Walter Jones, Laborers' Health and Safety Fund of North America (LHSFNA)
WJ-1T	R	Testimony Opposing Settlement Stipulation (14 pages)
WJ-2	R	"The Role of Labor Unions In Creating Working Conditions That Promote Public Health," June 2016 by the American Journal of Public Health

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7	WJ-4	R	"Does 'right to work' imperil the right to Health? The effect of Labor unions on workplace fatalities," June 2018 by The Journal of Occupational & Environmental Medicine
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12	WJ-5	R	"The Union Effect on Safety Management and Safety Culture in the Construction Industry," 2017 Construction Safety Management Survey Conducted by Dodge & Data Analytics
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16	WJ-6	R	"The Economic and Social Benefits of OSHA-10 Training in the Building and Construction Trades," May 2013 by the Center for Construction Research and Training
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21			Glen Frieberg, Northwest Laborers - Employers Training Trust (NWLETT)
22	GF-1T	R	Testimony Opposing Settlement Stipulation (13 pages)
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7		Strikes	(28 pages)
8	DTA-2	R	IBEW and Puget Sound
9			Energy Collective
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			(CBA)
10	DTA-3	R	PSE Response to IBEW DR
11			4, Attachment A (PSE
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13	DTA-4	R	PSE Response to IBEW DR
14			1, Attachment A (PSE
			Overtime Hours by Cost
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15	DTA-5	R	PSE Response to IBEW DR
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17			Employee Terminations
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18	DTA-6	R	PSE Response to IBEW DR
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21	DTA-8	R	PSE Response to IBEW DR
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			and Metermen Hours Worked
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23	DTA-9	A	PSE Response to IBEW DR
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9			Worker)
10	DTA-12	R	PSE Response to IBEW DR
11			14, Attachment A (Wire
12			Guard and Damage Assessor
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17	DTA-14	R	Labor & Industries 2016
18			Inspection Citation
19	DTA-15	R	Labor & Industries 2016
20			Enforcement File for
21			Anderson Landing
22			Incident
23	DTA-16	R	Picture Diagram of
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			Assessor Pink Tag at
			Anderson Landing
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9			(Electrical Contact
10			Injuries to Non-PSE
11			Employees)
12	DTA-23	A	PSE Response to IBEW DR
13			29 (24-Hour Restoration
14			Guarantee)
15	DTA-24	R	PSE Response to IBEW DR
16			16, Attachment A
17			(Apprentices by
18			Department)
19	DTA-25	R	PSE Response to IBEW DR
20			18, Attachment A (Retired
21			Utility Poles Since 2010)
22	DTA-26	A,	Illustrative Exhibit
23	Illustrative		Displaying Proposed Edits
24			to Commitments
25			Commensurate with
			Testimony Offered by
			Mr. Arnold

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1 OLYMPIA, WASHINGTON; FEBRUARY 15, 2019

2 1:02 P.M.

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5 P R O C E E D I N G S

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7 JUDGE O'CONNELL: Let's be on the
8 record. Good afternoon. Today is Friday,
9 February 15th, at 1:00 p.m., and we are here today for
10 a hearing in Docket U-180680, which is captioned In
11 the Matter of the Joint Application of Puget Sound
12 Energy, Alberta Investment Management Corporation,
13 British Columbia Investment Management Corporation,
14 OMERS Administration Corporation, and PGGM
15 Vermogensbeheer B.V. for an order authorizing proposed
16 sales of indirect interests in Puget Sound Energy.

17 My name is Andrew O'Connell, I'm an
18 administrative law judge with the Commission, joining
19 me is Judge Rayne Pearson, and we will be co-presiding
20 today with the Commissioners in this matter.

21 Let's begin by taking short form appearances
22 from the parties, beginning with the joint applicants,
23 and then we will go around the room.

24 Ms Carson?

25 MS. CARSON: Good afternoon, Your

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1 Honors. I am Sheree Strom Carson with Perkins Coie
2 representing PSE, one of the joint applicants.

3 MR. STEELE: David Steele with Perkins
4 Coie, also on behalf of the joint applicants.

5 MS. CARSON: Jason Kuzma is also here
6 with -- representing PSE, on behalf of the joint -- as
7 one of the joint applicants.

8 And then would you like each of the other
9 attorneys to make an appearance as well?

10 JUDGE O'CONNELL: Yes. Short, please.

11 MR. BERMAN: Good afternoon. I'm Stan
12 Berman representing Alberta Investment Management
13 Corporation.

14 MS. RACKNER: Good afternoon. I'm Lisa
15 Rackner representing OMERS.

16 MR. GANNETT: Good afternoon. I'm Craig
17 Gannett with Davis Wright Tremaine representing PGGM,
18 one of the joint applicants.

19 MR. MACCORMACK: And I'm Scott
20 MacCormack, also with Davis Wright Tremaine,
21 representing British Columbia Investment Management
22 Corporation.

23 JUDGE O'CONNELL: Okay. Thank you.

24 Let's start on the left here and we will go
25 around the room this way.

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1 MS. FRANCO-MALONE: Danielle
2 Franco-Malone representing the Washington and Northern
3 Idaho District of -- District Council of Laborers.

4 MR. PEPPLER: Good afternoon. Tyler
5 Peppeler representing the Alliance of Western Energy
6 Consumers.

7 MR. FITCH: Good afternoon. Simon
8 Fitch on behalf of The Energy Project.

9 MR. MEDLIN: Bradley Medlin of Robblee
10 Detwiler on behalf of IBEW 77 and UA Local 32.

11 MS. GAFKEN: Good afternoon. Lisa
12 Gafken, Assistant Attorney General, appearing on
13 behalf of Public Counsel.

14 MS. CAMERON-RULKOWSKI: Good afternoon.
15 Jennifer Cameron-Rulkowski, Assistant Attorney
16 General, appearing on behalf of Commission Staff.

17 JUDGE O'CONNELL: Thank you.

18 So for the parties in the pleadings and other
19 filed documents with the Commission, I've seen
20 abbreviations used for some of you, and for sake of
21 ease, I'm wondering if I can use those during this
22 hearing, if you have any objection to
23 Ms. Franco-Malone using WNIDCL?

24 MS. FRANCO-MALONE: That's fine. Or the
25 Laborers is also fine, if that's easier to say.

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1 JUDGE O'CONNELL: Okay.

2 And Mr. Medlin, if I refer to it as IBEW,
3 would that be sufficient?

4 MR. MEDLIN: We like being IBEW, yes.

5 JUDGE O'CONNELL: Okay.

6 Is there anyone on the bridge line who is
7 representing a party in this proceeding?

8 Hearing nothing, as I recall --

9 MR. VERWOEST: Martijn Verwoest is on
10 the line, PGGM.

11 JUDGE O'CONNELL: Can you please repeat
12 that?

13 MS. CARSON: That is the witness for --

14 MR. VERWOEST: My name is Martijn
15 Verwoest of PGGM.

16 MS. CARSON: Martijn Verwoest, the
17 witness for PGGM is on the line.

18 JUDGE O'CONNELL: We will have the
19 witnesses identify themselves when we call them up for
20 their testimony.

21 MR. FFITCH: Your Honor?

22 JUDGE O'CONNELL: Mr. ffitich.

23 MR. FFITCH: I just wanted to draw the
24 Bench's attention to -- Ms. Gerlitz is here on behalf
25 of The Energy Project -- or, excuse me, on behalf of

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1 The Energy Coalition. She is in the room. They are
2 not represented by counsel.

3 JUDGE O'CONNELL: Thank you.

4 Ms. Gerlitz, can you please identify yourself?

5 MS. GERLITZ: Yeah. Hi. Wendy Gerlitz,
6 Northwest Energy Coalition.

7 JUDGE O'CONNELL: Thank you.

8 Okay. Before we are joined by the
9 Commissioners, we will address any housekeeping and
10 preliminary matters, including the motion to strike
11 and other objections to the admissibility of evidence.

12 For the record, I will ask the parties if they
13 are willing to stipulate to the admission of the
14 prefiled exhibits and testimony, up to and including
15 the settlement testimony.

16 Other than for the cross-exhibits and
17 testimony that is subject of the motion to strike, is
18 there a stipulation by the parties as to
19 admissibility?

20 Ms. Carson?

21 MS. CARSON: Could you repeat? You said
22 "other than."

23 JUDGE O'CONNELL: Other than the
24 cross-examination exhibits and the testimony exhibits
25 that are subject of the motion to strike, is there a

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1 stipulation by the parties?

2 MS. CARSON: Yes.

3 MS. FRANCO-MALONE: The Laborers will
4 stipulate to the admissibility of all the other
5 exhibits.

6 JUDGE O'CONNELL: Okay. Thank you.

7 Mr. Medlin?

8 MR. MEDLIN: Yes, the IBEW will
9 stipulate to the others. That's fine.

10 JUDGE O'CONNELL: Is there any other
11 party that does not stipulate to the exhibits?

12 Hearing nothing, the exhibits that I have --

13 MR. STEELE: Your Honor.

14 JUDGE O'CONNELL: Please.

15 MR. STEELE: A few hours ago, around
16 10:30, IBEW filed a document entitled Proposed
17 Commitments, and we're not -- it appears to be
18 supplemental testimony. We do not stipulate to this
19 as well. And so I don't know if the Commission has
20 seen this document yet.

21 JUDGE O'CONNELL: I have seen that, but
22 that was not included in what I was expecting the
23 parties to have talked about and stipulated to. We
24 will address that when we address admissibility of
25 cross-examination exhibits.

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1 MR. STEELE: Thank you.

2 JUDGE O'CONNELL: So with that, the
3 exhibits and testimony that have just been identified
4 will be admitted to the record.

5 So before we address the motion to strike, I
6 would also like to know whether the joint applicants
7 intend to object to any of the cross-exhibits offered
8 by the parties opposing the settlement.

9 And I am asking for -- just informational. Is
10 there going to be an objection to any of the
11 cross-exhibits?

12 MS. CARSON: Your Honor, I think it
13 depends on how they are used for cross-examination.
14 Many of them are data request responses that the joint
15 applicants completed. If they are used within an
16 appropriate scope, we would not have an objection to
17 them, but we don't know how they are going to be used.

18 JUDGE O'CONNELL: Many of the
19 cross-exhibits are, as I have seen, duplicates of
20 exhibits offered in other testimony, so I think that
21 when we resolve the issues as to a motion to strike,
22 the ruling on that motion may apply to some of those
23 cross-examination exhibits as well.

24 MS. CAMERON-RULKOWSKI: Your Honor?

25 JUDGE O'CONNELL: Yes,

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1 Ms. Cameron-Rulkowski.

2 MS. CAMERON-RULKOWSKI: Thank you.

3 Staff has a similar issue. Two of the
4 exhibits to the direct testimony of Mr. Arnold, DTA-3
5 and DTA-4, were also proffered as cross-exhibits
6 directed as Ms. Cheesman. I understand that we have
7 not stipulated to the entry of those exhibits because
8 they are subject to the motion to strike, but we --
9 but for purposes of cross-examination, we would
10 probably oppose entry of those exhibits.

11 JUDGE O'CONNELL: Thank you for that
12 clarification. I understand.

13 Let's turn to the motion to strike. I would
14 like to first hear from the joint applicants, as it is
15 their motion.

16 Ms. Carson -- or Mr. Steele. I apologize.

17 MR. STEELE: Thank you, Your Honor.

18 Now, would you like to address -- are there
19 certain testimony you would like to address first? Is
20 there an order you would like to proceed with, Your
21 Honor? How would -- what's the easiest way for you
22 to -- since there are, I believe, four pieces of
23 testimony here?

24 JUDGE O'CONNELL: Correct. I am aware
25 that the motion to strike applies to all of the four

1 testimonies and associated exhibits proffered by both
2 the parties, including WNIDCL and IBEW. I would leave
3 it up to you how you would like to present your motion
4 as to those four separate testimonies. You may do
5 them all together or you may break them down.

6 MR. STEELE: Thank you.

7 The joint applicants did not -- in filing
8 these motions, it wasn't a decision made lightly, but
9 upon review of the testimony filed on Friday, and
10 considering the narrow focus of this case, the narrow
11 issues before the proceeding, upon reviewing the
12 testimony filed by -- by both parties, WNIDCL and
13 IBEW, it became apparent that their testimony exceeded
14 the bounds of this case, and the two primary issues
15 are: Neither of their testimonies are tied to the
16 proposed transactions, they don't tell us what harm is
17 caused by the transactions they are concerned about;
18 and the other issue is, most of the issues that they
19 raise are employment issues, collective bargaining
20 issues.

21 The place I would like to start, Your Honor,
22 is in Order 3, the Commission set the applicable legal
23 standards and parameters that govern this proceeding.
24 And the sole issue before the Commission today is
25 whether the proposed transactions are in the public

1 interest. The legal standard for assessing that is
2 the no harm standard.

3 In Order 2, the Commission stated parties are
4 cautioned to stay focused on the no harm standard and
5 its requirement for a showing that customers and the
6 public will be no worse off if the transaction is
7 approved and goes forward. In other words, the
8 question is will the public suffer harm caused by the
9 transactions? Will there be a change to the status
10 quo that could harm customers caused by the
11 transactions? Importantly, the transaction must be
12 the triggering event of the harm. In other words,
13 it's effectively a but-for test, but for the
14 transactions would the harms that they have raised
15 occur? And because of that preexisting concerns,
16 preexisting safety issues, preexisting reliability
17 issues that aren't caused by the transaction at issue
18 before the Commission today are not the type of harms
19 that concern the Commission in this proceeding.

20 And so the intervention standard that the
21 Commission set for the intervenors, the Commission
22 said their role, their limited role, is to provide
23 information on whether the transactions will be
24 detrimental to the safety and reliability of service
25 to customers where they are actually involved in the

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1 provision of such service. Safety and reliability
2 concerns that precede the transaction or it was not
3 the cause of those issues, are outside the scope of
4 the case. Only harms caused by the transactions are
5 relevant here before the Commission.

6 Finally, the other restriction that the
7 Commission stated in Order 3 was employment issues,
8 and that's a quote from Order 3, are outside the case
9 and beyond the jurisdiction of the Commission.

10 In Order 3 the Commission stated, the
11 Commission has no authority over collective bargaining
12 issues or terms and conditions of employment.
13 Employment issues such as workplace changes, labor
14 contracts, wages, hours, staffing, training are
15 outside the Commission's purview. Neither party in
16 their testimonies identified actual harms caused by
17 the transaction.

18 And so let me start with -- specifically I'll
19 start with IBEW and Mr. Arnold's testimony.

20 JUDGE O'CONNELL: Mr. Steele?

21 MR. STEELE: Go ahead. Yes.

22 JUDGE O'CONNELL: Let me stop you for a
23 moment. You have been very brief in your summary to
24 this point. I would like to point out to you and the
25 other parties that expect to present orally, that we

1 have reviewed the motion to strike, as well as all the
2 written responses. We weren't exactly expecting
3 written responses, we were expecting the oral
4 presentation here, but nevertheless, we will accept
5 those written responses, and we have reviewed them and
6 are aware of the arguments that the parties have
7 raised.

8 MR. STEELE: Thank you.

9 JUDGE O'CONNELL: With that, let me turn
10 it back over to you.

11 MR. STEELE: Well, with -- you know, the
12 fault of that -- so we -- we did review the opposition
13 filed by IBEW, and -- and, you know, in -- in
14 reviewing that and Mr. Arnold's testimony, their
15 opposition demonstrates that -- that -- I can't
16 identify any harm that they have cited caused by the
17 transaction that addresses the safety and reliability
18 issues that Mr. Arnold identifies in his testimony.
19 And he has a host of issues that he raises, but
20 there's not one of them that I have seen where he says
21 the transactions are causing this harm, are causing
22 this issue. And he raises things like computer
23 training is insufficient or automobile accidents. You
24 know, these -- these all might be real safety or
25 reliability issues, but not one of them that he

1 identifies is caused by the transaction. And in
2 Mr. Medlin's opposition filed, they did not address
3 that issue. What harm from this proceeding is
4 triggering these issues?

5 And so that's the primary concern. I still
6 have not heard an answer on that, and their opposition
7 did not address that.

8 Furthermore, in going through Mr. Arnold's
9 testimony, almost everything he addresses are
10 employment issues: Staffing, hours, training
11 programs, apprenticeship programs. Nearly every
12 single one is an employment issue.

13 Now, Mr. Medlin has made the argument that
14 these issues are fine because they are not captured in
15 the actual collective bargaining agreement, that's the
16 current agreement at this time. The problem with
17 that, though, is the Commission's order was broader
18 than that. The Commission said employment issues,
19 staffing, hours, overtime, training, those are
20 employment issues outside the jurisdiction of the
21 case -- outside the jurisdiction of the Commission,
22 excuse me, and beyond the scope of this proceeding.

23 And so I still have not -- in reading their
24 opposition, in going through Mr. Arnold's testimony, I
25 have not seen one harm that they identify caused by

1 the transaction. He raises all these other issues,
2 most of them are preexisting, that I have seen, issues
3 that may or may not be legitimate, but none of them
4 were caused by the transaction.

5 The last one with Mr. Arnold that I wanted to
6 raise is we -- we do have questions about his
7 qualifications. It's been a long time since he worked
8 for PSE, 20 years, and he provides no testimony about
9 his experience since that time. It's unclear whether
10 he has other utility experience. His testimony is
11 completely silent on that issue. And -- and he
12 addresses a host of issues about the company, most
13 very shallowly, and I think there are real questions
14 whether he has the information and the experience to
15 really provide a credible opinion on those issues, and
16 so I think that is a real issue.

17 I wanted to briefly address the procedural
18 concern that IBEW raised in their opposition with the
19 timing of our motion. We understand that the motion
20 was filed on Monday. We filed it in one business day,
21 and the rule, I believe it's WAC 480-07-3754, states
22 typically there is five days for a response, or the
23 Commission can order shortened time or oral motion or
24 response. There's ways it can be dealt with, so there
25 is no procedural issue with the rule there that I have

1 seen.

2 I wanted to turn to the WNIDCL testimony. Our
3 concerns are the same with theirs. I can't identify a
4 harm that they have shown caused by the transactions.
5 The only -- the only argument that they make, that I
6 have seen, that ties to the case is the argument that
7 the loss of Macquarie, and specifically the loss of
8 the Macquarie responsible contractor policy will harm
9 customers. Because with Macquarie not being an owner
10 anymore, it will somehow lead to the hiring of
11 contractors that they disagree with or think are not
12 appropriate, and so I wanted to address this argument
13 because I think it is important.

14 The problem with this argument is there is no
15 evidence in Ms. Hutson's testimony, that I have seen,
16 that Macquarie's responsible contractor policy ever
17 had an impact on PSE whatsoever. And what I mean is
18 that policy is not reflected in the 2008 commitments,
19 it was never agreed to by the parties, the Commission
20 never required it. Furthermore, by the terms of the
21 policy itself, it's only applicable if Macquarie has
22 50 percent ownership in the company and a controlling
23 interest, which it's never had. By the terms of the
24 Macquarie policy itself, it never governed PSE. In
25 other words, it was never the status quo.

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1 Frankly, the status quo has been PSE's
2 responsibility contractor guidelines which have been
3 in place for over a decade. There is simply no
4 evidence in her testimony that PSE ever relied on
5 those guidelines; it's -- it's speculation. And so
6 how could PSE's customers be harmed by the loss of a
7 policy that never governed PSE, that PSE was never
8 required to follow or comply with?

9 The only harm, as well, that Ms. Hutson
10 identifies tied to this policy is actually
11 interesting. It's in her testimony on Page 16. Let
12 me just pull it up here because it's worth -- it's
13 worth looking at.

14 So she asks -- she asks an important question.
15 Page 16, Line 10. How might PSE ratepayers be harmed
16 as a result of the proposed sale? Her answer is in
17 one year, 2020, the essential contract PSE has with
18 Quanta Gas and InfaSource ends. The local labor pool
19 comprised of WNIDCL members who are skilled,
20 experienced, and trained could be replaced.

21 The harm she cites is a labor issue, it's a
22 concern over a loss of workers. It's a concern that
23 the agreement, the collective bargaining agreement
24 could expire and her workers cannot be retained.
25 Different contractors could be hired. It's a labor

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1 issue that she cites here at the end of her section on
2 the Macquarie issue. And aside from that, I'm not
3 aware of any harm that she identifies caused by the
4 transaction.

5 Turning to the other witnesses, Mr. Jones and
6 Mr. Frieberg. In WNIDCL's opposition filed this week,
7 it was -- it was framed that their testimony was a
8 presentation, and that they are a three-part
9 presentation that sort of worked together. I think
10 this is false. There is no testimony explaining how
11 they fit together.

12 Mr. Jones's testimony is never mentioned, that
13 I have seen, by Mr. Frieberg or Ms. Hutson.
14 Ms. Hutson's testimony is never mentioned by Mr. Jones
15 or Mr. Frieberg. Mr. Frieberg's testimony is never
16 mentioned by Mr. Jones and is only briefly mentioned
17 by Ms. Hutson. And so I -- there is no explanation as
18 to how they fit together.

19 JUDGE O'CONNELL: Mr. Steele?

20 MR. STEELE: Sure.

21 JUDGE O'CONNELL: I think we are getting
22 a little too detailed. I understand the arguments
23 that have already been made in the written responses.
24 If you could start to wrap up.

25 MR. STEELE: In looking at the Mr. Jones

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1 and Mr. Frieberg testimony, we have not seen anything
2 in either of their testimonies that tie to the
3 proposed transactions, not -- not one -- one issue
4 that we have seen where they can cite to the
5 transaction at issue.

6 The last point I want to make, Your Honor, is,
7 you know, in looking at Ms. Hutson's commitments, you
8 know, we've gone through them in detail, and from what
9 we can tell, all of them are focused on employment
10 issues and none of them are tied to a harm caused by
11 the transactions. They address training, they address
12 staffing, they address workforce. And, I think, you
13 know, one of the biggest issues that we have seen here
14 is that none of them have a no harm analysis done.

15 They are proposing additional training programs and
16 organizations to join and -- et cetera, et cetera, but
17 there is no testimony as to whether or not they meet
18 the no harm standard, because typically, when you are
19 adding programs, adding requirements, that could add
20 costs and that could actually hurt customers, and
21 there's no analysis on that issue.

22 And so from what we can tell, her commitments
23 raise collective bargaining issues, none of them
24 address a harm caused by the transaction, and for
25 those reasons, it's our position that all the

1 testimony filed by the intervenors, the unions in this
2 case, should be stricken.

3 JUDGE O'CONNELL: Thank you, Mr. Steele.

4 I would like to turn next to Mr. Medlin, and
5 then we will have Ms. Franco-Malone. And if,
6 Ms. Gafken, you would like to present orally, we will
7 allow you as well.

8 I want to reiterate, we have reviewed the
9 motion to strike, we have reviewed the written
10 responses that we have received. We have spent a
11 great amount of time reading and looking at the
12 testimony that's the subject of the motion, so to the
13 extent that you can be brief in your responses, I
14 would encourage you to do so.

15 MR. MEDLIN: Sure.

16 JUDGE O'CONNELL: Mr. Medlin?

17 MR. MEDLIN: Thank you.

18 Just very quickly on the timing issue, I do
19 think they have sort of misread the rule. It does say
20 that you get five days. We didn't get five days, so I
21 think somehow that we get shorted on the time, that
22 that's okay, I don't think that that is correct. And
23 we have certainly complied with the procedural rules
24 and we think PSE should do so as well.

25 On the argument about the harms, PSE said

1 several things about that. It has claimed that if
2 it's a preexisting harm it doesn't count. I guess
3 that's -- that's sort of like telling someone who has
4 cancer, well, you already had cancer so we can't treat
5 it.

6 The harms that we have identified are ones
7 that are going to continue and likely possibly can
8 accelerate. The claim that we didn't sufficiently
9 identify them, I don't know how they couldn't [sic] be
10 more clear. We listed issues related to staffing, to
11 an overreliance on overtime, issues with vehicle
12 accidents. There's problems with the damage assessor
13 in responding to storm events. We identified some
14 issues with circuits and infrastructure. We had
15 issues about subcontracting. I mean, there's numerous
16 things that we identified that fall under the broad
17 umbrellas that are safety and reliability.

18 Safety is a huge topic. There are many things
19 that affect safety. There's the safety of customers,
20 but there's also the safety of the actual employees
21 performing the work. Same with reliability.
22 Customers want reliable utility service, but you can't
23 run a utility without employees and people, and if you
24 are working those people too hard and you keep
25 diminishing the staff that you have, you have fewer

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1 people to do the work, so of course you are going to
2 drive more overtime, and of course you are going to
3 have more vehicle accidents, and you're going to have
4 issues, and I think those are harms.

5 There was something said that we have this
6 sort of informational role. Well, we've been granted
7 intervention, as a party in this case, so I would say
8 that we have given information. Our testimony is
9 information, the documents we put forth are
10 information. I'm a little surprised that PSE is
11 objecting to the exhibits, considering that about
12 95 percent of them are their own documents. They gave
13 them to us, we didn't create them, but then they don't
14 want them to be a part of the record, perhaps because
15 the harms that are identified in them.

16 As to the issue of -- I know they didn't
17 address this and it didn't come up, but I want to
18 address it. We've talked sort of about the testimony
19 itself, but I also want to address, they basically
20 said they want to restrict our ability to ask
21 questions. WAC Rule 480-07-740 that talks about the
22 rights of parties opposed to settlement, it says that
23 those parties -- that's myself, the IBEW, and the
24 Laborers, we have the right to cross-examine
25 witnesses, we have the right to present evidence, we

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1 have the right to present argument and opposition, and
2 they are essentially trying to deny us that, just like
3 they tried to ignore the five-day motion rule.

4 There's one set of rules for PSE; a different set of
5 rules for everyone else.

6 I also want to address the argument that
7 somehow we have obstructed this proceeding. Again, I
8 will just remind everyone, the IBEW opposed the
9 accelerated case schedule, we opposed the hearing date
10 getting moving forward, and all of those things were
11 granted. I don't know how it is that we have
12 obstructed. And I have asked this question and it has
13 not been answered. How is filing testimony and
14 presenting evidence obstruction? That is what the
15 right of an intervenor is to do.

16 Some issues have also been raised that -- that
17 the things that we are trying to talk about are
18 collective bargaining. We included the collective
19 bargaining agreement for a very clear reason: Because
20 we wanted to give you the actual documents so you can
21 see for yourself. You will notice that there are no
22 restrictions on the amount of overtime someone can
23 work, there's nothing in that agreement about
24 staffing, there's nothing in there about storm
25 responses and damage assessors, there is nothing about

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1 qualified electrical workers, there's nothing in there
2 about driving, because they are things that are
3 totally subject to PSE's control, and they are not
4 covered by collective bargaining, and so they are
5 potential harms of the transaction, and that's
6 something that the Commission requested that we
7 provide information on, which is all we are trying to
8 do.

9 So at the end of the day, the Commissioners
10 are going to decide whether they want to take our
11 information and do anything with it, but I think
12 denying us the opportunity to at least put the
13 information forward is extremely unfair.

14 I also want to address the claim that
15 Mr. Arnold is unqualified. Mr. Arnold, through his
16 testimony -- and we're happy to supplement that, if
17 that's what you two would like, to further expound
18 upon his qualifications, but he has over 25 years
19 experience working at PSE. So a lot of the experts
20 that are used in these types of cases, they don't even
21 have experience with the utility at issue. He
22 actually worked there in a management role for 25
23 years, handling circuits, managing employees, managing
24 a budget. There is no one more qualified to speak
25 about potential harms of safety and reliability.

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1 And I know they also have said in the motion
2 that, well, because Mr. Arnold doesn't have large
3 utility transaction experience, he is somehow now
4 unqualified. Well, he is not testifying as to
5 ring-fencing or financing or the agreement governing
6 the structure of Puget Holdings and how it operates.
7 He is not testifying to any of that; that's beyond the
8 safety and reliability. We didn't present any
9 testimony on that because we are not addressing those
10 issues. And he is perfectly qualified to talk about
11 the issues for liability and safety.

12 In fact, the Commission's own standards
13 basically say that there are only two bases to exclude
14 an expert's testimony. If they don't have testimony
15 that is relevant to the inquiry, I don't think that
16 applies here because he raised numerous safety issues,
17 numerous reliability issues in his testimony, so I
18 think that's out.

19 The other one is whether they lack
20 qualifications as to the factual matters. Well, he is
21 providing his opinion and testimony as to overtime and
22 staffing and contracting and storm responses and
23 events, and those things really haven't changed. And
24 as someone who managed employees, who had a budget,
25 and worked at PSE for 25 years, I think he is more

1 than sufficiently qualified.

2 And I would just request that -- you know, I
3 think there are two issues here. There is the issue
4 of whether or not you are going to consider all of our
5 exhibits and our testimony, and I just will say the
6 Commission asked for us -- for our opinion. They said
7 that we have a unique opinion. The Commission has
8 acknowledged that labor and employees haven't been
9 allowed to participate before, and this is our
10 opportunity to do that. All we want to do is give you
11 the information. Let us give you the information.
12 It's up to you to decide what to do with it.

13 And as to the issue of cross-examination, I
14 think it is very unfair to us if we are wanting to
15 present information, if we can't question the people
16 who are trying to do this transaction to prove that it
17 actually doesn't cause any harms, because I think
18 there are harms. It's falling on the backs of
19 employees.

20 Thank you.

21 JUDGE O'CONNELL: Thank you, Mr. Medlin.

22 Ms. Franco-Malone?

23 MS. FRANCO-MALONE: Good afternoon.

24 Thank you, Your Honors. I will try not to repeat the
25 information that we already discussed in our motion

1 too much.

2 The joint applicants' motion amounts to a
3 relevancy objection, but our witnesses in this
4 proceeding have provided directly relevant
5 information, focusing on the ways that this particular
6 transaction could harm PSE ratepayers, and in
7 particular we have discussed the ways in which the
8 departure of Macquarie could impact PSE's contracting
9 practices in the absence of additional commitments.

10 I would like to address, just right off the
11 bat, the suggestion that the entirety of our
12 presentation is somehow collective bargaining-related
13 or related to employment matters, and that's just not
14 the case. The joint applicants seem to suggest that
15 because the Laborers are a union, that everything we
16 might have to say in this proceeding is tainted and
17 somehow is ipso facto a collective bargaining issue,
18 and that's not the case.

19 I want to make really clear that the Laborers
20 do not have a collective bargaining relationship with
21 PSE. We do not seek to establish a collective
22 bargaining relationship with PSE. What we do want is
23 to make sure that when PSE contracts out to
24 third-party companies, that it's using safe practices
25 and not relying on contractors that churn through

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1 employees, that use temp agencies like Labor Ready,
2 and that tell workers, hey, here's a hard hat, there's
3 the job site, get to it.

4 That's not in anybody's interest. It's not
5 ours, it's not PSE ratepayers. The fact that the
6 Laborers happen to be a union does not somehow mean
7 that we are not also capable of addressing safety and
8 reliability issues.

9 The Washington and Northern Idaho District
10 Council of Laborers is the collective voice of workers
11 that are usually dispersed and are otherwise unable to
12 convey their knowledge and observations about PSE's
13 practices. This is even all the more so because we
14 represent PSE's contracted workforce who are yet one
15 more layer removed from these proceedings. We offer
16 an unique perspective and firsthand information about
17 the ways that PSE's contracting practices create
18 safety and reliability risks.

19 The Laborers have members who have done work
20 for the good and the bad when it comes to contractors.
21 We have seen what it's like and are in a position to
22 offer firsthand information about the ways that it
23 really does matter whether or not a contractor has a
24 culture of safety when they are performing work on the
25 PSE system.

1 So our testimony is not collective
2 bargaining-related. What it is related to is safety
3 and reliability, and there can be no doubt that the
4 UTC does have authority and jurisdiction to consider
5 matters such as PSE's supply chain practices and
6 contracting practices, where contractors make up the
7 vast majority, 84 percent, of the amount that PSE
8 spends on construction-related activities and that
9 also perform core functions for the utility.

10 Our testimony about the safety practices of
11 PSE's contractors could not be more related to safety
12 and reliability. And indeed, the Commission itself
13 has noted as such in a case from ten years ago
14 involving safety issues that arose in the context of a
15 PSE contractor. The Commission itself emphasized,
16 quote, the responsibility of regulated utilities to
17 ensure adequate safeguards are in place to protect the
18 public even when relying on contractor employees to
19 achieve portions of their mission. So looking at a
20 utility's contracting practices is something that the
21 Commission itself has recognized is of the utmost
22 importance when considering safety and reliability
23 issues.

24 We trust that if -- having reviewed the
25 testimony that we have offered in this matter, you

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1 will agree that we do offer extensive evidence
2 regarding the safety of PSE's contractors, and in
3 particular, the risk of deterioration in those
4 contractor safety practices is something that is
5 clearly a relevant risk in this case.

6 What are those risks? When we are talking
7 about gas distribution work that PSE contracts out,
8 that our members perform, the dangers are extreme. We
9 are -- not having a properly trained workforce can
10 really result in catastrophic accidents. I think
11 there is no question that the safety of the
12 contractors is of the -- directly relevant to the
13 Commission.

14 Flagging work that our members likewise
15 perform for PSE contractors is also extremely
16 dangerous work. Having a workforce with adequate
17 training is crucial to avoiding workplace accidents.
18 When unqualified workers, like those that are often
19 sent to perform flagging by temporary labor agencies,
20 perform this work, it's much more likely that
21 accidents will occur. Indeed, Washington's Department
22 of Labor & Industries' own statistics bear this out
23 and show that labor supply companies that do flagging
24 for PSE contractors have some of the worst safety
25 scores in the industry.

1 I just want to emphasize that the testimony
2 that we provided is of something that is at the core
3 of the UTC's mission, from our perspective.

4 I would also like to address the argument that
5 our testimony fails to address the particulars of the
6 transaction at issue. We very strongly disagree with
7 that, and we have worked very hard in our testimony to
8 identify the specific ways that harm could come to PSE
9 ratepayers as a result of this transaction.

10 We have addressed the ways that the departure
11 of the Macquarie is likely to exacerbate an already
12 bad situation when it comes to PSE's contracting
13 practices. Macquarie was the single largest investor,
14 it held 43.99 percent in Puget Holdings, and Macquarie
15 made no secret of the fact that it did intend to exert
16 influence over PSE's business operations.

17 As a witness that sat before you ten years
18 ago, when the original transaction to go private was
19 before the Commission, Macquarie's witness said,
20 quote, We, Macquarie, believe investors are entitled
21 to a degree of influence through us over the
22 investments we make on their behalf. It would be very
23 unlikely for us to take small positions in businesses
24 where we have no ability to influence the outcome of
25 that business.

1 Macquarie was the only owner within the Puget
2 Holdings consortium that had such a responsible
3 contracting policy in place. Now, this policy existed
4 precisely for the purpose of influencing the
5 contracting practices of companies like PSE that
6 Macquarie invested in. Macquarie didn't hire its own
7 contractors, it didn't have this policy in place for
8 its own benefit, it existed specifically to try to
9 ensure that utilities like PSE that it invested in had
10 safe contracting practices in place. Their departure
11 from the table as the single biggest owner who had
12 self-described themselves as being interested in
13 trying to influence the utility's operations is
14 undoubtedly something that creates risks for this
15 particular transaction.

16 Now, we note that PSE notes the fact that it
17 has its own responsible contractor policy in place. I
18 would like to just briefly address that. As the
19 Laborers' expert, Erin Hutson, testified to in her
20 testimony, Puget's own responsible supplier contractor
21 guidelines policy is, quote, unquestionably weaker
22 than Macquarie's policy. It provides less rigorous
23 guidelines to ensure that PSE is selecting contractors
24 with the safest practices.

25 PSE's so-called policy is really nothing more

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1 than a list of nonbinding factors that it may or may
2 not consider when deciding what contractors to select.
3 So the fact that PSE has its own policy is really no
4 substitute for the departure of Macquarie with its
5 more rigorous policy in place.

6 I would also like to address the point that
7 was made just a moment ago that the Macquarie policy
8 was not directly applicable to PSE because Macquarie
9 did not have a majority share in the company. That's
10 also a -- that point is misplaced. The Macquarie
11 policy, by its own terms, provided that when it owned
12 a nonmajority share, like the 43.99 percent it owned
13 in Puget Holdings, Macquarie's policy provided that
14 operating company managers shall be encouraged to
15 comply with the policy by doing things like
16 encouraging the use of and advocating for responsible
17 contractors. So there can be no doubt about the fact
18 that Macquarie was an advocate for responsible
19 contracting practices that it adopted for the specific
20 purpose of influencing companies like PSE, even though
21 it had only a 43.99 percent share.

22 I briefly would like to respond to the
23 objections that were made to Mr. Jones and
24 Mr. Frieberg 's testimony. It sounds as though what
25 we are hearing today is that the specific objection is

1 that their testimony did not cross-reference each
2 other. I think that is an argument that does not
3 actually take issue with the relevancy of their
4 testimony.

5 Each of them addressed issues that are
6 directly at issue in this transaction. Mr. Jones
7 discussed issues regarding the safety of contracting
8 practices, what it means to use temporary labor
9 agencies on a job for safety risks, Mr. Frieberg
10 talked about what it means to have contractors that do
11 not have rigorous training practices in place and how
12 that creates safety risks. So each of them provided
13 sort of a deeper level of foundation that then
14 pertains to Ms. Hutson's testimony about how those
15 risks are set to get worse if this transaction is
16 approved.

17 So in short, all of our testimony is directly
18 relevant to whether there are risks and dangers if
19 this transaction is approved without further
20 commitments, and that risk is the potential for PSE's
21 contracting practices to deteriorate even further and
22 become even less safe.

23 I would like to just wrap up by noting that we
24 were invited as interveners in this proceeding to
25 provide evidence and testimony regarding safety and

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1 reliability issues based on our members' observations
2 performing work in the field, and that's what we have
3 done. And we have then connected that information to
4 how this particular proposed transaction creates risks
5 of harm.

6 We are not overburdening the proceeding. We
7 are not even suggesting that the proposed sale be
8 rejected. Instead, we have identified risks that we
9 think exist in the proposed transaction, and we have
10 identified concrete ways that we think that those
11 risks can be mitigated or abated. We believe that
12 those additional commitments are necessary in order
13 for the no harm standard to be met.

14 Thank you.

15 JUDGE O'CONNELL: Ms. Gafken, you also
16 filed a response opposing the motion to strike. Would
17 you like to make an oral presentation?

18 MS. GAFKEN: I will just speak briefly.
19 I really don't have a lot to offer outside of what I
20 have already written. And one of the reasons that I
21 sent in the written responses, to try to avoid taking
22 up too much time here. I know we have a short amount
23 of time to get through everything.

24 JUDGE O'CONNELL: Is your microphone on?

25 I apologize for interrupting.

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1 MS. GAFKEN: No worries.

2 It's a little -- it's on, but it's a little
3 tight. Oh, here it goes. Okay. It wasn't coming to
4 me.

5 Public Counsel is approaching these motions
6 more from a procedural posture. I am not going to get
7 into the quality of the evidence or anything like
8 that. The Commission's rules do differentiate between
9 multiparty settlements and full or partial
10 settlements, and from a procedural standpoint, parties
11 who oppose it, and as everyone in the room knows,
12 Public Counsel is often in that position.

13 A party that opposes a multiparty settlement
14 does have certain rights under the Commission's rules.
15 From our perspective -- you know, I do want to be very
16 clear that Public Counsel does support the settlement
17 that is being presented here, but from a procedural
18 standpoint, we also believe that the evidence is
19 admissible under WAC 480-07-740(3)(c).

20 I will leave my comments there.

21 JUDGE O'CONNELL: Okay. Thank you.

22 Mr. Steele, I am going to allow you a very
23 brief response if you have one.

24 MR. STEELE: Thank you.

25 Your Honor, this proceeding is an open forum.

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1 The purpose again of this case is whether the proposed
2 transactions could cause harm to the public. We have
3 now had opposition testimony filed by both parties, we
4 have now had oral argument response by both parties.

5 IBEW, I still have -- have not heard one issue
6 with the proposed transaction that will cause harm.
7 They have no doubt raised a lot of information, both
8 sides have, but -- but for IBEW I still have not seen
9 any issue with the transaction that is causing the
10 harms they have identified.

11 And the only issue that WNIDCL seems to be
12 going back to is this Macquarie contractor policy that
13 never governed PSE. There is no evidence on the
14 record that Macquarie directed PSE to abide by it,
15 comply with it. There is nothing on the record
16 showing that PSE ever followed it. PSE has a
17 contractor guideline that it adheres to.

18 We wanted to address the document filed by
19 IBEW this morning, unless you wanted to do that
20 separately.

21 JUDGE O'CONNELL: We are going to
22 address that separately --

23 MR. STEELE: Okay.

24 JUDGE O'CONNELL: -- when we get to
25 specific exhibits, and then we will address that

1 filing.

2 MR. STEELE: Then I will just conclude
3 by saying, Your Honor, we -- the interveners were
4 invited to join and were allowed to join under a
5 restricted, limited basis. The testimony they filed
6 exceeds those limitations by the terms of Order 3,
7 both because there is no tie to the transaction and
8 because they talk about employment issues repeatedly
9 throughout all their testimony.

10 Thank you.

11 JUDGE O'CONNELL: We have discussed this
12 motion, both motions, with the Commissioners and paid
13 special attention to the testimony and exhibits filed
14 by WNIDCL and IBEW.

15 Before I convey the Commission's decision,
16 Mr. Medlin, you raised an argument that the joint
17 applicants had violated Commission rule by filing
18 their motion to strike. I am going to rule against
19 you and your argument, and that is because in the
20 rule, it is permitted that the presiding officers, in
21 this case me and Judge Pearson, may provide for oral
22 responses. We did so in this case. I understand that
23 it wasn't five business days from the time that you
24 were notified of the motion to strike, but the time
25 between then and now should have been more than enough

1 for you to prepare an oral response. We accept the
2 written response that you made, but we do not believe
3 that the time and energy put in to responding in
4 writing has prejudiced you in this instance. And for
5 that matter, that same reasoning would apply to WNIDCL
6 and your written response to the motion to strike.

7 So we partially agree with the joint
8 applicants, but not fully. At the outset of this
9 proceeding, and even as early as the November 5th open
10 meeting where the Commissioners decided to commence an
11 adjudicative process in this case, we emphasized the
12 labor issues were outside the scope of this proceeding
13 and would not be considered. This includes many of
14 the issues raised by WNIDCL and IBEW in the testimony
15 opposing the settlement agreement, including the
16 issues of staffing, training, hiring and termination,
17 wages, overtime, what specific qualifications and
18 associations PSE must require, and apprenticeship
19 programs. These labor issues have been raised in this
20 proceeding under the guise of their relation to safety
21 and reliability. Using the keywords "safety" and
22 "reliability" does not mean that the issues raised are
23 relevant for consideration in the matter at hand.

24 We granted intervention to WNIDCL and IBEW
25 with the caveat that these parties would be limited to

1 safety and reliability issues to the extent that those
2 issues would illustrate whether customers would
3 experience no harm from the proposed transaction. If
4 there is no demonstrated connection to the proposed
5 transaction, then it is not relevant for this
6 proceeding.

7 We do not disclaim jurisdiction over safety
8 and reliability. We emphasize that safety and
9 reliability are important, and we will continue to
10 enforce the Commission's safety and reliability
11 standards. But as broad as the issues of safety and
12 reliability are, certain issues may not be relevant in
13 every case before the Commission. We have such a
14 situation here.

15 In reviewing of the testimony offered, it airs
16 current grievances and critiques of current operations
17 at PSE and of current owners. If we were to accept
18 that such arguments are relevant for our consideration
19 in a proceeding such as this, we would invite
20 arguments based upon any current practice that an
21 opposing party takes issue with, instead of focusing
22 the proceeding on the issue of whether the proposed
23 ownership transfer would result in harm to customers.

24 Such arguments presented by WNIDCL and IBEW
25 are not relevant for consideration in this proceeding,

1 because both parties have failed to tether their
2 disputes of current operations to the proposed
3 transactions and explain how the proposed change in an
4 upstream minority ownership interest in Puget Holdings
5 will negatively affect these issues.

6 Even if we were to accept the merits of WNIDCL
7 and IBEW's arguments, they would still not be relevant
8 for consideration in this proceeding because, as
9 decided by the Commission in Order 01, the no harm
10 standard applies to the consideration of this transfer
11 of a minority upstream ownership interest and many of
12 WNIDCL and IBEW's arguments do not limit themselves to
13 an evaluation of no harm.

14 Now, this is contrasted, however, by the
15 presentation of other issues in the testimonies
16 wherein the parties raised concerns not embedded in
17 current grievances of labor issues. The best example
18 comes from Ms. Erin Hutson's testimony. The point
19 Ms. Hutson makes briefly is that Macquarie, the entity
20 selling its ownership interest, has a responsible
21 contractor policy that she claims has served to guide
22 and supplement PSE's claimed less robust policy
23 regarding contractors. She remarks that none of the
24 other existing owners or any of the proposed new
25 owners have such a policy, and while PSE has its own,

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1 she posits that the absence of an owner with a
2 commitment to such a policy as part of the proposed
3 transaction results in harm to customers.

4 Without judging the merits of her argument, we
5 believe that it falls under the umbrella of our
6 consideration of whether there is no harm to customers
7 from the proposed transaction and is tethered to the
8 proposed transaction. It is also within the scope of
9 the WNIDCL's role in this proceeding.

10 Cannot say the same for many of the labor
11 issues and current grievances raised by WNIDCL and
12 IBEW. Many of the issues as presented lack a nexus to
13 the proposed transactions and, as predicted by
14 Commission Staff when it argued against allowing
15 WNIDCL and IBEW to intervene, are more related to
16 current operations than whether the proposed change in
17 a minority upstream ownership interest will result in
18 no harm to customers.

19 So with that, we determined that it was
20 appropriate to grant in part and deny in part the
21 joint applicants' motion to strike. We also reiterate
22 the limiting instructions we gave at the outset of
23 this proceeding, when we explained that labor issues
24 and the collective bargaining agreement are outside
25 the scope of this proceeding, and we expect any

1 questioning posed today to avoid the subject matters
2 that we strike from testimony.

3 By Commission rule, all relevant evidence is
4 admissible. Questioning today that is relevant to the
5 matter at hand will be allowed; if it is not relevant
6 to the matter at hand, it will not be.

7 So consistent with the reasoning that I have
8 already explained, the testimonies offered by Glen
9 Frieberg and Walter Jones are stricken in their
10 entirety. I will not admit the other exhibits offered
11 in support of their testimonies to the record.

12 Further, parts of the testimony offered by
13 Ms. Hutson on behalf of WNIDCL and Mr. Arnold on
14 behalf of IBEW are also stricken. I intend to
15 identify the specific pages and lines of testimony
16 that will be stricken. I am going to start with
17 Ms. Hutson's testimony, Exhibit EH-1Tr, and then after
18 the testimony, I will proceed to rule on the exhibits
19 associated with the testimony.

20 In Ms. Hutson's testimony, starting on Page 3,
21 we going to strike from Page 3, Line 7 through Page 5,
22 Line 18. We will also strike, starting on Page 6,
23 Line 3 through Page 11, Line 23. Next, on Page 17,
24 strike from Page 17, Line 22 through Page 18, Line 7.
25 On the same page, Page 18, Line 9, starting with the

1 words "and specifically," through Line 17 on Page 18.

2 Next, on Page 19, we'll strike from Line 1
3 through Page 24, Line 22. On Page 25 we will strike,
4 starting on Line 5, with the numeral No. 1, through
5 Line 6, ending with the word "and," which immediately
6 precedes the No. 2. Again on Page 25, we will strike
7 from Line 9 through Page 28, Line 12.

8 Now I want to address what exhibits offered in
9 support of Ms. Hutson's testimony are admitted or
10 excluded from the record. Exhibit EH-2 through
11 Exhibit EH-4 are excluded. Exhibit EH-5 is admitted.
12 Exhibits EH-6 through Exhibit EH-11 are excluded.
13 Exhibit EH-12 through EH-17 are admitted. The
14 remaining exhibits, Exhibits EH-18 through EH-26 is
15 excluded -- are excluded.

16 Next I'm going to turn to Mr. Arnold's
17 testimony. Turning to Page 5, we will strike starting
18 on Page 5, Line 6, beginning with the words "lacking
19 commitments," through Line 8, ending with the words
20 "assessor training." And then on the same page
21 striking on Line 9, starting with the words "no
22 commitment," through Line 20. On Page 6, we strike
23 beginning at Line 9 through Line 21. On Page 7, we
24 strike beginning on Line 16 through Page 9, Line 19.
25 Turning to Page 10, we strike from Line 18 through

1 Page 17, Line 6. Next, on Page 20, we strike from
2 Line 10 through Page 22, Line 16. Still on Page 22,
3 we strike from Line 23, beginning with the words "I
4 understand," through Page 23, Line 4.

5 Next I am going to address the other exhibits
6 offered in support of Mr. Arnold's testimony and
7 whether they are admitted or excluded from the record.
8 Exhibits DTA-9, DTA021 and DTA-23 are admitted. The
9 remaining exhibits offered by Mr. Arnold are excluded.

10 Now I would like to address the cross-exhibits
11 proposed by IBEW and WNIDCL. Let's start with those
12 intended for Mr. Piliaris. I see that proposed
13 Cross-Exhibits JP-3X through JP-8X are duplicates of
14 exhibits that I have already ruled on their
15 admissibility. To that end, the same ruling that I
16 just made applies. That means that Exhibits -- I'm
17 not going to admit any of these exhibits on their own
18 because they are duplicates and I'm not changing the
19 ruling that I have already made.

20 Now we come to Exhibits JP-9X, 10X, and 11X.
21 I would ask the joint applicants if there are
22 objections to including JP-9X, 10X, and 11X?

23 MS. CARSON: Your Honor, we do object to
24 9X. Although it addresses service quality report
25 card, it is not tethered in any way to the

1 transaction.

2 JUDGE O'CONNELL: Ms. Carson, is your
3 microphone turned on?

4 I apologize. It was difficult to hear.

5 MS. CARSON: For JP-9X we do object.
6 That's past service quality report cards. It is not
7 tethered to the transaction in any way. 10X goes to,
8 I believe it's executive management key performance
9 and whether or not it's tied to contractors' work.
10 Again, would not be tied to the proposed transaction,
11 it will be outside the scope of what you allowed in.
12 And JP-11X goes to training, which I understood to be
13 outside the scope. So we object to all three.

14 JUDGE O'CONNELL: I have reviewed all
15 three of these exhibits. I am going to admit -9X and
16 -10X. Before I decide on -11X, I would like to hear
17 if there is any response from Ms. Franco-Malone as to
18 the admissibility of JP-11X.

19 MS. FRANCO-MALONE: Yes, Your Honor.
20 Thank you.

21 JP-11X is a data request that the Laborers put
22 towards the joint applicants regarding the amounts
23 spent on training for contractor employees, including
24 a breakdown for how those funds were spent. PSE
25 answered on behalf of the joint applicants, and that

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1 information is relevant for reasons that I will get
2 into more in my cross-examination.

3 But just to not keep you in suspense, one of
4 the things that we would like to explore in
5 cross-examination is the scope of the meaning of
6 Commitment 3 under which PSE promises to ensure
7 staffing and presence in a way that maintains safety
8 and reliability. We have questions about what that
9 commitment means and whether it applies to contractors
10 that PSE uses to perform work on the system.

11 JP-11X is directly relevant to a line of
12 inquiry I intend to explore on cross-examination
13 regarding whether PSE considers the training that its
14 contractors supply to their workforces to be covered
15 by the scope of the Commitment No. 3 to maintain
16 staffing and presence.

17 JUDGE O'CONNELL: I'm going to reserve
18 ruling on the admissibility of this exhibit until I
19 see how it is going to be used on cross-examination.
20 I am going to reiterate that training matters are
21 labor issues outside the scope of this proceeding.
22 However, I do think I heard that you were intending to
23 tie it to one of the proposed commitments, and given
24 the questions -- the topic of the questions you say
25 you are going to ask, I will wait and see how those

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1 questions are phrased, so that will determine the
2 admissibility when we get to it.

3 MS. FRANCO-MALONE: Thank you.

4 JUDGE O'CONNELL: Next I would like to
5 turn to cross-exhibits intended for Ms. Cheesman from
6 Commission Regulatory Staff. Both of these exhibits
7 appear to be duplicates of exhibits offered by
8 Mr. Arnold, DTA-3 and DTA-4. I already ruled on the
9 admissibility of these two exhibits. They were
10 excluded and so these cross-exhibits are also
11 excluded.

12 Last, I see a cross-exhibit intended for
13 Mr. Steven Zucchet, Exhibit SZ-4X. I would like to
14 direct my question to the joint applicants and inquire
15 if there is an objection to admitting this
16 cross-exhibit?

17 MS. RACKNER: No. This is Lisa Rackner
18 for OMERS. While we believe that the exhibit is
19 limited in materiality, we don't object to its
20 admission.

21 JUDGE O'CONNELL: Thank you,
22 Ms. Rackner.

23 With that, I will admit SZ-4X into the record.

24 And to repeat for the record, and anyone who
25 is on the bridge line who was unable to hear

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1 Ms. Rackner, she indicated that there is not an
2 objection to the admissibility of this exhibit;
3 however, there was a question as to materiality of the
4 exhibit.

5 Okay. Next a couple of other preliminary
6 matters before we bring Commissioners in. I am
7 indicating that we are going to take official notice
8 of Commission orders addressing commitments and
9 conditions in Docket U-072375, Dockets UE-170033, and
10 UG-170034, and Docket UG-151663.

11 Now I want to turn to public comments. It is
12 my understanding that there have been more public
13 comments since November. Ms. Gafken, I believe it is
14 Commission practice for you and consumer protection
15 staff at the Commission to collaborate and coordinate
16 to compile these comments and submit them as a bench
17 exhibit. How long do you need to prepare that
18 exhibit?

19 MS. GAFKEN: What generally happens is
20 the time for public comment concludes at the time of
21 the hearing. I assume that would be the case here. I
22 would propose that we submit the additional public
23 comments by next Friday, February 22nd.

24 JUDGE O'CONNELL: Yes, the public
25 comment period will close at the end of the hearing

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1 today. I believe that's a reasonable and appropriate
2 time.

3 MS. GAFKEN: Just one point of
4 clarification. At the close of -- well, I guess the
5 close of the hearing today will probably be the close
6 of the business day. That was my question, was do we
7 mean the close of the business day.

8 JUDGE O'CONNELL: That's a good
9 clarification. It will extend to the close of
10 business today if we end before then. If this hearing
11 continues to or beyond the close of business, then the
12 comment period will extend until the end of this
13 hearing.

14 MS. GAFKEN: Thank you.

15 JUDGE O'CONNELL: So next I want to
16 address a matter of organization in the hearing room.
17 The panel of six witnesses that we are going to bring
18 up -- I believe, actually, one is on the bridge line;
19 is that correct?

20 MS. CARSON: (Nods head.)

21 JUDGE O'CONNELL: The panel of five,
22 plus the one on the bridge line, we would like them to
23 sit across from the Commissioners, where I see
24 representatives from the joint applicants, AWEC, and
25 The Energy Project are sitting. I would ask that the

1 attorneys for individuals who are being questioned or
2 attorneys that are making the cross-examination
3 questions please sit at the side tables. If you are
4 not defending a witness or asking questions of a
5 witness, I would ask that you please sit in the first
6 rows.

7 MS. GAFKEN: Judge O'Connell, one point
8 of clarification. I think there are two witnesses on
9 the bridge line, one of which is a Public Counsel
10 witness, J. Randall Woolridge. I don't believe
11 there's questions directed at him, unless questions
12 come from the bench, but he is also on the bridge
13 line.

14 JUDGE O'CONNELL: I will ask the
15 Commissioners whether they intend have questions for
16 Mr. Woolridge, and in the event that they do, ask if
17 you would come up.

18 MS. GAFKEN: Of course.

19 JUDGE O'CONNELL: Ms. Cameron-Rulkowski?

20 MS. CAMERON-RULKOWSKI: Your Honor, when
21 you say "a panel," are you referring to a panel of all
22 of the witnesses from the parties to the settlement?

23 JUDGE O'CONNELL: I was looking -- I was
24 looking at the order of witnesses submitted by the
25 parties, and I noted that there were five or six that

1 there were questions intended for by opposing parties.
2 Those are the witnesses I would like to take first,
3 and then I will inquire of the Commissioners whether
4 they have questions for the remaining witnesses, and
5 we can bring them up if the Commissioners wish to ask
6 questions. But my understanding is, of those not
7 already indicated, there is time for
8 cross-examination, that the parties do not have any
9 questions for them. Am I -- has there been a change
10 in the witness list?

11 MS. CAMERON-RULKOWSKI: Not that I am
12 aware of, Your Honor, but thank you for that
13 clarification.

14 JUDGE O'CONNELL: Okay.

15 MS. CAMERON-RULKOWSKI: And I also had a
16 request, Your Honors. Before the Commissioners take
17 the bench, could we take a five-minute break?

18 JUDGE O'CONNELL: Yes, we are going to
19 take a short recess, after which Judge Pearson and I
20 will be joined by the Commissioners. We will first
21 hear opening statements, one from the settling parties
22 and one each from the parties opposing the settlement,
23 then we will begin with cross-examination of the
24 witnesses in support of the settlement, proceed with
25 cross-examination of witnesses opposing the

1 settlement, and last we will hear brief closing
2 arguments from the parties in lieu of posthearing
3 briefs.

4 We suggest that, because we have stricken some
5 testimony and limited -- reiterated our limitation of
6 the scope of this proceeding, that parties opposing
7 the settlement take the time to review their
8 cross-examination to make sure that their questions
9 fall within that scope.

10 We will be off the record and in recess for
11 approximately five minutes. We will return to the
12 bench at approximately 2:30 p.m. Thank you.

13 MR. STEELE: Your Honor, if I may?

14 I don't believe we addressed the filing by
15 IBEW this morning.

16 JUDGE O'CONNELL: Thank you, Mr. Steele.
17 Let's address that now before we take our recess. As
18 I already said we would be off the record, let's be
19 back on the record.

20 MR. STEELE: Thank you, Your Honor.

21 Just very briefly, this appears to be
22 supplemental testimony filed by IBEW at 10:30 this
23 morning. Not only does that violate the procedural
24 rules here in this case with the filing of testimony,
25 it's very late filing, but in reviewing it, it appears

1 to be revisions to commitments that the settling
2 parties have proposed in this case.

3 In going through it, they nearly all address
4 employment issues, the word "staffing" is throughout
5 the edits here. There is also new commitments
6 proposed, all of which appear to address employment
7 issues. There doesn't appear to be a tie to the
8 transaction or harm to the transaction. We would ask
9 that the Commission strike this document from the
10 record.

11 JUDGE O'CONNELL: Mr. Medlin?

12 MR. MEDLIN: These are --

13 JUDGE O'CONNELL: Mr. Medlin, one
14 moment.

15 To those who are on the bridge line, we can
16 hear sound coming from our telephone. If you will,
17 please mute it. Thank you very much.

18 Mr. Medlin, I turn to you.

19 MR. MEDLIN: Can you hear me all right?

20 JUDGE O'CONNELL: Yes.

21 MR. MEDLIN: Okay. I'm just making
22 sure.

23 These are the IBEW's proposed revisions to the
24 commitments that we wanted to submit to the
25 Commissioners for consideration, in light of the

1 evidence that we presented through Mr. Arnold, and
2 also through our cross-examination that we were going
3 to explore today, and they were meant to be in aid of
4 that. And as far as substantive testimony, they were
5 not submitted as part of the substantive testimony
6 from Mr. Arnold.

7 JUDGE O'CONNELL: In my review of the --
8 my understanding was that it reiterated a number of
9 the proposed commitments and changes to commitments
10 that were already contained in Mr. Arnold's testimony;
11 is that correct?

12 MR. MEDLIN: Yes. They were commitments
13 that were addressed in his testimony that was filed,
14 yes.

15 JUDGE O'CONNELL: I am going to admit
16 that document, but only for the limited purpose of
17 seeing what proposed commitments are being provided.
18 However, consistent with the limitation we have placed
19 today excluding employment issues and labor issues
20 from the scope of this proceeding, we will consider
21 that when we view this document, and we are not going
22 to consider labor issues and employment issues
23 commensurate with the ruling that I have already made
24 today.

25 MS. CARSON: Just a point of

1 clarification. These are not revisions to commitments
2 that were in Mr. Arnold's testimony, these are new.
3 These are revisions to the commitments that the
4 settling parties have submitted, and now, just today,
5 IBEW is submitting proposed edits to those.

6 JUDGE O'CONNELL: I would like to
7 clarify again, then. Mr. Medlin, are these new
8 alterations to -- proposed alterations to the
9 commitments or are they in a new form, an easy
10 presentation of arguments that have already been made
11 in Mr. Arnold's testimony?

12 MR. MEDLIN: Yeah. So it was my
13 understanding, because the purpose of the hearing
14 today is in relation to the settlement, the multiparty
15 settlement agreement that has been put forward, which
16 we offered our analysis through Mr. Arnold of the
17 potential harms related to that and the issues that we
18 identified, it's meant to be an extrapolation of that,
19 for the changes that the IBEW would like to see to the
20 multiparty settlement agreement, if that answers your
21 question.

22 JUDGE O'CONNELL: How are you intending
23 to use this document today at the hearing?

24 MR. MEDLIN: It was meant just to be for
25 the Commission to have for what we were focusing on

1 for cross-examination, for the Commission to
2 understand sort of the revisions that we were hoping
3 to achieve to the multiparty settlement agreement.

4 MR. STEELE: Your Honor, if I may?

5 Mr. Arnold's testimony did not have any
6 proposed commitments in it. In going through these
7 revisions and the proposals, they -- without going
8 through exactly what was stricken today, it appears to
9 be that these address matters that were stricken. We
10 can go through and confirm that, but they address --
11 again, most of them address staffing, employment
12 issues. None of these were proposed or discussed by
13 Mr. Arnold in his testimony whatsoever.

14 MR. MEDLIN: So they were potential
15 harms that were identified in his testimony. I will
16 just say that the commitments submitted are not
17 substantive evidence, they are just revisions the
18 multiparty settlement agreement that IBEW would like
19 to see.

20 JUDGE O'CONNELL: I am going to admit it
21 as an illustrative exhibit as to the harms identified
22 by Mr. Arnold. However, to the extent that they
23 address labor issues that coincide with testimony that
24 we have struck, they will not be considered.

25 And as an exhibit number, we will mark it be

1 Exhibit DTA-26.

2 Is there anything else before we take our
3 brief recess?

4 Ms. Franco-Malone?

5 MS. FRANCO-MALONE: Your Honor, is there
6 a written list of the portions of testimony and
7 exhibits that were stricken versus admitted that we
8 can reference during the break? If not, I will find
9 one.

10 JUDGE O'CONNELL: I do not have a
11 written list.

12 MS. FRANCO-MALONE: No worries.

13 JUDGE O'CONNELL: Would it be helpful if
14 we provided a written list of what is admitted into
15 the record?

16 MS. FRANCO-MALONE: It would be very
17 helpful for me.

18 JUDGE O'CONNELL: Judge Pearson has
19 informed me that she is able to create a list of what
20 is admitted into the record. We will come back with a
21 written copy for each of the parties.

22 MS. FRANCO-MALONE: Thank you, Your
23 Honors.

24 MR. MEDLIN: I did have a request for
25 clarification. I believe Ms. Carson proposed to offer

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1 a second witness related to some of the
2 cross-examination because Mr. Piliaris apparently
3 couldn't answer all the issues. I just wanted to see
4 if that was still the case.

5 JUDGE O'CONNELL: To the extent that you
6 still have questions that are within the scope of this
7 proceeding, as we have reiterated our limitation, you
8 may question Mr. Molander, I believe is his name. So
9 to the extent that the questions remain inside the
10 scope of the proceeding, my understanding was that the
11 joint applicants had proposed to allow Mr. Molander to
12 testify.

13 MS. CARSON: That's correct.

14 JUDGE O'CONNELL: We are going to take a
15 slightly longer recess than I initially envisioned so
16 that we can get the written copy to the parties. We
17 will take a ten-minute recess and we will come back at
18 approximately 2:40. Thank you.

19 (A break was taken from
20 2:31 p.m. to 2:50 p.m.)

21 (Commissioner Jay Balasbas,
22 Commissioner Rendahl, and Chairman
23 Danner joined the proceedings.)

24 JUDGE O'CONNELL: Let's be back on the
25 record. The parties have agreed to the order of

1 witnesses for presentation. We will start with the
2 panel of six, five of which are here in person.
3 Please stand here, as you are all doing, or if you are
4 on the telephone, please stand where you are, and
5 raise your right hands and I will swear you in.

6
7 LINCOLN WEBB, STEVEN ZUCCHET, AHMED MUBASHIR, MARTIJN
8 VERWOEST, MELISSA CHEESMAN, JON PILIARIS, JOEL
9 MOLANDER, having been first duly sworn on oath
10 testified as follows:

11
12 JUDGE O'CONNELL: Please be seated.

13 Do we have an additional witness on the phone
14 line, because I count six witnesses in front of us; I
15 was only expecting five?

16 MS. CARSON: We added Mr. Molander to
17 the panel.

18 JUDGE O'CONNELL: Okay. Thank you.

19 Before we begin, I would like to remind
20 everyone not to speak over each other. The court
21 reporter can only record one of you at a time.

22 If we could now have the witnesses introduce
23 themselves and state and spell their last name for the
24 record. Let's start from one side to the other.

25 MR. WEBB: Lincoln Webb, I'm the senior

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1 vice president at BCI, of the infrastructure program.

2 My last name is Webb, W-E-B-B.

3 MR. ZUCCHET: Steven Zucchet, managing
4 director with OMERS. Last name Zucchet,
5 Z-U-C-C-H-E-T.

6 MR. MUBASHIR: Ahmed Mubashir, I'm a
7 portfolio manager with AIMCo. My last name is
8 Mubashir, M-U-B-A-S-H-I-R.

9 MR. PILIARIS: Jon Piliaris, director of
10 regulatory affairs at Puget Sound Energy. My last
11 name is P, like Peter, I-L-I-A-R-I-S.

12 MR. MOLANDER: Joel Molander, director
13 of contracts and supply chain for Puget Sound Energy.
14 My last name is spelled M-O-L-A-N-D-E-R.

15 MS. CHEESMAN: Melissa Cheesman,
16 regulatory staff for the Utilities and Transportation
17 Commission. My last name is spelled C-H-E-E-S-M-A-N.

18 JUDGE O'CONNELL: Thank you.

19 Before we get to cross-examination questions,
20 we had afforded an opportunity for the settling
21 parties to make an opening statement, as well as each
22 of the parties opposing the settlements to make an
23 opening statement. Is there anyone indicated from the
24 settling parties who is going to make such a
25 statement?

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1 MS. CARSON: Your Honor, I will be
2 making the opening statement for the settling parties.

3 There is the one witness on the phone who may
4 want to be introduced -- you may want to introduce
5 first, that's Martijn Verwoest.

6 JUDGE O'CONNELL: Yes.

7 Mr. Verwoest, would you please introduce
8 yourself, spell your last name for the record.

9 MR. VERWOEST: Of course. My name is
10 Martijn Verwoest, I am a senior director in the
11 infrastructure investments team of PGGM, and my
12 surname is spelled V-E-R-W-O-E-S-T.

13 JUDGE O'CONNELL: Thank you.

14 Now I would like to turn back to Ms. Carson.

15 MS. CARSON: Thank you.

16 On behalf of the settling parties, I want to
17 thank you for the opportunity to appear and answer
18 your questions regarding the settlement stipulation.
19 We are pleased that a vast majority of the parties
20 have reached agreement on settlement terms. Parties
21 representing low-income customers, residential
22 customers, industrial and commercial customers, and
23 environmental renewable energy groups, as well as the
24 Commission Staff.

25 We also appreciate the Commissioners

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1 scheduling this hearing today and accommodating one of
2 the important terms of the settlement from the joint
3 applicants' perspective, that the parties support a
4 more expedited schedule for consideration of the
5 settlement.

6 I am going to briefly highlight six points:

7 The well-qualified buyers, the unique nature of the
8 case, the robust process that led to that settlement,
9 the commitments, concerns of opposing parties, and the
10 settlement in the public interest.

11 The settlement endorses approval of the
12 proposed transactions, which together constitute a
13 sale of approximately 44 percent of Puget Holdings,
14 the parent company of PSE. The interest being sold is
15 currently held by Macquarie Infrastructure Partners,
16 Inc., and Padua MG Holdings, a Macquarie entity.

17 As the Commission noted in Order 01, the
18 proposed transactions represent the transfer of a
19 noncontrolling interest to two existing well-qualified
20 members of Puget Holdings, AIMCo and BCIMC, and two
21 new well-qualified institutional investors, OMERS
22 Administration Corp., or OMERS, and PGGM. All four of
23 the buyers are indeed well qualified and well suited
24 to indirectly own PSE.

25 AIMCo and BCI have been existing owners of

1 Puget Holdings since 2009. Under the current
2 ownership, of which they are a part, we have seen PSE
3 assist Washington State in its transition away from
4 coal-fired generation, through planned retirements of
5 Colstrip Units 1 and 2 and the Centralia coal plant.
6 We have seen PSE achieve first quartile national
7 electric utility ranking for the last five years, and
8 we have seen PSE become the largest producer of wind
9 energy in Washington and the third largest utility
10 owner of wind power in the nation, with the expansion
11 of the Wild Horse Wind Project and LSR.

12 AIMCo and BCI are well-funded, experienced
13 members of Puget Holdings, and we look forward to
14 seeing the continued good progress PSE will make as
15 AIMCo and BCI expand their indirect ownership interest
16 in PSE to 13.6 percent and 20.87 percent respectively.

17 As for the two new owners, OMERS
18 Infrastructure, which is purchasing a 23.94 percent
19 equity interest, has been investing in the energy and
20 utility sector in the US and around the globe. For
21 example, it indirectly owns a share of Oncor in Texas
22 and wind projects in several states. OMERS is
23 financially strong, as demonstrated by its AAA credit
24 rating and its significant funds under management.

25 PGGM is also a long-term investor with an

1 investment horizon of 20 years or greater. It will be
2 purchasing approximately a 10 percent indirect
3 ownership interest in PSE. PGGM invests a diversified
4 portfolio of \$250 billion assets under management. It
5 has made significant investments in energy and
6 infrastructure assets in the United States, North
7 America, South America, and Europe.

8 Briefly, I want to hit on the unique nature of
9 the case. This sale of a noncontrolling, minority
10 interest in PSE's parent company, Puget Holdings, is
11 very different from the mergers and sales of
12 100 percent of ownership interests that the Commission
13 has reviewed several times over the past 25 years.

14 As the Commission said earlier in this case,
15 the Commission has not evaluated a proposed transfer
16 of a noncontrolling interest in a privately held
17 corporation since RCW 80.12.020 was amended, if ever,
18 and the Commission determined in that order that the
19 public interest or no harm standard is appropriate in
20 this case. The Commission also found it appropriate
21 to hold a limited adjudicative proceeding with a
22 prompt procedural schedule and narrowly tailored
23 discovery.

24 That brings us to the third point. We did, in
25 fact, have a robust process leading to this

1 settlement. The parties engaged in substantial
2 discovery. Commission Staff undertook discovery prior
3 to the Commission converting this to an adjudicative
4 proceeding, as well as afterwards. AWEC propounded 51
5 data requests, Public Counsel 32, and other parties
6 did as well.

7 All the parties participated in a full-day
8 settlement conference on December 18. No settlement
9 was reached, but the parties engaged in additional
10 discovery and discussions and settlement proposals
11 were exchanged.

12 Ultimately, on January 8, a multiparty
13 settlement in principle was reached and that
14 settlement is before the Commission today. The
15 settlement is built on the strong foundation of the
16 existing commitments and it is consistent with the
17 public interest. The new commitments that have been
18 added follow two key principles: They are consistent
19 with the no harm standard and they fall within the
20 scope of the Commission's jurisdiction.

21 The settlement builds on the 63 robust
22 commitments and 15 conditions that were approved by
23 the Commission ten years ago when Puget Holdings
24 indirectly acquired PSE. As the Commission stated ten
25 years ago, Taken together, these commitments and

1 conditions we impose on the settlement are more
2 protective of customers and the public interest, more
3 far-reaching, and at least as enforceable as any prior
4 similar transaction in memory.

5 These conditions, then and now, as they are
6 expanded, are wide-ranging in their scope. They cover
7 governance and operations, regulatory commitments,
8 ring-fencing and financial commitments, community and
9 low income commitments, environmental commitments,
10 energy efficiency commitments, Colstrip commitments,
11 LNG commitments, and miscellaneous commitments.

12 The settlement contains 65 commitments, 12 are
13 new, and there are numerous of the preexisting
14 commitments that were modified to specifically address
15 this transaction. And to the extent commitments from
16 2008 are not being reaffirmed, it's because these
17 commitments were satisfied. There are no protections
18 relied upon in the 2008 merger order that are being
19 rolled back.

20 These updated commitments ensure that the
21 public will not be harmed by proposed transactions,
22 and they address concerns that were raised by parties
23 at the open meeting and afterward.

24 For example, to address concerns regarding
25 governance and voting agreements, new commitments are

1 added that provide for notice to the Commission when
2 new, formal voting agreements are entered into at
3 Puget Holdings; to address concerns about Canadian
4 ownership, there are commitments that require notice
5 when certain Canadian pension law is revised; to
6 address transparency concerns, PSE will report the
7 debt held at PSE and Puget Energy, including material
8 terms of new issuances, for the next five years;
9 parties and the Commission will continue to have
10 access to books and records, including those of Puget
11 Holdings, that pertain to PSE; PSE will not seek to
12 abolish its service quality program; and PSE's
13 shareholders commit to continue annual contributions
14 to low-income weatherization program, plus an
15 additional infusion of 2 million over the next five
16 years.

17 There is one intervenor, FEA, that -- Federal
18 Executive Agencies, that did not join in the
19 settlement, but does not oppose the settlement, and
20 there are the three union groups that oppose the
21 settlement.

22 The Commission has previously recognized that
23 parties without a substantial interest in a case, that
24 are allowed limited intervention strictly on a public
25 interest basis, as was the case with the union

1 intervenors, the settlement should be considered as if
2 it is otherwise unopposed. Today the Commission
3 should carefully limit these parties, as it has, who
4 lack a substantial interest in this otherwise
5 unopposed settlement.

6 The settlement is in the public interest and
7 should be approved. The settling parties have
8 provided testimony setting forth their support for the
9 settlement. For example, Public Counsel's witness,
10 J. Randall Woolridge, testifies in support of the
11 settlement and described the purchasers as large,
12 well-diversified investment funds and high-quality
13 investors in infrastructure assets. He further
14 testifies that the settlement provides multiple
15 commitments to protect PSE and its ratepayers.

16 AWEC's witness, Marc Hellman, carefully ticks
17 through a list of potential risks that he considered
18 for the proposed transaction, most of which were
19 raised at the open meeting, and concludes that the
20 additional commitments address these risks from the
21 commercial and industrial customers' perspective.

22 Wendy Gerlitz of the Northwest Energy
23 Coalition testifies that the settlement contains
24 adequate commitments addressing energy efficiency,
25 renewable resources, and low-income customers, and the

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1 new owners confirm support for the previously made
2 commitments regarding Colstrip.

3 The Energy Project witness Shawn Collins
4 testifies that the settlement includes a number of
5 important components that are in the public interest
6 from the perspective of low-income customers.

7 Commission Staff witness Melissa Cheesman
8 testifies all four purchasers are financially fit,
9 have the ability to access capital, and have
10 experience with managing and investing in the utility
11 industry. The commitments provide robust protections
12 that serve to protect ratepayers from harm and render
13 the proposed transactions consistent with the public
14 interest.

15 There is substantial evidence supporting
16 approval of the proposed transactions with the
17 commitments that are before you today. The settling
18 parties thank you for the opportunity to answer your
19 questions and respectfully request that the Commission
20 approve the proposed transactions and the settlement
21 stipulation.

22 Thank you.

23 JUDGE O'CONNELL: Thank you, Ms. Carson.

24 Let's turn next to Mr. Medlin on behalf of
25 IBEW and UA Local 32.

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1 MR. MEDLIN: Are both parties getting
2 the opportunity to present an opening statement or
3 just...

4 JUDGE O'CONNELL: Forgive me. Have you
5 designated one person to give an opening statement or
6 do you both intend to?

7 MR. MEDLIN: We have. Ms. Franco-Malone
8 is going to the nonsettling parties' opening
9 statement.

10 JUDGE O'CONNELL: Okay. I recall that
11 that was the instruction that I gave. Thank you for
12 reminding me, Mr. Medlin.

13 Ms. Franco-Malone, we will turn to you, then.

14 MS. FRANCO-MALONE: Thank you, Your
15 Honors and Commissioners.

16 We are here today to present evidence
17 concerning the impact of PSE's largest single
18 investor, Macquarie, departing the ownership
19 consortium that makes up Puget Holdings. We have
20 demonstrated and the testimony adduced at the hearing
21 today will further establish that, as it has been
22 presented to you, the proposed transaction will harm
23 PSE ratepayers.

24 The proposed commitments, while extensive,
25 utterly fail to address several issues. Without

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1 further commitments that address safety and
2 reliability issues related to the conditions under
3 which the men and women who perform work on the PSE
4 system, there is a real risk that PSE customers and
5 the public will be harmed.

6 We have presented you with evidence describing
7 the ways in which PSE has been relying upon
8 chronically short-staffed crews at levels that are
9 insufficient to ensure safety and reliable service to
10 customers, requiring employees to work unsafe and
11 unsustainable amounts of overtime; providing employees
12 inadequate training, and using unqualified employees
13 to assess storm damage and unsafe conditions; failing
14 to help build a pipeline with the next generation of
15 utility workers by utilizing apprentices; using some
16 of the worst of the worst contractors when it comes to
17 flagging that is generally necessary when work on the
18 system is performed; maintaining lax standards when it
19 comes to training that its contractors must provide
20 employees before sending them out to work on the PSE
21 system; frequently relying upon companies that use
22 temporary staffing agencies for labor, even though the
23 literature and evidence here in Washington State make
24 clear that this is almost always the least safe
25 option.

1 In the absence of any commitments addressing
2 these vital safety issues as part of the 2008
3 transaction, our witnesses have addressed the ways in
4 which each of these problems I have mentioned has
5 grown worse under Puget Holdings during the past ten
6 years. Unfortunately, these problems stand to get
7 worse under the new consortium of owners. To name one
8 reason, the departing owner, Macquarie, was unusually
9 active in terms of taking an interest in PSE's
10 operations. It was the only one of the existing
11 owners to adopt a responsible contractor policy
12 applicable to its investment utilities.

13 If the Commission does not put parameters on
14 Puget Sound Energy's supply chain practices to ensure
15 that at the very least these trends do not get worse,
16 there is every reason to think that this trend of
17 putting profits before ratepayer safety will continue
18 to the detriment of PSE customers under the new
19 owners.

20 The Commission should not approve the
21 transaction without requiring certain additional
22 commitments from the joint applicants, as described in
23 more detail in our witnesses' testimony.

24 Thank you.

25 JUDGE O'CONNELL: Thank you,

1 Ms. Franco-Malone.

2 I want to reiterate one more time that we
3 expect the cross-examination questions posed today to
4 be focused on the proposed transaction and whether
5 there is going to be no harm to customers. As to the
6 labor issues that we discussed previously and
7 grievances about current operations that are not
8 tethered to the proposed transaction, I expect that
9 those topics will not be part of cross-examination.

10 Let's turn now to cross-examination for our
11 first panel of witnesses that support the settlement.

12 Mr. Medlin, are you prepared to go forward?

13 MR. MEDLIN: Yes. Would you like us to
14 take them one at a time or alternate back and forth?
15 What would be your preference?

16 JUDGE O'CONNELL: My preference would be
17 that you ask all the questions that you have, and then
18 Ms. Franco-Malone will ask all the questions that she
19 has.

20 MR. MEDLIN: Okay.

21 JUDGE O'CONNELL: And then we will hear
22 brief redirect, if any, from the attorneys, and then
23 we will have questions from the bench.

24 MR. MEDLIN: All right. I will start
25 with Ms. Cheesman, then. I will hand her the

1 documents that were submitted for cross-examination,
2 with the note that some of them were excluded, but
3 they are all included in the packet, and one to Staff
4 counsel attorney.

5 MS. CAMERON-RULKOWSKI: Thank you.

6

7 CROSS - EXAMINATION

8 BY MR. MEDLIN:

9 Q I want you, if you can, Ms. Cheesman, to turn
10 to the document that is the settlement commitments.

11 Do you have that in front of you?

12 **A I do.**

13 Q Okay.

14 And if you could turn to what is Page 2.

15 **A I'm there.**

16 Q Okay.

17 And you see where it says New No. 3, right?

18 **A I do.**

19 Q Okay.

20 COMMISSIONER RENDAHL: Sorry. Which
21 document are we looking at?

22 MS. CHEESMAN: Apologies. We are
23 looking at joint applicants --

24 COMMISSIONER RENDAHL: This is a
25 cross-exhibit?

1 MS. CHEESMAN: The joint applicants
2 response to Bench Request 1.

3 COMMISSIONER RENDAHL: Thank you.

4 MR. MEDLIN: I believe it's BE-1, is
5 what it is titled as, I believe.

6 JUDGE O'CONNELL: It is actually labeled
7 BE-2.

8 MR. MEDLIN: BE-2. Okay.

9 BY MR. MEDLIN:

10 Q So we are looking at BE-2 then, correct,
11 Ms. Cheesman?

12 **A Yes.**

13 Q And so you are on Page 2, and we are looking
14 at new No. 3, correct?

15 **A That's correct.**

16 Q And are you familiar with this language that's
17 here?

18 **A I am just taking a moment to reread it.**

19 Q Sure.

20 **A Yes.**

21 Q Now, does this commitment -- according to
22 Staff, does that mean that PSE is just maintaining
23 status quo?

24 **A My -- sorry. So Commitment 3, as well as 2**
25 **and 4, were commitments the 2008 transaction that the**

1 **Commission has already deemed to be sufficient in**
2 **addressing public service obligations related to**
3 **safety, reliability, and customer service.**

4 Q Okay.

5 So as to those issues for safety, customer
6 service, and it says here staffing, that means it's
7 just going to maintain status quo?

8 **A I think that's a fair assessment.**

9 Q So it doesn't require any affirmative action
10 on the joint applicants' part, does it?

11 **A It is a commitment that does require that the**
12 **company adhere to it. And there are commitments, 64,**
13 **which if the company fails to adhere to the**
14 **commitments, there is a required noticing of the**
15 **Commission about the failure and how they plan to**
16 **correct it.**

17 Q But it's fair to say that the commitment
18 related to the issues you talk about, safety,
19 reliability, and staffing, it's just that the joint
20 applicants are going to maintain what they are already
21 doing, correct?

22 I'll strike that.

23 So it uses the word "maintain," right?

24 **A It does use the word maintain.**

25 Q And --

1 **A It does.**

2 Q And does the word maintain to you mean you are
3 just going to keep doing what you are doing?

4 **A In the context of this sentence, the word**
5 **maintain refers to maintaining safety and reliability**
6 **and cost effective operations in the communities and**
7 **where they operate. So yes, maybe status quo, but**
8 **also that they are operating sufficient to maintain**
9 **the provisions of safety and reliability.**

10 Q Okay.

11 So you are saying currently, then, what they
12 are doing is sufficient?

13 **A Actually, I have read and reviewed opposing**
14 **test -- testimony to the settlement, but I haven't**
15 **actually seen any evidence that says that the proposed**
16 **commitment will somehow dampen this or make it so**
17 **that -- or make the situation currently worse off.**

18 Q Okay.

19 So again, just to -- because I don't think you
20 have quite answered this yet, to maintain is just to
21 keep doing what they're doing?

22 **A Well, I'm saying that in reference to the**
23 **context of this sentence, is to maintain a system that**
24 **is safe and reliable.**

25 Q Okay.

1 And that would also include staffing, correct?

2 **A That would include staffing.**

3 Q Okay.

4 Now, this language in this commitment, it uses
5 the word reliable, correct?

6 **A Correct.**

7 Q And would you agree that a lot of things fall
8 within reliability?

9 **A I would agree that it is a very broad
10 category.**

11 Q Okay.

12 And would include that PSE is going to provide
13 reliable electricity to its customers?

14 **A Yes.**

15 Q Okay.

16 And that's because staff wants to ensure that
17 customers get their power, right?

18 **A Well, yeah, staff wants to ensure that when
19 customers have the expectation of flipping the switch
20 that it happens and the lights turn on.**

21 Q So that's reliability, right?

22 **A That's a very simple approach to reliability,
23 yes.**

24 Q Okay.

25 Now, does a utility like PSE need workers to

1 be reliable?

2 **A Can I get you to clarify what you mean by**
3 **workers being reliable?**

4 Q Yeah. So does PSE need actual workers or
5 employees to be a reliable utility?

6 MS. CAMERON-RULKOWSKI: Objection. Your
7 Honors, this goes beyond the scope of Ms. Cheesman's
8 testimony. This is cross-examination and her
9 testimony does not include a discussion on these
10 topics.

11 MR. MEDLIN: I'll just --

12 JUDGE O'CONNELL: Mr. Medlin?

13 MR. MEDLIN: Yeah. To respond to that,
14 if you look on what is Page 12, Lines 8 through 13 of
15 Ms. Cheesman's testimony, she does talk about
16 maintaining staffing and presence in communities, and
17 on Lines 14 and 15 she also refers to the maintenance
18 of safety and reliability, and she provides a
19 discussion of that safety and reliability on the
20 following, 16 through 20 of her testimony.

21 MS. CAMERON-RULKOWSKI: Your Honors,
22 that is very cursory discussion and mostly
23 Ms. Cheesman is simply reiterating the language of the
24 commitments.

25 MR. MEDLIN: So one of the things the

1 Commissioners have asked for us to do is identify
2 potential harms, and if it was given cursory service,
3 then I think I should be allowed to explore that on
4 cross-examination.

5 JUDGE O'CONNELL: I am going to allow
6 the questions about this as they are relevant to
7 Ms. Cheesman's testimony about maintaining staffing,
8 and as they apply to this proposed commitment;
9 however, if we start delving into issues about labor
10 disputes or labor issues contemporary with staffing, I
11 expect that we will hear again from
12 Ms. Cameron-Rulkowski.

13 MR. MEDLIN: We won't have a labor
14 dispute, I promise.

15 JUDGE O'CONNELL: Okay.

16 BY MR. MEDLIN:

17 Q So I will repeat the question because I don't
18 think you answered it.

19 Does PSE need workers or employees in order to
20 be reliable?

21 **A PSE does need workers in order to operate**
22 **their system reliably.**

23 Q So they are not an automated utility. They
24 can't function without human beings to perform the
25 work, right?

1 **A I'm not going to make a blanket statement like**
2 **that. There are advancements in automation and**
3 **technology that may have actually impacted worker**
4 **staffing levels.**

5 Q But currently, right now, PSE, you would
6 agree, can't function without employees, right?

7 **A Yes, I believe PSE needs employees.**

8 Q Okay.

9 Now, if you operated with a minimal amount of
10 employees, would that affect reliability?

11 **A Again --**

12 MS. CAMERON-RULKOWSKI: Objection.

13 **A -- it depends --**

14 MS. CAMERON-RULKOWSKI: Objection. I am
15 going to renew my objection. Ms. Cheesman has not
16 testified about levels of employees or staffing levels
17 anywhere in her testimony.

18 MR. MEDLIN: And I will just say in
19 response, again, I am just asking questions about the
20 commitment, where it talks about to maintain, and it
21 mentions staffing and reliability and safety, and I am
22 focusing my inquiry on reliability currently. And she
23 has already agreed that PSE requires employees in
24 order to operate.

25 JUDGE O'CONNELL: So I think she has

1 already answered your question on the topic, then.

2 I do expect you to keep your questions focused
3 on the commitments and Ms. Cheesman's testimony as to
4 whether the settlement will provide -- will have no
5 harm to customers.

6 MR. MEDLIN: Of course.

7 BY MR. MEDLIN:

8 Q So still looking -- still focusing on this
9 commitment, and we are talking about staffing, safety,
10 and reliability, correct?

11 **A Yes.**

12 Q Okay.

13 So if you had a situation where PSE
14 significantly understaffed its operation, would that
15 affect reliability?

16 **A Depending on the prevailing technology in
17 automation, it could impact --**

18 Q Okay.

19 **A -- operations of reliability.**

20 Q And would you say if PSE significantly
21 diminished its staffing that's mentioned here, that
22 could potentially be harmful to customers?

23 MS. CAMERON-RULKOWSKI: Objection. Your
24 Honor, I believe that this line of questioning is
25 calling for speculation, and we don't have a

1 foundation laid either to ask these types of
2 questions.

3 JUDGE O'CONNELL: I agree as to the
4 speculation that's being asked of Ms. Cheesman, but I
5 will allow to the extent that she has personal
6 knowledge.

7 MR. MEDLIN: Thank you.

8 JUDGE O'CONNELL: You can ask the
9 question.

10 BY MR. MEDLIN:

11 Q Yeah, so I'll repeat the question.

12 So to the extent that you know, if PSE
13 significantly reduced its staff, would that affect
14 reliability of their service to customers?

15 **A I don't actually have intimate knowledge about**
16 **PSE's operations and to what extent staffing levels**
17 **would need to be required to -- for reliability and**
18 **safety.**

19 Q Okay.

20 And as part of providing testimony, did you
21 review discovery in this case?

22 **A I have reviewed discovery in this case.**

23 Q Okay.

24 And did that also include the discovery from
25 the IBEW, the Laborers, and UA 32?

1 **A Yes, it did.**

2 **Q** Okay.

3 And did you review any of the materials in
4 there where they provided and requested information
5 from PSE about staffing and employee numbers?

6 **MS. CAMERON-RULKOWSKI:** Objection.
7 Relevance. The Bench has already decided that these
8 issues are outside the scope of the proceeding.

9 **MR. MEDLIN:** So I am not speaking to
10 the -- or attempting to admit them as an exhibit, I am
11 speaking about the discovery process and what was or
12 was not reviewed by Ms. Cheesman in the discovery
13 process.

14 **JUDGE O'CONNELL:** Mr. Medlin, I think
15 you should confine your questions to things that have
16 been presented and are in the record. Things that
17 have not been offered as exhibits in this case are not
18 before us.

19 **MR. MEDLIN:** So the objection is
20 sustained?

21 **JUDGE O'CONNELL:** Sustained.

22 **MR. MEDLIN:** All right.

23 **BY MR. MEDLIN:**

24 **Q** So still looking at the commitments. One of
25 the items that's also mentioned here is safe, correct?

1 **A Yes.**

2 **Are you still referring to proposed -- new**

3 **proposed -- or Commitment New No. 3?**

4 Q Yes. Correct.

5 **A It does include the word --**

6 Q Okay.

7 **A -- "safe."**

8 Q And would you agree that safety is a pretty

9 broad topic as well?

10 **A I would.**

11 Q Okay.

12 And would you agree that safety includes

13 keeping customers safe?

14 **A I would.**

15 Q Okay.

16 And would you also agree that safety should

17 include keeping PSE employees safe?

18 **A I would.**

19 Q And that would include, obviously, preventing

20 an employee from getting electrocuted, right?

21 **A Yes, but I want to clarify that a single**
22 **incident does not represent a pattern of incidents,**
23 **and that I have actually not seen any evidence to**
24 **suggest that there are patterns of unsafe behavior**
25 **conducted by PSE.**

1 Q So you would say, then, that unless multiple
2 people get electrocuted, then it's not a safety issue?

3 **A No. What I'm saying is safety is not a zero**
4 **occurrence situation, that issues and accidents**
5 **happen. It is addressing them when there is a**
6 **pattern, where it becomes essential to make sure that**
7 **we are mitigating that risk.**

8 Q Okay.

9 And would you say that safety includes
10 avoiding on-the-job injuries?

11 **A Again, I would state that accidents happen and**
12 **that safety doesn't mean zero occurrence because**
13 **accidents happen. But yes, making sure that there are**
14 **safeguards in place in any workplace is very important**
15 **to employee safety.**

16 MR. MEDLIN: So I'm just going to make
17 an objection, nonresponsive, because I have asked a
18 yes or no question.

19 BY MR. MEDLIN:

20 Q I don't think you have answered it. I just
21 asked you whether safety would include avoiding
22 on-the-job injuries, yes or no?

23 MS. CAMERON-RULKOWSKI: So I am going to
24 object. I don't see the foundation here.

25 Ms. Cheesman has not testified about the extent of the

1 definition of safety.

2 MR. MEDLIN: So again I will refer back
3 to what is Page 12, Lines 8 through 12, and 14 through
4 17 of Ms. Cheesman's testimony, where she refers to
5 safety and a discussion of it, and we are talking
6 about what that means as it relates to what is
7 Proposed Commitment No. 3.

8 JUDGE O'CONNELL: Mr. Medlin, I would
9 like to hear from you a little bit of foundation of
10 where this questioning is going and how it is tied to
11 the proposed transaction and how it is going to result
12 in no harm to customers.

13 MR. MEDLIN: So safety is included as
14 one of the considerations that IBEW is allowed to
15 present evidence on. I am attempting to elicit
16 whether or not the safety of employees has included
17 that, or is included in the consideration of what is
18 Proposed New Commitment No. 3 in the multiparty
19 settlement agreement.

20 JUDGE O'CONNELL: What I haven't heard
21 from you, Mr. Medlin, is any questioning establishing
22 a foundation about whether there is any difference
23 between the prior commitments and the proposed
24 commitments, and you have yet to establish that. I am
25 going to permit you to back up and lay some

1 foundation.

2 MR. MEDLIN: Okay.

3 BY MR. MEDLIN:

4 Q So the commitments between -- still looking at
5 the same document, correct?

6 A Uh-huh.

7 Q Okay.

8 A Yes.

9 Q And so the language for Commitment No. 3,
10 that's not changing, right?

11 A There are no edits, based on the settlement --

12 Q So --

13 A -- to this commitment.

14 Q -- no edits means no changes, then, correct?

15 A Yeah, no edits means no changes.

16 Q Okay.

17 And so referring again to the safety that's
18 mentioned in that commitment, would that include the
19 safety of anyone who is working for PSE?

20 MS. CAMERON-RULKOWSKI: Objection.

21 Asked and answered.

22 JUDGE O'CONNELL: Sustained.

23 Ms. Cheesman has already answered that question.

24 BY MR. MEDLIN:

25 Q So if an employee is unsafe at work, could

1 that potentially be harmful?

2 MS. CAMERON-RULKOWSKI: Objection.

3 Asked and answered.

4 JUDGE O'CONNELL: No, I do not believe
5 that question has been asked; however, Mr. Medlin,
6 could you please rephrase for clarity?

7 MR. MEDLIN: Sure. Sure.

8 BY MR. MEDLIN:

9 Q So we are still talking about safety on this
10 document, right?

11 **A Yes.**

12 Q Okay.

13 **A We are still talking about Commitment 3.**

14 Q Correct. And we are still talking about
15 employees of PSE, correct?

16 **A That is what the line of questioning is going
17 towards, yes.**

18 Q Okay.

19 And so I'm saying if the safety of employees
20 is not considered by PSE, could that potentially be
21 harmful?

22 **A Yes.**

23 Q Okay.

24 **A But I would want to follow up to say that even
25 if that is a concern currently, it doesn't actually**

1 **speak to proposed transaction, and I have not seen any**
2 **evidence in the proposed transaction that would impact**
3 **negatively safety and reliability.**

4 Q Did Staff consider any of the issues raised by
5 the labor groups in its no harm analysis?

6 **A Yes, I did review those.**

7 Q But did you -- so you -- I'll strike that.

8 So you reviewed the discovery that was put
9 forward, you are saying?

10 **A Yes.**

11 Q So I am asking about the issues that were
12 raised by the labor groups. Did Staff consider those
13 in making its no harm analysis?

14 **A To what are you -- I mean, specifically what**
15 **are you referring to --**

16 Q Yeah.

17 **A -- because there was a lot of information**
18 **filed in this case?**

19 Q So I'm talking about safety, third-party
20 contracting, vehicle issues. Did Staff consider
21 those --

22 MS. CAMERON-RULKOWSKI: Objection.

23 Q -- in its no harm analysis?

24 MS. CAMERON-RULKOWSKI: This is --

25 MR. MEDLIN: Well, I just -- can I

1 finish the question before you state your objection?

2 BY MR. MEDLIN:

3 Q So I asked about the safety issues, the
4 vehicle accident issues, and contracting as issues
5 that were identified.

6 MS. CAMERON-RULKOWSKI: Now I will
7 object, and I am objecting on the basis that it is
8 outside the scope of Ms. Cheesman's direct testimony.
9 There is a relevance objection there too, to some of
10 those issues that were just listed.

11 JUDGE O'CONNELL: So two things. First
12 of all, Mr. Medlin, Ms. Cameron-Rulkowski, please
13 refrain from speaking over each other and interrupting
14 each other. I expect you both to be respectful in
15 this hearing room and to each other and part of that
16 is not interrupting each other, and your objection is
17 properly posed at the end of the question.

18 Mr. Medlin, I agree in part with
19 Ms. Cameron-Rulkowski. You are starting to delve into
20 areas that we have already said are excluded and not
21 part of the scope of this proceeding.

22 MR. MEDLIN: So can I clarify? Because
23 my question related to safety, driving incidents, and
24 third-party contracting. Are those not included in
25 the remaining topics that we are allowed to explore?

1 JUDGE O'CONNELL: One moment.

2 MS. CAMERON-RULKOWSKI: And my
3 apologies, Mr. Medlin.

4 MR. MEDLIN: Thank you.

5 (Pause in the proceedings.)

6 JUDGE O'CONNELL: I note that,
7 Mr. Medlin, much of Mr. Arnold's testimony as it
8 regards vehicle safety has been struck as outside the
9 scope of this proceeding; however, I will allow
10 questioning as long as you tie it to harm to customers
11 from the proposed transaction. I don't think you have
12 done that.

13 MR. MEDLIN: And may I also clarify?
14 The vehicle accident, which was DTA No. 9, is still
15 admitted, correct?

16 JUDGE O'CONNELL: You are correct.

17 MR. MEDLIN: Thank you.

18 JUDGE O'CONNELL: Please continue.

19 BY MR. MEDLIN:

20 Q So I will repeat the question because I know
21 time has passed.

22 So we were talking about issues raised by the
23 labor groups, correct?

24 **A Yes.**

25 Q Okay.

1 And so my question to you was: Did Staff
2 consider the issues raised by the labor groups as they
3 related to vehicle accident issues, safety, and
4 third-party contracting?

5 **A So, yeah, I reviewed this information, but**
6 **again I have to stress that it's more -- these are**
7 **current events and not directly tied to the proposed**
8 **transaction. And so what gave my -- what got the**
9 **attention of my analysis is identifying risks related**
10 **to the proposed transaction, and if there was risk,**
11 **are there sufficient commitments to protect against**
12 **those risks, and the settlement commitments do that.**

13 Q So my question wasn't whether you reviewed
14 them, my question was whether you considered those
15 items.

16 **A Yes, my review is part of that consideration.**

17 Q All right.

18 MR. MEDLIN: Thank you.

19 That's all the questions I have for
20 Ms. Cheesman.

21 JUDGE O'CONNELL: Ms. Cameron-Rulkowski,
22 do you want to do redirect of Ms. Cheesman?

23 MS. CAMERON-RULKOWSKI: I have no
24 redirect. Thank you.

25 JUDGE O'CONNELL: We are going to take

1 questions from the bench of the panel after we have
2 concluded with the cross-examination.

3 Mr. Medlin, which member of the panel do you
4 have questions for next?

5 MR. MEDLIN: I'll just go down the line.
6 I believe Mr. Molander is next, on the right, correct?

7 MR. MOLANDER: Correct. Thank you.

8 MR. MEDLIN: And I will just note that
9 Mr. Molander, I believe, is filling in for a portion
10 of Mr. Piliaris's testimony, correct?

11 MR. MOLANDER: That's correct.

12 MR. MEDLIN: So I will provide the
13 exhibits I had for cross-examination for Mr. Piliaris
14 with the understanding that I am giving him the whole
15 packet, with the exception of the exhibits that were
16 excluded.

17 MS. CARSON: And I have all the IBEW
18 exhibits excluded; is that -- cross-exam exhibits; is
19 that right?

20 MR. MEDLIN: No. So it also includes
21 what is DTA No. 9. And the packet I handed also
22 includes the joint testimony of the joint applicants,
23 and also the proposed commitments.

24 MS. CARSON: Okay.

25 MR. MEDLIN: So he has those in front of

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1 him.

2 MS. CARSON: Thanks.

3

4 CROSS - EXAMINATION

5 BY MR. MEDLIN:

6 Q So, Mr. Molander, if you could turn to what is
7 Exhibit BE-2, which is the proposed commitments.

8 Do you have that in front of you?

9 **A I do, I believe. Yes.**

10 Q All right.

11 If you turn to what is Page 2.

12 **A Uh-huh.**

13 Q Okay.

14 And we are looking at Commitment No. 3.

15 **A Okay.**

16 Q And this is the commitment that talks about
17 maintaining staffing, and it talks about safety and
18 reliability, correct?

19 **A Correct.**

20 Q And there is no change in this commitment from
21 what was agreed upon in 2007, which is in the
22 right-hand column, correct?

23 **A Correct.**

24 Q And so does that mean that PSE will be
25 maintaining the status quo as it relates to those

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1 issues?

2 **A As I understand it, yes.**

3 Q So there is not going to be any change, then,
4 on staffing, safety, and reliability?

5 **A Staffing is in accordance with the work that**
6 **we have before us, both from a capital program**
7 **perspective and from a reliability perspective. It**
8 **changes, it ebbs and flows. So I would expect that we**
9 **would staff accordingly to meet the commitments of the**
10 **company, both from a Commission perspective, but also**
11 **from our SQI perspective.**

12 Q But would it be fair to say that the
13 commitment itself is for PSE to simply maintain the
14 status quo?

15 **A I guess so, yes.**

16 Q And you would agree that it uses the word
17 "maintain," correct?

18 **A Yes, I would.**

19 Q And would you agree that the word maintain is
20 opposite of the word change?

21 **A The company has to have the ability to change**
22 **its staffing levels to meet the needs of its**
23 **customers. I think this would speak to -- I'll move a**
24 **little closer here.**

25 **The company has to have the ability to staff**

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1 accordingly to meet needs of the customers, to meet
2 the growth within our service territory, to respond to
3 storms, changes in circumstances. I think what this
4 would speak to is the need to maintain the adequate
5 staffing necessary to support the needs of the
6 customers.

7 Q So then you agree that adequate staffing is
8 something that is important, then?

9 **A I would agree, yes.**

10 Q Okay.

11 Have you completely reviewed this document
12 that is Exhibit BE-2, the proposed commitments?

13 **A No, I have not.**

14 Q Have you -- so let me strike that.

15 So you have not looked at the entirety of the
16 document?

17 **A No, I have not.**

18 Q Okay.

19 Do you know, based on either -- from the
20 portions that you did review, whether the labor unions
21 are included in any of the commitments?

22 **A Well, we are -- we are committing to honor the**
23 **agreements that we have with the IBEW and the UA.**

24 Q Okay.

25 So beyond the labor contracts, is there

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1 anything in there that you are aware of that relates
2 to the labor unions?

3 **A Not specifically, to my recollection, but in**
4 **committing to honor the terms and agreements of our**
5 **labor contracts, that means that we have the ability**
6 **to -- or we are committing to bargain in good faith,**
7 **as we have since the original merger back in 2009.**

8 Q Okay.

9 So PSE also has a number of vehicles, don't
10 you?

11 **A Yes, we do.**

12 Q Okay.

13 And I assume you are familiar with those,
14 correct?

15 **A I am.**

16 Q And you are, I'm certain, familiar that a
17 number of employees have to drive a vehicle as part of
18 their job, right?

19 **A That is right.**

20 Q Okay.

21 And you would agree that the use of those
22 vehicles is necessary in order to carry out customer
23 service, correct?

24 **A Yes, I would. We have a lot of vehicles. We**
25 **drive in excess of 12 million miles a year in support**

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1 of our customers.

2 Q Yeah. And so there is a significant amount of
3 driving time that employees do, correct?

4 **A That is correct.**

5 Q And you would also agree that traffic in the
6 Puget Sound area has increased over time as well,
7 correct?

8 **A I think we can all agree to that.**

9 Q So people are going to spend a lot of time in
10 their car, right?

11 **A Indeed they do.**

12 Q And some of these vehicles include large
13 trucks that have a boom on them, correct?

14 **A That is correct.**

15 Q So you have sort of larger pieces of equipment
16 that are driven; you would agree?

17 **A Yes.**

18 Q Okay.

19 Now, is making sure that no vehicle accidents
20 happen important to PSE?

21 **A It's very important. In fact, over the years**
22 **we have had extensive vehicle safety training, whether**
23 **it's in the context of our monthly safety meetings, by**
24 **way of video presentation, by way of in-class**
25 **education, as well as, most recently, by way of**

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1 field -- in-the-field training and education within
2 electric and gas operations organizations. It's very
3 important.

4 Q Okay.

5 Let's take a look at, it should in your packet
6 there, what is DTA Exhibit 9. And if you turn to what
7 is the third page of that exhibit, which is titled
8 Motor Vehicle Incidents.

9 A Okay.

10 Q It should be a chart.

11 A I've got it, yep.

12 Q One more page.

13 A Yep.

14 Q There you go.

15 A I've got it.

16 Q All right.

17 Have you seen this document before?

18 A I have.

19 Q Okay.

20 Are you familiar with the data that's in this
21 document?

22 A I am.

23 Q And this relates to PSE vehicle accidents,
24 correct?

25 A Yes, it does.

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1 Q Now, you didn't track these vehicle accidents
2 before 2013, did you?

3 **A That I don't know.**

4 Q But you will see here that there is no data on
5 vehicle accidents before the year 2013, correct?

6 **A That's correct, yes.**

7 Q I'll just state --

8 MS. CARSON: I am going to object to
9 this line of questioning. It's not clear to me that
10 it is tethered to the proposed transaction.

11 JUDGE O'CONNELL: Mr. Medlin?

12 MR. MEDLIN: Again, so you have asked us
13 to identify potential harms as they relate to safety
14 and reliability. DTA No. 9, which is vehicle
15 accidents, has been allowed to be introduced as
16 evidence, and I would like to explore with the
17 witness, who is speaking on behalf of PSE, issues
18 related to vehicle accidents as potential harms of the
19 transaction.

20 JUDGE O'CONNELL: I am going to overrule
21 the objection, but, Mr. Medlin, I would request that
22 you get to the part of your questioning where this
23 connects to the proposed transaction.

24 MR. MEDLIN: Okay.

25 BY MR. MEDLIN:

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1 Q So we are still looking at that chart there,
2 correct?

3 **A Correct.**

4 Q And the top line is total vehicle accidents,
5 correct?

6 **A Yes.**

7 Q And would you agree that that has held pretty
8 steady from 2013 to 2018?

9 **A No, I would actually say it has gone from 107
10 in '13 to 93 in '18.**

11 Q But for at least four of the total years, you
12 have had in an excess of 100, correct?

13 **A That is correct.**

14 Q Okay.

15 And there is no commitment in the proposed
16 settlement agreement addressing vehicle accidents,
17 correct?

18 **A That is my understanding, but I -- I want to
19 speak to this a little more, because in 2017 --**

20 MR. MEDLIN: I'll object to --

21 **A -- to 2018 --**

22 MR. MEDLIN: -- nonresponsive because,
23 again, the efficiency. I only get a limited time with
24 the witness and I would like to have a yes or no
25 question. Ms. Carson will be provided an opportunity

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1 for redirect.

2 JUDGE O'CONNELL: Mr. Medlin, the
3 witness can answer your question and explain the
4 response if it calls for it.

5 To the extent that witnesses are asked a yes
6 or no question, we expect that you answer yes or no,
7 but you may provide some explanation for your answer.

8 So with that, Mr. Medlin, if you want to reask
9 your question, you may.

10 BY MR. MEDLIN:

11 Q So my question was: There's no commitment in
12 the proposed settlement agreement related to vehicle
13 accidents, correct?

14 **A That is correct. However, as I have**
15 **previously mentioned, with respect to one of the your**
16 **prior questions, the company has invested**
17 **significantly in driver training, both in-class and**
18 **in-field, and that's in the 2017, 2018 time frame. In**
19 **addition to that, the company has, by way of its**
20 **standard specification for all new vehicles, added**
21 **proximity sensors and back up cameras to its vehicles.**
22 **I think what you are seeing there is the effect of**
23 **some of the measures that the company is taking to**
24 **improve its performance in connection with motor**
25 **vehicle incidents.**

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1 Q And are you familiar with the vehicle
2 incidents that happened in the last quarter of 2018?

3 **A I am not intimately familiar with all**
4 **incidents --**

5 Q Okay.

6 **A -- no.**

7 Q Were you at least aware of, personally, that
8 there were two utility truck rollovers in the last
9 quarter of 2018?

10 **A I did hear about those, yes.**

11 Q That's the larger trucks with the boom,
12 correct?

13 **A That is correct.**

14 Q And a rollover, would that potentially be
15 harmful to employees?

16 **A Potentially, yes.**

17 Q Would it also be potentially harmful --

18 MS. CARSON: Objection.

19 Q -- to customers?

20 MS. CARSON: Again, this has nothing to
21 do with harms that are resulting from the proposed
22 transaction.

23 JUDGE O'CONNELL: Mr. Medlin, I am going
24 to sustain that objection. I have asked you to get to
25 the part where this is connected to the proposed

JOEL MOLANDER

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1 transaction. I allowed you a few questions to get
2 there. I expect that now you will have gotten to that
3 point.

4 MR. MEDLIN: Fair enough.

5 BY MR. MEDLIN:

6 Q The settlement agreement that PSE has entered
7 into, does it propose to make any changes based on the
8 transaction to how vehicle accidents are handled?

9 **A Not to my knowledge, no.**

10 MR. MEDLIN: Thank you. That's all the
11 questions I have for Mr. Molander.

12 JUDGE O'CONNELL: Ms. Carson, any
13 redirect?

14 MS. CARSON: No. Thank you.

15 JUDGE O'CONNELL: Mr. Medlin, I assume
16 that, going down the line, you would like to hear from
17 Mr. Piliaris?

18 MR. MEDLIN: That is correct.

19 JUDGE O'CONNELL: Okay.

20 MR. MEDLIN: And I would just ask that
21 you pass the exhibits down, so we don't have to go
22 through that again, to Mr. Piliaris.

23

24

25

JON PILIARIS

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1 CROSS - EXAMINATION

2 BY MR. MEDLIN:

3 Q Mr. Piliaris, if you turn to what is
4 Exhibit BE-2, the multiparty settlement agreement.

5 **A I'm there.**

6 Q Okay.

7 Have you reviewed this document before?

8 **A I have.**

9 Q Are you familiar with it?

10 **A I am.**

11 Q Okay.

12 Would you say that you are familiar with the
13 terms contained in it?

14 **A Generally, yes.**

15 Q Okay.

16 And if you look at what is Page 2 of
17 Exhibit BE-2, there is a New Commitment 3, correct?

18 **A Sorry, can you restate that?**

19 Q Yeah. So I'm looking at what is Page 2 of the
20 document, what is labeled as New No. 3.

21 **A Okay.**

22 Q Okay.

23 **A Which is the same as the old Commitment 14?**

24 Q Right. Correct.

25 **A Okay.**

JON PILIARIS**246**

1 Q So it hasn't changed?

2 **A Yes. Correct.**

3 Q Okay.

4 And that commitment, as we have discussed,
5 relates to staffing, safety, and reliability, correct?

6 **A Correct.**

7 Q Okay.

8 And since there is no change, would you agree
9 that this commitment is for PSE to maintain the status
10 quo?

11 **A To the extent that the status quo is to**
12 **maintain safe, reliable, and cost efficient**
13 **operations, the answer would be yes.**

14 Q So no changes, then?

15 **A Correct.**

16 MR. MEDLIN: Thank you. That's all the
17 questions I have for Mr. Piliaris.

18 JUDGE O'CONNELL: Ms. Carson?

19 MS. CARSON: Yes, I do have redirect.

20

21 R E D I R E C T E X A M I N A T I O N

22 BY MS. CARSON:

23 Q So maintain the status quo, does that mean
24 that there is a set level of staffing or safety that
25 is present now and will not change over the course of

AHMED MUBASHIR

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1 the -- after the proposed transaction?

2 **A No. As Mr. Molander had stated previously, we**
3 **continually adapt our operations to meet the needs of**
4 **our customers in all forms, from a safety perspective,**
5 **from a reliability perspective, and to ensure that we**
6 **are performing cost effectively.**

7 MS. CARSON: Thank you. Nothing
8 further.

9 JUDGE O'CONNELL: Mr. Medlin, any
10 recross from the redirect?

11 MR. MEDLIN: No, I don't.

12 JUDGE O'CONNELL: Are you ready to take
13 the next witness?

14 MR. MEDLIN: Yes. And I believe --
15 because I am having a hard time seeing here, I believe
16 it's Mr. Ahmed Mubashir.

17 Did I say that correctly?

18 MR. MUBASHIR: Yes, that's right.

19 MR. MEDLIN: Okay. All right.

20

21 C R O S S - E X A M I N A T I O N

22 BY MR. MEDLIN:

23 Q And Mr. Mubashir, you represent who exactly?

24 **A Alberta Investment Management Corporation.**

25 Q Okay.

AHMED MUBASHIR

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1 And so you are one of the purchasers of PSE,
2 correct?

3 **A Yes, additional -- additional interest in**
4 **Puget Holdings, correct.**

5 Q I am kind of having a hard time hearing you.

6 **A Okay. Is that better?**

7 Q Yes, that's much better. Thank you.

8 Now, do you agree that PSE has to have
9 employees in order to operate currently?

10 **A Yes.**

11 Q And so PSE can't currently operate without
12 actual employees, right?

13 **A Yes.**

14 Q Okay.

15 And are you -- do you agree that PSE is going
16 to keep things as status quo regarding employees?

17 **A I believe that PSE will maintain an employment**
18 **level which will mirror and suit the requirements of**
19 **the company at operational level. Frankly, I'm not in**
20 **operations, so I can't exactly opine on that.**

21 Q But it would be fair to say that you are not
22 proposing to make any changes regarding employees?

23 **A I think that's a company decision. Staffing**
24 **has to link up with operations.**

25 Q Okay.

AHMED MUBASHIR

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1 MR. MEDLIN: So I would ask Mr. Piliaris
2 to pass the exhibit packet down -- excuse me.
3 Actually, I will hand you it a new one. And if you
4 would also pass it to Ms. Carson.

5 Thanks.

6 MS. CARSON: Actually, it's Mr. Berman.

7 MR. BERMAN: Mr. Berman.

8 MR. MEDLIN: Oh, I'm sorry. You're the
9 right person.

10 BY MS. CARSON:

11 Q And it might actually be in Mr. Piliaris's
12 packet. There should be the joint testimony.

13 Bear with me for a moment here as I find it.

14 (Pause in the proceedings.)

15 Q It's the document that's JA-1JT.

16 A Yes.

17 Q So you have that in front of you?

18 A Yes.

19 Q If you turn to what is Page 6.

20 A I'm here.

21 Q And I guess I should first say, this is part
22 of the testimony that has your name on it, correct?

23 A That is correct.

24 Q And did you review it before it was submitted?

25 A Yes.

AHMED MUBASHIR**250**

1 Q Okay.

2 So looking there at Page 6, Line 5, it says
3 there that PSE's business operations will not be
4 changed, correct?

5 **A Yes.**

6 Q Okay.

7 And also looking at Page 6, if you look at
8 Lines 7 through 8, in your testimony you say, quote,
9 Employees will see no change, correct?

10 **A Yes, that is correct.**

11 Q Okay.

12 So, then, is it your testimony that as a
13 purchaser, you are going to maintain the status quo as
14 it regards to employees at PSE?

15 **A As a general statement, correct, but as I**
16 **said, that if there's anything much more particular**
17 **with respect -- discretion with the company, I mean,**
18 **that's -- that's a decision for them, the number of**
19 **employees they hire or not.**

20 MR. MEDLIN: Thank you. That's all the
21 questions I have for Mr. Mubashir.

22 JUDGE O'CONNELL: Mr. Berman, do you
23 have any redirect?

24 MR. BERMAN: No redirect, Your Honor.

25 JUDGE O'CONNELL: Thank you.

STEVEN ZUCCHET

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1 MR. MEDLIN: And I will just ask that
2 you pass the exhibits on down to the next person,
3 which I believe is Mr. Steven Zucchet.

4 MR. ZUCCHET: Yes.

5

6 CROSS - EXAMINATION

7 BY MR. MEDLIN:

8 Q Can you see me here?

9 A Yes.

10 Q Okay. Great.

11 Now, Mr. Zucchet, who do you represent?

12 A OMERS.

13 Q Okay.

14 And OMERS is a potential purchaser of PSE,
15 correct?

16 A That is correct.

17 Q Okay.

18 Now, would you agree that PSE can't operate
19 currently without employees?

20 A PSE needs employees to operate, that's
21 correct.

22 Q Okay.

23 And are you proposing, as a purchaser, to
24 maintain the status quo as it relates to employees at
25 PSE?

LINCOLN WEBB

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1 **A I would say to you, yes, as a minimum, but we**
2 **would always look for improvements.**

3 Q But you are not proposing to make any changes
4 as they relate to employees, correct?

5 **A No. No, we are not.**

6 MR. MEDLIN: Thank you. That's all the
7 questions I have for him.

8 JUDGE O'CONNELL: Any redirect?

9 MS. RACKNER: None. Thank you.

10 JUDGE O'CONNELL: Let's proceed to the
11 next witness that you have questions for, Mr. Medlin.

12 MR. MEDLIN: Yes.

13

14 CROSS - EXAMINATION

15 BY MR. MEDLIN:

16 Q Last but not least, Mr. Webb, correct?

17 **A Yes.**

18 Q Okay.

19 MR. MEDLIN: If you wouldn't mind
20 passing the documents down there.

21 BY MR. MEDLIN:

22 Q Mr. Webb, who do you represent?

23 **A BCI.**

24 Q And BCI is a potential purchaser of PSE,
25 correct?

LINCOLN WEBB

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1 **A We are an existing investor and a potential**
2 **purchaser of additional interest.**

3 Q Yes. So you are buying more shares of PSE,
4 correct?

5 **A Correct.**

6 Q Okay.

7 JUDGE O'CONNELL: Let me interrupt just
8 for a moment. Mr. Webb, can you pull a microphone
9 close to you.

10 MR. WEBB: (Complies.)

11 JUDGE O'CONNELL: Thank you very much.

12 Mr. Medlin?

13 MR. MEDLIN: Thank you.

14 BY MR. MEDLIN:

15 Q Now, Mr. Webb, do you agree that PSE can't
16 currently operate without employees?

17 **A Agreed.**

18 Q Okay.

19 JUDGE O'CONNELL: Sorry. Mr. Webb, is
20 your microphone on? If you push the button at the
21 bottom of the base, it should light up a red light.

22 MR. WEBB: Is that better?

23 JUDGE O'CONNELL: Yes, it is.

24 MR. MEDLIN: Okay. I will repeat the
25 question so we can make sure that the Commissioners

LINCOLN WEBB

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1 and the ALJs hear.

2 BY MR. MEDLIN:

3 Q So you would agree that PSE cannot currently
4 operate without employees, correct?

5 **A Agreed.**

6 Q Okay.

7 And are you proposing, as a potential
8 purchaser -- I should say an additional purchaser of
9 PSE, to maintain the status quo as it relates to
10 employees?

11 **A We are agreeing to maintain the status quo**
12 **with employees as it relates provision of service,**
13 **quality, customer outcomes, and safety.**

14 Q But you are not proposing to make any changes
15 as part of the proposed transaction?

16 **A Not that I'm aware of.**

17 Q And that would include employees, correct?

18 **A Correct, not that I'm aware of.**

19 Q Okay.

20 MR. MEDLIN: Thank you. That's all the
21 questions I have for Mr. Webb.

22 JUDGE O'CONNELL: Is there any redirect?

23 MR. MACCORMACK: No redirect.

24 JUDGE O'CONNELL: Thank you.

25 Now, Mr. Medlin, Mr. Verwoest is on the bridge

MARTIJN VERWOEST

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1 line.

2 MR. MEDLIN: Yes.

3 JUDGE O'CONNELL: He is a witness on
4 behalf of PGGM. I believe you had questions for him
5 as well?

6 MR. MEDLIN: I did, yeah.

7 JUDGE O'CONNELL: Okay.

8 Mr. Verwoest, are you on the line?

9 MR. VERWOEST: Yes, I am.

10 JUDGE O'CONNELL: Mr. Medlin, please go
11 ahead.

12 MR. MEDLIN: Thank you.

13

14 CROSS - EXAMINATION

15 BY MR. MEDLIN:

16 Q Mr. Verwoest, you represent who precisely?

17 **A I represent PGGM Vermogensbeheer.**

18 Q Okay.

19 Now, Mr. Verwoest, do you agree that PSE
20 currently requires employees in order to operate?

21 **A Yes.**

22 Q Okay.

23 And would you agree that, as part of the
24 proposed transaction, you are agreeing to maintain
25 status quo as it relates to employees?

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1 **A Yes.**

2 **Q** Okay.

3 MR. MEDLIN: Thank you.

4 JUDGE O'CONNELL: Is there any redirect?

5 MR. GANNETT: No, Your Honor.

6 JUDGE O'CONNELL: Thank you.

7 Mr. Medlin, we have covered all of these

8 witnesses on your behalf, correct?

9 MR. MEDLIN: We have.

10 JUDGE O'CONNELL: Ms. Franco-Malone,

11 let's turn it over to you for your cross-examination

12 of these witnesses.

13 MS. FRANCO-MALONE: Thank you, Your

14 Honor.

15 I would like to begin by asking some questions

16 of Mr. Piliaris.

17

18 C R O S S - E X A M I N A T I O N

19 BY MS. FRANCO-MALONE:

20 **Q** Mr. Piliaris, do you have a copy of the

21 settlement commitments in front of you?

22 **A I do.**

23 **Q** Great.

24 I would like to turn your attention to the

25 second page of that document, and direct your

JON PILIARIS

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1 attention to the New Settlement Commitment No. 3.

2 Do you see that?

3 **A I do.**

4 Q And we have covered, this is the reaffirmation
5 of an existing commitment?

6 **A That's correct.**

7 Q And this commitment refers to obligations both
8 on the part of PSE and Puget Holdings, right?

9 **A That's what it states.**

10 Q What role does Puget Holdings play with
11 respect to maintaining this commitment?

12 **A As I generally understand it, Puget Holdings**
13 **provides general policy guidance for the company at a**
14 **very, very high level, but the -- PSE is the -- is**
15 **essentially responsible for the implementation of its**
16 **own policies, as well as the execution of those**
17 **policies.**

18 Q And this commitment refers to maintaining safe
19 and reliable service, does it not?

20 **A Correct.**

21 Q And there is a difference between safety and
22 reliability, correct?

23 **A Generally speaking, that's correct.**

24 Q What is the difference?

25 **A One has to do with the -- whether or not**

JON PILIARIS**258**

1 service is being provided and the other is in how it
2 is being provided; in other words, in a safe or unsafe
3 manner.

4 Q And are staffing levels of both in-house and
5 contractor employees that are currently maintained by
6 PSE sufficient to maintain safe and reliable service?

7 **A I would say it -- it does.**

8 Q And let's say that the Commission wanted to
9 verify compliance on the part of PSE and Puget
10 Holdings with respect to Commitment No. 3, how would
11 the Commission go about doing that?

12 MS. CARSON: I'll object. That seems
13 like a question better asked towards Commission Staff
14 rather than PSE.

15 MS. FRANCO-MALONE: Okay. I'll move on.

16 BY MS. FRANCO-MALONE:

17 Q Is there anything in Commitment No. 3 that
18 requires PSE or Puget to report to the UTC on its
19 efforts to maintain sufficient staff?

20 **A I believe Ms. Cheesman actually brought that**
21 **up in the very last commitment, to the extent that the**
22 **company is failing to honor its commitments; in other**
23 **words, this new Commitment 3, it would be bound to**
24 **bring that forth --**

25 Q Okay.

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1 **A -- to the attention of the Commission.**

2 Q But in the absence of Puget Holdings or PSE
3 determining that it had violated Commitment 3, is
4 there anything else that would require PSE or Puget
5 Holdings to report to the Commission on those efforts?

6 **A Well, we certainly provide them through SQIs,**
7 **so those are -- and I think that is the intent of the**
8 **SQIs: One, to set a -- essentially a floor for the**
9 **provision of service, and also to provide that**
10 **transparency based on metrics that the Commission**
11 **believes are relevant to portray that.**

12 Q Great. We will get to more about the SQIs in
13 a moment.

14 As we sit here today, do you have a ballpark
15 estimate of the number of contractor employees PSE
16 relies upon?

17 **A I do not.**

18 Q But PSE does staff its operations with a mix
19 of in-house and contract employees, correct?

20 **A That's my understanding.**

21 Q And in general terms, what are the areas of
22 PSE's utility operations that are staffed by
23 contractor personnel?

24 **A That's generally outside of my sphere of**
25 **knowledge. I would defer to Mr. Molander as being**

JON PILIARIS**260**

1 more knowledgeable in that area.

2 Q Fair enough. Do you know whether there are
3 any areas of PSE's utility operations that are
4 primarily staffed by contractors?

5 **A I am not aware.**

6 Q You would agree, though, would you not, that
7 the percentage of the PSE workforce that is comprised
8 of contractors has increased over the past ten years,
9 would you not?

10 **A I haven't actually evaluated that data.**

11 Q So taking a look again at Commitment No. 3,
12 which you still have in front of you. Is it your
13 understanding that the commitment to maintain staff
14 sufficient for the provision of safe and reliable
15 service and cost effective operations -- is it your
16 understanding that that commitment includes staff that
17 are both in-house as well as contractors?

18 **A I believe the definition of staffing within
19 this term encompasses all forms of staffing, both
20 in-house and outside.**

21 Q So it's your understanding that Commitment
22 No. 3 commitments Puget Holdings and PSE to maintain
23 staffing in a manner that ensures the provision of
24 safe and reliable service?

25 **A That's correct.**

JON PILIARIS**261**

1 Q I believe in front of you, you should have a
2 stack of documents labeled JP-9X through JP-11X. Do
3 you have those?

4 **A I do.**

5 Q And I would like to direct your attention to
6 JP-10X.

7 **A I have it.**

8 Q Great.

9 This is a data request to WNIDCL's Data
10 Request No. 28, a response to that request, is it not?

11 **A It is.**

12 Q And it describes nine SQIs that PSE is
13 responsible for reporting to the UTC, right?

14 **A In summary form, yes.**

15 Q Okay.

16 And annual executive incentive compensation is
17 tied to whether those SQIs are achieved or not,
18 correct?

19 **A Essentially, all employees of the company,
20 their compensation is tied to these metrics.**

21 Q Not just executives?

22 **A Correct.**

23 Q And in addition to those nine SQIs, this data
24 request response also identifies employee safety
25 measures, doesn't it?

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1 **A It does.**

2 Q Specifically, it identifies three particular
3 targets. Do you see those?

4 **A At the bottom of the page. I do, yes.**

5 Q And those are that all employees attend a
6 monthly safety meeting in a box presentation with a
7 target completion of no less than 95 percent?

8 **A That's correct.**

9 Q And that the company days away from work rate
10 not exceed .52 in 2017?

11 **A That's correct.**

12 Q And the third one is that all employees
13 maintain an online defensive driving training with a
14 completion of 95 percent or greater?

15 **A That's correct.**

16 Q And you would agree, wouldn't you, that
17 Commitment 3 requires PSE to maintain those targets,
18 wouldn't you?

19 **A Not necessarily. I mean, these are -- these**
20 **are the targets as they -- as they are -- the company**
21 **deems relevant at this point. That's not to say that**
22 **they couldn't change or be -- evolve over time as new**
23 **metrics perhaps become maybe more relevant or more --**
24 **maybe more urgent.**

25 Q Okay.

JON PILIARIS

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1 Now, these three safety metrics that we just
2 identified, do those factor into employee incentive
3 pay as well?

4 **A Yes, they do.**

5 Q What about when it comes to contractor
6 performance, is incentive funding affected by whether
7 or not these three targets are met?

8 MS. CARSON: Objection. This line of
9 questioning has nothing to do with harms from the
10 proposed transaction. 2017 goals and incentive
11 program is what this data request exhibit is.

12 JUDGE O'CONNELL: Can you please turn on
13 your microphone, Ms. Carson?

14 MS. CARSON: I think it's on.

15 JUDGE O'CONNELL: Okay.

16 MS. CARSON: So I object because there
17 is no relationship to harms from the proposed
18 transaction.

19 JUDGE O'CONNELL: Ms. Franco-Malone?

20 MS. FRANCO-MALONE: Sure.

21 We have heard Mr. Piliaris's testimony that
22 Commitment No. 3 does extend to the safety and
23 reliability and staffing with respect to contractors.
24 I think that it's relevant to these proceedings to
25 explore what Mr. Piliaris believes that means and what

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1 it requires PSE to do with respect to its contractors.

2 Knowing whether or not these different safety
3 metrics apply to contractors or not is relevant in
4 that it helps us know what commitments PSE intends to
5 abide by going forward with respect to its contracted
6 workforce.

7 JUDGE O'CONNELL: For that purpose, I am
8 going to allow the question, to the extent that
9 Mr. Piliaris has knowledge and opinion.

10 Please repeat your question.

11 MS. FRANCO-MALONE: I'll try.

12 BY MS. FRANCO-MALONE:

13 Q Mr. Piliaris, with respect to those three
14 safety metrics that we just identified, does whether
15 or not a contractor's workforce -- whether or not a
16 contractor's workforce has met those three metrics,
17 does that impact employee incentive pay?

18 **A I am not aware. I don't believe so, but I'm**
19 **not aware.**

20 **I guess -- I'll just leave it at that.**

21 Q So as far as you know, if a contractor that
22 PSE uses had a rate of days away from work that was
23 higher than .52, that wouldn't necessarily ding PSE
24 employees' incentive pay?

25 **A I'm not specifically aware.**

JON PILIARIS**265**

1 Q If the Commission were concerned about work
2 being done by PSE contractors and whether that was
3 being done safely, one data point that the Commission
4 might refer is to that contractor's injury rate,
5 right?

6 **A I -- that's outside of my understanding.**

7 Q Under Commitment No. 3, and with the exception
8 of Commitment No. 64 that you mentioned involving
9 self-reporting of violating the commitments -- under
10 Commitment 3, is PSE obligated to file with the UTC
11 injury rates for PSE contractors?

12 **A I'm not aware.**

13 Q What about contractor turnover rates, is that
14 something that would have any bearing on safety?

15 **A I can't speak to that.**

16 **Many of these questions probably would be**
17 **better fielded by Mr. Molander.**

18 Q Perfectly fair.

19 Let me ask you, however, a similar question to
20 one I asked a moment ago. Under Commitment No. --
21 under the settlement commitments and in the absence of
22 the Commitment No. 64 exception, is there any
23 obligation for PSE to provide the Commission with
24 information about contractor turnover rates?

25 **A I'm not aware.**

JON PILIARIS**266**

1 Q In order to provide safe and reliable service,
2 PSE's in-house and its contractor employees must be
3 properly trained and have the requisite experience to
4 perform assigned work, correct?

5 **A I can't necessarily speak to that. It would**
6 **seem reasonable, but it's outside of my area of**
7 **expertise.**

8 Q Now, when Commitment No. 3 refers to
9 maintaining staffing to provide safe and reliable
10 service, it is referring to the provision of service
11 by workers who are properly trained and have the
12 requisite experience, correct?

13 **A Again, my testimony did not speak to that.**

14 Q How does PSE ensure that its in-house
15 workforce is properly trained for utility work?

16 **A I am not a training expert for the company, so**
17 **I -- I do not have that knowledge. I know that there**
18 **is various trainings throughout that I personally**
19 **participate in, but I don't have expansive knowledge**
20 **of the training programs that would be provided**
21 **throughout the company.**

22 **JUDGE O'CONNELL: Ms. Franco-Malone,**
23 **before you go on, a lot of the questions I am hearing**
24 **most recently, I have failed to hear how they relate**
25 **to the proposed transaction. If you would please keep**

JON PILIARIS**267**

1 your questions tethered to any harm that could result
2 to customers from the proposed transaction.

3 MS. FRANCO-MALONE: I will. Thank you.

4 BY MS. FRANCO-MALONE:

5 Q Mr. Piliaris, Commitment No. 3, it refers to
6 maintaining presence; is that right?

7 **A Presence in the communities in which we**
8 **operate, that's correct.**

9 Q What does that mean?

10 **A That we will have local employees to serve our**
11 **communities.**

12 Q Now, we have talked a little bit about
13 Commitment No. 64. Under what circumstances would PSE
14 or Puget Holdings believe itself required to report to
15 the Commission that it had failed in whole or in part
16 to comply with Commitment No. 3?

17 MS. CARSON: Objection. Calls for
18 speculation. I think it's outside the knowledge of
19 this witness as well.

20 JUDGE O'CONNELL: Ms. Franco-Malone, can
21 you rephrase your question?

22 MS. FRANCO-MALONE: Let me come at it a
23 different way.

24 BY MS. FRANCO-MALONE:

25 Q Assume that PSE hired a contractor to do work

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1 on its system and that contractor failed to perform
2 work in a safe and reliable way.

3 Do you have that example in mind?

4 **A Generally.**

5 Q In that situation, would PSE consider itself
6 bound under the settlement to report that failure to
7 comply with Commitment No. 3?

8 MS. CARSON: Objection.

9 JUDGE O'CONNELL: Ms. Franco-Malone, I
10 am a little confused by your question myself. The
11 questioning about New Commitment No. 3 I believe has
12 already been stated by the witness multiple times that
13 it's about -- and many of the witnesses -- maintaining
14 staffing and presence, as well as sufficient to
15 maintain a provision of safe and reliable service. I
16 am not seeing the connection between any one
17 particular incident and how that is connected to this
18 overall idea of maintaining a provision of safe and
19 reliable service.

20 MS. FRANCO-MALONE: Sure. Let me try to
21 respond.

22 It sounds as though we are in agreement that
23 Commitment No. 3 applies not only to in-house staff,
24 but also to contractors. The Laborers have concerns
25 that as a result of the proposed transaction, PSE's

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1 contracting practices will deteriorate. The questions
2 that I am asking are trying to get at how will the
3 Commission know if that has happened and does PSE have
4 an obligation to provide information that would allow
5 the Commission to know whether the safety and
6 reliability of PSE's contracted workforce has in fact
7 deteriorated.

8 JUDGE O'CONNELL: So is your question
9 regarding what the company reports to the Commission
10 now and is there something being lost from the
11 proposed commitments? Is that correct?

12 MS. FRANCO-MALONE: Close. My question
13 is: As a result of the proposed transaction, if there
14 is a deterioration, will that information -- how will
15 that information be transmitted to the Commission?

16 JUDGE O'CONNELL: That question I do
17 think Mr. Piliaris can answer.

18 **A I would -- I would respectfully suggest that**
19 **that probably would be better answered by**
20 **Mr. Molander.**

21 BY MS. FRANCO-MALONE:

22 Q Are there any metrics that PSE intends to
23 apply to help answer that question of whether PSE's
24 standards have deteriorated with respect to its
25 contracted workforce?

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1 **A I can't answer that.**

2 MS. FRANCO-MALONE: I have nothing
3 further for you. Thank you.

4 JUDGE O'CONNELL: Ms. Carson, do you
5 have any redirect for Mr. Piliaris?

6 MS. CARSON: No, I do not. Thanks.

7 JUDGE O'CONNELL: Ms. Franco-Malone, do
8 you intend to ask Mr. Molander any of the questions
9 that Mr. Piliaris --

10 MS. FRANCO-MALONE: I'm going to try to
11 come back around and hit some that we skipped.

12 JUDGE O'CONNELL: Please go ahead.

13 MS. FRANCO-MALONE: Thank you.

14

15 **C R O S S - E X A M I N A T I O N**

16 BY MS. FRANCO-MALONE:

17 Q Mr. Molander, it's true that PSE staffs its
18 operations with a mix of in-house and contracted
19 employees, right?

20 **A That's correct. It spans broader than that.**

21 **It includes our IT organization and others.**

22 Q Do you have a ballpark sitting here today of
23 how many contractor employees work on the PSE system?

24 **A You know, I haven't quantified it or**
25 **researched it recently, but in the history it's been**

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1 about a one-to-one ratio. That's subject to
2 verification. It changes depending on the level of
3 work.

4 Q Fair enough.

5 That percentage of PSE's work that is composed
6 of the contracted workforce, that has increased over
7 the past ten years, hasn't it?

8 **A Well, if you recall -- yes. If you recall**
9 **back to 1999, when we started the evaluation of**
10 **outsourcing the electric and gas distribution work, at**
11 **the time we were already outsourcing about half of the**
12 **work. As we have transitioned to the service provider**
13 **model and we have our electric and gas maintenance and**
14 **construction activities performed by Potelco on the**
15 **electric side and InfraSource on the gas side today,**
16 **the work ebbs and flows, as well as with other**
17 **contractors, based on the amount of work in the**
18 **portfolio. It goes up; it goes down. It depends.**

19 Q So would you agree with the characterization
20 that, as of today, PSE uses more contractors than it
21 did ten years ago?

22 **A I would agree, yes.**

23 Q And you would agree, would you not, that
24 contractor employees are involved in activities that
25 are integral to the provision of safe and reliable

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1 service?

2 **A Yes, I would. I would also add that our**
3 **contracts with our service providers, as well as their**
4 **contracts with their subcontractors, contain**
5 **provisions to ensure that they -- their employees**
6 **receive the requisite training, and we monitor safety,**
7 **we monitor performance to our standards, our**
8 **construction standards, regulatory compliance, whether**
9 **it be environmental or otherwise.**

10 **So there is -- there is commercial terms**
11 **that -- that ripple down through these contracts that**
12 **ensure that our contractors, primaries, and their**
13 **subcontractors are performing as expected.**

14 **Q Well, that's a good segue to some other**
15 **questions I would like to ask.**

16 You heard questions a moment ago about the
17 service quality indicators and three safety metrics.

18 **A Uh-huh.**

19 **Q You would agree, would you not, that**
20 **contractor performance with respect to those nine SQIs**
21 **and three safety metrics do not have any bearing on**
22 **incentive funding, correct?**

23 **A No, they don't, but they have contractor**
24 **performance. Safety performance has a direct bearing**
25 **on their incentive payment from Puget to the**

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1 contractors. So we hold our contractors to various
2 standards, whether it's quality standards or business
3 standards or otherwise, and those are compensatory.

4 So they are -- they are incentivized, believe
5 you me, to perform to a high degree of standard,
6 whether it's quality, performance, safety. And again,
7 commercially they are obligated to have their
8 subcontractors perform to the same level of standard.

9 Q Are those standards the same standards that
10 are held to PSE's in-house workforce?

11 **A Generally speaking. I mean, the work that we**
12 **perform, we have to perform to our own standards and**
13 **we have our own safety objectives and performance.**

14 **We are a first quartile utility when it comes**
15 **to safety. We haven't always been. In 2011 we**
16 **commenced evaluation of our safety program, and we**
17 **found that we were a third quartile performer. We set**
18 **forth over the next five years to raise our game and**
19 **get to the first quartile. We got there in two years**
20 **and we've been there ever since.**

21 **So we hold our contractors to a very high**
22 **level of standard as well.**

23 Q So PSE has a target that the days away from
24 work rate will be no greater than .52; is that right?

25 **A That was for -- I'm not sure what -- is that**

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1 the 2017 data that you are looking at?

2 Q That is the 2017 data I am referring to.

3 **A Yeah. And that changes each year.**

4 Q Okay.

5 Would PSE -- is there any policy that would
6 prohibit PSE from using a contractor that had a DART
7 rating that was higher than that?

8 **A I don't know that there is a policy, that I am**
9 **aware of, that would prohibit that. Generally**
10 **speaking, we expect our contractors to have excellent**
11 **safety records.**

12 **And if I might add, there are subcontractors**
13 **that have been presented in Ms. Hutson's testimony**
14 **and they are actual -- as bad performers based on**
15 **their use of Labor Ready. The use of Labor Ready is a**
16 **very, very small portion, like less than 1 percent of**
17 **service to our customers. What was excluded**
18 **conveniently from her testimony was the actual safety**
19 **rating factor associated with the contractors that**
20 **Potelco subcontracts to, and they have good**
21 **safety ratings.**

22 Q Well --

23 **A It's a mischaracterization, if you will,**
24 **misrepresentation of the actual performance --**

25 **JUDGE O'CONNELL: Let --**

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1 **A -- of our subcontractors.**

2 **JUDGE O'CONNELL: Let me stop you both**
3 **right here. As I recall, that topic is part of what**
4 **has been stricken from the record. To the effect that**
5 **you are rebutting an argument made by Ms. Hutson in**
6 **testimony that has been stricken, I am going to**
7 **disregard that testimony against that argument.**

8 MR. MOLANDER: Thank you, Your Honor.

9 JUDGE O'CONNELL: Ms. Franco-Malone.

10 MS. FRANCO-MALONE: Thank you, Your
11 Honor.

12 BY MS. FRANCO-MALONE:

13 Q Does PSE have any targets regarding EMF
14 factors for its own in-house workforce?

15 **A We do not use the EMF rate for in-house. It's**
16 **the days away, restricted and transfer metric that we**
17 **use for ourselves.**

18 Q Let's talk about contractor turnover rates.
19 Would you agree that the rate of turnover that a given
20 contractor experiences has a bearing on safety?

21 **A It may; it may not, depending on the work**
22 **being performed.**

23 Q Under Commitment No. 3, is PSE obligated to
24 provide any data to the Commission regarding
25 contractor turnover rates?

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1 **A Not to my knowledge, no.**

2 Q And we were talking about EMF scores a moment
3 ago. It sounds like PSE does not use that as a metric
4 internally for its own in-house workforce?

5 **A No, we do not.**

6 Q Does PSE have any policy that it will not hire
7 contractors whose EMF is higher than industry norm?

8 **A No, we don't, but we evaluate contractor
9 safety performance, among other things, by way of
10 prequalification checklists in the context of our
11 contracting activities.**

12 Q So PSE's contracting policy would not prevent
13 PSE from retaining a contractor that had an EMF that
14 was significantly higher than industry norm?

15 **A EMF is one factor, but it is not the only
16 factor. We look at the comprehensive safety record
17 for a company. We would not expect to hire a
18 contractor who would score poorly with respect to the
19 EMF, but that would be -- that would show up in
20 other -- other aspects of their safety performance.**

21 Q I'm going to try a question with you that I
22 tried with Mr. Piliaris, and that is: Under what
23 circumstances would PSE consider itself as being
24 obligated to inform the Commission that it had failed
25 to comply with its Commitment No. 3 to maintain

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1 staffing and presence in a way to ensure safe and
2 reliable service?

3 **A I think that would be self-evident in the**
4 **context of the SQIs. The performance of our**
5 **employees, performance of our contractors ultimately**
6 **manifest itself in the delivery of safe, reliable**
7 **service to our customers, and that's where it would**
8 **show up.**

9 MS. FRANCO-MALONE: I have nothing
10 further. Thank you.

11 JUDGE O'CONNELL: Ms. Carson?

12 MS. CARSON: No redirect. Thanks.

13 JUDGE O'CONNELL: Ms. Franco-Malone,
14 which witness would you like to take next?

15 MS. FRANCO-MALONE: Let's start with
16 Mr. Webb and go down the line that way.

17 MR. WEBB: I may need a mic.
18 Thank you.

19
20 C R O S S - E X A M I N A T I O N

21 BY MS. FRANCO-MALONE:

22 Q Good afternoon, Mr. Webb.

23 Does BCI have any guidelines or policies that
24 would be applicable to PSE's utilization of contractor
25 personnel?

LINCOLN WEBB

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1 **A We have a responsible investor or investment**
2 **policy, but I don't think it would directly impact**
3 **contractors at a company.**

4 Q So fair to say that BCI does not have any
5 policies in place regarding contractor procurement for
6 the utilities that it invests in?

7 **A That's correct. We have water guidelines**
8 **around the environmental, social, and governance**
9 **aspects of the businesses we own.**

10 Q Does BCI intend, as a member of the Puget
11 Holdings consortium, to influence the manner in which
12 PSE selects contractors?

13 **A Not directly, but we expect our companies to**
14 **be good corporate citizens, have good labor relations,**
15 **and generally be long-term stewards of the assets they**
16 **own.**

17 MS. FRANCO-MALONE: Thank you. I have
18 nothing further.

19 JUDGE O'CONNELL: Is there any redirect?

20 MR. MACCORMACK: No redirect.

21 JUDGE O'CONNELL: I believe next on the
22 list is --

23 I apologize.

24 MR. ZUCCHET: Zucchet.

25 JUDGE O'CONNELL: -- Mr. Zucchet.

STEVEN ZUCCHET

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1 CROSS - EXAMINATION

2 BY MS. FRANCO-MALONE:

3 Q Mr. Zucchet, does OMERS have any guidelines or
4 policies that would be applicable to PSE's utilization
5 of contractor personnel?

6 **A We have guidelines for investment, so an**
7 **investment guideline. As we carry out due diligence**
8 **for the businesses that we are looking to make an**
9 **investment in, we would review the policies that are**
10 **currently in place and satisfy ourselves that they are**
11 **consistent with good practice and the code of conduct**
12 **that we have as an organization.**

13 Q Have you reviewed the responsible contractor
14 policy that Macquarie had in place that's been
15 introduced as evidence in this proceeding?

16 **A Yes, I have.**

17 Q Fair to say that OMERS does not have a
18 responsible contractor policy akin to that?

19 **A We do not have an equivalent document like**
20 **that. Yes, that's correct.**

21 Q And I would like to turn your attention
22 to what -- you hopefully have it in front of you -- is
23 marked SZ-4X.

24 **A Yes.**

25 Q Okay.

STEVEN ZUCCHET

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1 So OMERS invests in utilities other than PSE,
2 right?

3 **A That's correct.**

4 Q And one of those utilities is Oncor Electric
5 Delivery in Texas?

6 **A That's correct.**

7 Q And Oncor utilizes contractors to perform some
8 of its core utility work, just like PSE, right?

9 **A That's correct.**

10 Q And turning your attention to SZ-4X, which is
11 an article from February 11th, 2017, entitled One
12 Electrical Killed, One Hurt During East Texas repairs.
13 Are you familiar with the incident that this article
14 describes?

15 **A I wasn't familiar with this particular
16 incident until I read this article.**

17 Q Following this incident, has OMERS taken any
18 action to institute policies to ensure that the
19 utilities that it invests in are using contractors
20 with sufficient training?

21 **A I would answer your question this way: The
22 policies that Oncor has currently in place we have
23 reviewed and are satisfied that they -- that they meet
24 the intent of what good practice would look like. And
25 so no, we have not asked them to change any of those**

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1 policies as a result of this accident.

2 MS. FRANCO-MALONE: I have no further
3 questions. Thank you.

4 JUDGE O'CONNELL: Ms. Rackner?

5 MS. RACKNER: No redirect.

6 JUDGE O'CONNELL: Then Mr. Mubashir.

7

8 CROSS - EXAMINATION

9 BY MS. FRANCO-MALONE:

10 Q Mr. Mubashir, does AIMCo have any guidelines
11 or policies that would be applicable to PSE's
12 utilization of contractor personnel?

13 **A We have a responsible investing policy which**
14 **requires us to incorporate ESG issues when making**
15 **investments, but not a contract policy that you are**
16 **talking about.**

17 Q And have you reviewed the Macquarie
18 responsible contractor policy that has been introduced
19 as evidence in this case?

20 **A I have not reviewed that.**

21 Q Okay.

22 So AIMCo has a responsible investor policy,
23 but not a policy that specifically addresses the
24 contracting practices for investments that it invests
25 in -- utilities that it invests in; is that right?

AHMED MUBASHIR

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1 **A That is correct, to answer your question**
2 **exactly like that. You know, I would mention,**
3 **however, that AIMCo is a signatory to the United**
4 **Nations principles for Responsible Investment. You**
5 **know, under environmental, social, and governance,**
6 **there are a lot of aspects that are covered under**
7 **those -- those principles. You know, the social**
8 **aspect, you know, there are things like upholding**
9 **basic human rights, upholding the right of**
10 **association, and collective bargaining, having best**
11 **practices in occupational health and safety, have a**
12 **robust supply management system and practices in -- in**
13 **the companies that we are looking to invest in.**

14 **Q Okay.**

15 So with that in mind, does AIMCo intend to
16 influence the manner in which PSE selects its
17 contractors?

18 **A I would say -- as I said, you know, when we**
19 **are making investments, we have all these ESG factors**
20 **in mind. From our perspective, you know, making -- we**
21 **have been invested in Puget for almost ten years and**
22 **we are increasing our investment in Puget. One of the**
23 **reasons for that is -- one of the reasons, I would**
24 **say, is that, you know, we do believe that Puget is --**
25 **has done -- especially with respect to the responsible**

MARTIJN VERWOEST**283**

1 contractor policy, for example, we have reviewed that
2 policy that Puget has and we are satisfied with that.

3 Q So you have no intention to help ensure that
4 Puget has anything more rigorous than what is
5 currently in place with respect to its contracting
6 policies?

7 **A I would say that, you know, we have a**
8 **commitment to promote and have acceptance of the**
9 **United Nations Principles for Responsible Investment**
10 **in the investment industry. I will leave you with**
11 **that.**

12 MS. FRANCO-MALONE: Nothing further.
13 Thank you.

14 JUDGE O'CONNELL: Is there any redirect?

15 MR. BERMAN: No redirect, Your Honor.

16 JUDGE O'CONNELL: Mr. Verwoest is on the
17 line, Ms. Franco-Malone, if you would like to address
18 your questions, if you have any.

19 MS. FRANCO-MALONE: Thank you.

20
21 **C R O S S - E X A M I N A T I O N**

22 **BY MS. FRANCO-MALONE:**

23 Q Mr. Verwoest, does PGGM have any guidelines or
24 policies that would be applicable to PSE's utilization
25 of contractor personnel?

MARTIJN VERWOEST

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1 **A No. Similar to some of the other investors,**
2 **we have a responsible investment policy that deals**
3 **with a lot of ESG-related factors, including around**
4 **labor conditions, safety, but we do not have an**
5 **explicit contracting policy.**

6 Q And does PGGM intend to influence the manner
7 in which PSE selects contractors?

8 **A I think that's too early to tell. I mean,**
9 **based on our due diligence, so far we have not**
10 **identified any red flags, so we currently believe that**
11 **PSE's policies are adequate. However, after this**
12 **[inaudible] closes, it will go, you know, through an**
13 **onboarding period where we actually get to understand**
14 **the company even better, and in that process, we also**
15 **review the contracting policy.**

16 MS. FRANCO-MALONE: Thank you. I have
17 nothing further.

18 JUDGE O'CONNELL: Is there any redirect?

19 MR. GANNETT: No redirect, Your Honor.

20 JUDGE O'CONNELL: That I think concludes
21 the cross-examination for these witnesses. Am I
22 correct?

23 Okay.

24 I would like to turn over the panel for
25 questions from the bench.

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1 CHAIRMAN DANNER: We have no questions.

2 JUDGE O'CONNELL: Okay.

3 Thank you all for the testimony that you have
4 offered in this case, and for being here today, and on
5 the telephone, making yourselves available.

6 These witnesses are excused.

7 MS. CARSON: Your Honor, I wanted to let
8 you know that we do not have any cross-examination for
9 the opposing parties.

10 JUDGE O'CONNELL: Thank you, Ms. Carson.
11 That was going to be one of my next questions. You
12 anticipated where I was going to be going.

13 Let's take one moment. Let me confer with the
14 Commissioners briefly.

15 (Pause in the proceedings.)

16 MS. GAFKEN: Do you want us to come
17 forward?

18 JUDGE O'CONNELL: Yes, please. The next
19 thing that we are going to take are closing arguments.

20 I will note that, in conferencing with the
21 Commissioners, we have no bench questions for the
22 witnesses who were not already included on the
23 cross-examination list, so those witnesses are
24 excused. And the witnesses that the joint applicants
25 originally had cross-examination for, my

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1 understanding, according to Ms. Carson, is that that
2 cross-examination is being waived. We do not have any
3 bench questions for those witnesses either, so those
4 witnesses are excused at this point.

5 So that brings us to the part of the
6 proceeding where we have provided opportunity for each
7 of the parties to provide closing argument. We have
8 allowed five minutes for each of the settling parties,
9 and then from the opposing parties, we will hear from
10 them, and they have ten minutes each.

11 Is there any preference among the settling
12 parties as to who would like to go first?

13 We will start with the settling part and then
14 have the opposing parties.

15 Let's start with joint applicants.

16 MS. CARSON: Thank you.

17 JUDGE O'CONNELL: And can you please
18 ensure your microphone is turned on.

19 MS. CARSON: Yes.

20 We want to thank you for the opportunity to
21 appear here and answer your questions. The Commission
22 is authorized to approve the proposed transactions
23 pursuant to RCW 80.12.020 and WAC 480-143-170.

24 The Commission previously correctly determined
25 that the public interest no harm standard applies

1 because the proposed transactions involve a minority,
2 noncontrolling, indirect interest in PSE. That's from
3 Order 03.

4 The public interest standard does not require
5 a showing of net benefits to the public in order to
6 approve a transaction. In the 2008 Puget Holdings
7 acquisition order, the Commission said to be
8 consistent with the public interest, a transaction
9 need not confer net benefits on customers or the
10 public by making them better off than they would be
11 absent the transaction. It is sufficient if the
12 transaction causes no harm. The 65 commitments
13 included in the multiparty settlement ensure that
14 customers will not be harmed by the proposed
15 transactions.

16 All the parties representing PSE's customers
17 support or do not oppose settlement. The settlement
18 continues the significant protections from the
19 existing commitments, except in cases where the
20 commitments have expired. It adds a dozen new
21 commitments; it updates several of the earlier
22 commitments.

23 In contrast, the commitments proposed by
24 WNIDCL are outside the Commission's jurisdiction.
25 They do not address harms caused by the change in

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1 ownership. WNIDCL has produced no evidence that the
2 new owners or the increased interest of the two
3 existing owners would harm the customers. In fact,
4 the opposite is true. The commitments WNIDCL has
5 proposed would harm customers by increasing costs and
6 limiting PSE's flexibility on staffing.

7 WNIDCL Commitment No. 1 would require
8 contract -- I guess that -- I think that was stricken;
9 is that correct?

10 JUDGE O'CONNELL: That's correct.

11 MS. CARSON: So the commitment that was
12 left was? Were any of them? Were they all --

13 JUDGE O'CONNELL: It was No. 2.

14 MS. CARSON: No. 2. Okay.

15 WNIDCL's Commitment No. 2 would limit the
16 staffing PSE may use. It would basically prohibit
17 staffing agencies. This is outside the scope of the
18 Commission's jurisdiction, it would increase costs to
19 customers, and it is not tied to the proposed
20 transactions.

21 The crux of WNIDCL's argument is that the
22 departure of Macquarie would weaken PSE's responsible
23 contractor guidelines, but WNIDCL's own evidence
24 demonstrates that this isn't true. PSE has had its
25 own responsible contractor guidelines that have

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1 governed since April 2008, before Macquarie acquired
2 an interest in PSE. That's Exhibit EH-12 and 13.
3 That's PSE's responsible contractor policy.

4 Macquarie's responsible contractor policy
5 never governed PSE. Macquarie's policy is mandated
6 only for those assets in which Macquarie exercises a
7 controlling interest. That's Exhibit EH-14, Page 3.

8 I think it is also important to recognize what
9 a, quote, responsible contractor is in the Macquarie
10 policy. If you look at Exhibit EH-14, Page 2, it's a
11 contractor that provides, quote, employer-paid family
12 healthcare coverage, pension benefits, and training or
13 apprenticeship programs, closed quote.

14 Now, it may be aspirational to provide these
15 benefits to all workers, but it is outside the
16 Commission's jurisdiction to mandate that such
17 benefits be provided for all subcontractors of PSE,
18 and it would increase costs to customers if all
19 contractors are required to provide such benefits. It
20 would be inconsistent with the no harm standard.

21 With respect to IBEW, there does not appear to
22 be a specific requested commitment -- I must change
23 that because late today -- this morning we did get a
24 list of commitments, but I believe they have been
25 stricken; is that --

1 JUDGE O'CONNELL: No. As I ruled
2 earlier, it's an illustrative exhibit. In particular,
3 as I recall the first paragraph in the exhibit, that
4 shows the -- it puts into the definitions of the
5 settlement agreement the -- some of -- the deficiency
6 that was noted by Mr. Arnold in his testimony, and
7 that was not stricken.

8 As to the parts of this, now Exhibit DTA-26,
9 that are related to parts that have been stricken from
10 Mr. Arnold's testimony, in particular those about
11 labor issues and employment issues, we will not be
12 considering it for those purposes.

13 MS. CARSON: Okay. Thank you.

14 The union parties do not have a substantial
15 interest in the case. The Commission determined that
16 when they petitioned to intervene.

17 All other parties with a substantial interest
18 support or do not oppose the settlement. As the
19 Commission noted in WUTC versus Advanced Telecom
20 Group, a non-unanimous settlement where the opposing
21 parties have no substantial interest in the outcome
22 should be viewed more like a full settlement of all
23 issues.

24 In summary, the settlement stipulation
25 provides broad protections to customers, the proposed

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1 transactions are in the public interest and will not
2 harm customers. Joint applicants respectfully request
3 the Commission approve the settlement stipulation and
4 the proposed transaction.

5 JUDGE O'CONNELL: Thank you.

6 Ms. Cameron-Rulkowski?

7 MS. CAMERON-RULKOWSKI: Thank you, Your
8 Honor.

9 Staff supports the settlement as an update to
10 and improvement on the commitments adopted in the
11 Macquarie acquisition.

12 Could there be additional commitments? Of
13 course, but that does not mean that additional
14 commitments are necessary, and in this case Staff
15 firmly believes that this body of commitments that the
16 parties have agreed to protect the public interest
17 from harm, and no harm is the standard the Commission
18 is using to consider this transaction.

19 The bulk of the commitments in this settlement
20 have been in place since 2008. There have not been
21 compliance problems or other problems with these
22 commitments. Staff performed a rigorous review of the
23 transaction early on. I point you to Ms. Cheesman's
24 open meeting memo with attachments of November 5,
25 revised November 7, and the comments of Commission

1 Staff filed October 25, 2018.

2 Throughout the remainder of this proceeding,
3 Staff has continued to review all discovery and has
4 been an active participant. Staff continues to
5 believe that the proposed purchasers are well
6 qualified and that with the commitments in the
7 multiparty settlement, the proposed sales are in the
8 public interest and should be approved.

9 Thank you.

10 JUDGE O'CONNELL: Ms. Gafken?

11 MS. GAFKEN: Good afternoon.

12 I do have a series of citations that I will
13 pass out, perhaps at the end of the proceeding, per
14 Judge O'Connell's prehearing email to the parties. I
15 won't provide the whole citations as I go through
16 this.

17 The Commission is reviewing the sale of
18 Macquarie's interest in Puget Holdings under a no harm
19 standard. No harm requires that ratepayers at worst
20 be indifferent to the proposed transaction. That
21 comes from the Avista Hydro One order. No harm does
22 not require that customers or the public be better off
23 than they would be absent the transaction. It is
24 sufficient that the transaction causes no harm.

25 The determination of no harm is made on a

1 case-by-case basis, and the Commission has identified
2 factors that it considers in finding no harm. That
3 comes from the original case, in the Macquarie case.

4 The threshold criteria in determining no harm
5 is whether the acquiring entity possesses the
6 financial and managerial fitness to run the utilities
7 operation safely and reliably. That comes from the
8 from the MDU Cascade case.

9 Again, the citations will be provided in full.

10 Public Counsel's primary focus in this matter
11 was transactional risk; in other words, what risks did
12 this particular transaction pose and were those risks
13 mitigated through commitments.

14 The settlement meets Public Counsel's interest
15 and the public interest by addressing the financial
16 risks and implementing certain protections for
17 customers. Public Counsel presents its support of the
18 settlement through the testimonies and exhibits of
19 Ms. Sarah Laycock and Mr. J. Randall Woolridge.

20 With Mr. Woolridge's expertise, we evaluated
21 several transactional risks usually associated with
22 the transactions like the one -- I'm sorry, we
23 evaluated several transactional risks usually
24 associated with transactions like the one before you.

25 Those risks include: One, ownership and corporate

1 governance risk; two, financial risk; three, portfolio
2 risk; and four, capital investment risk. While we
3 found no significant portfolio risk, several
4 commitments address the other categories of risk, as
5 detailed in Mr. Woolridge's testimony.

6 Additionally, Public Counsel was keenly
7 interested in commitments that address low-income
8 customers, service quality, environmental and energy
9 efficiency issues, notice of noncompliance with the
10 commitments, and holding company debt. Some of these
11 commitments carry forward from prior case commitments;
12 however, some of the commitments in the settlement
13 agreement have been augmented or added in order to
14 meet the no harm standard. These commitments taken
15 together were important in our conclusion that the
16 transaction meets the no harm standard.

17 With respect to the additional commitments
18 that the labor union parties are proposing, Public
19 Counsel does support the settlement, as it adequately
20 addresses the issues that we were focused on, as
21 detailed in Ms. Laycock and Mr. Woolridge's
22 testimonies.

23 The unions raise other issues and bring a
24 different perspective to the table, and we recognize
25 that it is within the Commission's discretion to

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1 consider their evidence, but we are satisfied with the
2 settlement from our perspective.

3 With respect to the proposal by the union
4 groups -- or the union parties that a separate
5 proceeding to address certain issues may be
6 appropriate, Public Counsel has no objections to
7 having a separate proceeding on those issues. The
8 issues they raise may very well be appropriate for an
9 industrywide discussion, and, quite frankly, they
10 offer perspective that the usual parties that appear
11 in many cases across many different dockets before you
12 simply don't bring.

13 So the point there being, the Commission
14 hasn't really had a significant opportunity to
15 consider their perspective and perhaps a separate
16 proceeding may be appropriate. If the Commission does
17 open such a proceeding, Public Counsel would certainly
18 participate.

19 I will also note that there is an open docket
20 looking at reliability reporting, that may be an
21 opportunity there, in Docket U-190027.

22 But to conclude, Public Counsel does recommend
23 that the Commission adopt the settlement.

24 Thank you.

25 JUDGE O'CONNELL: Thank you, Ms. Gafken.

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1 Mr. Pepple?

2 MR. PEPPLER: Good afternoon. Tyler
3 Pepple here for the Alliance of Western Energy
4 Consumers.

5 AWEC requested that the Commission open this
6 investigation to allow interested stakeholders to
7 scrutinize and evaluate the proposed transaction. I
8 first want to take the opportunity to thank the
9 Commission for agreeing to open the requested
10 investigation. It has provided transparency into this
11 significant transaction and allowed parties to raise
12 and resolve concerns that they had with it.

13 As Dr. Hellman's testimony demonstrates, AWEC
14 undertook a thorough evaluation of the transaction and
15 the purchasers, identified concerns with this
16 evaluation, and negotiated additional commitments in
17 the stipulation that addressed those concerns.

18 The increased scrutiny AWEC subjected to this
19 transaction, the more robust record of the
20 consequence, and AWEC's support for the multiparty
21 stipulation argues in favor of approving the proposed
22 transaction subject to the commitments required in the
23 stipulation under the no harm standard.

24 Thank you very much.

25 JUDGE O'CONNELL: Thank you.

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1 And, Mr. ffitch?

2 MR. FFITCH: Good afternoon. Thank you,
3 Your Honor. Good afternoon, Commissioners. Simon
4 ffitch on behalf of The Energy Project. And The
5 Energy Project director, Shawn Collins, is in the
6 hearing room also this afternoon.

7 The Energy Project is a signatory to the
8 multiparty settlement agreement and is here today to
9 support the recommendation for approval of the
10 transaction within the framework of the settlement
11 agreement.

12 In The Energy Project's view, as initially
13 proposed, the transaction did not meet the public
14 interest test, and we joined with other parties, as
15 has been discussed, in requesting that an adjudication
16 be established for reviewing the transaction.

17 We agreed with the comments of the other
18 parties that you have already heard, that this was a
19 critical step in providing a framework, in Puget's
20 words, for a robust process for the parties to reach a
21 settlement -- that reached the settlement that is
22 before you today. By conducting detailed discovery
23 and analysis, the parties were able to sufficiently
24 inform themselves about the transaction and its
25 consequences and risks. This created a platform for

1 effective negotiations to occur between informed
2 stakeholders. The Energy Project was an active and
3 full participant in discovery and in all of the
4 negotiations.

5 The joint applicants' response to Bench
6 Request No. 1 I think is a good illustration of the
7 benefits of the process adopted, showing various
8 important updates, modifications, and additions that
9 were made to the ten-year-old set of commitments from
10 the 2008 Macquarie transaction. Those changes
11 occurred through the joint efforts of multiple
12 stakeholders within -- within that adjudicative
13 format.

14 As a result of this process, the Energy
15 Project is comfortable telling the Commission that the
16 proposed transaction is in the public interest, as
17 explained in the testimony of director Shawn Collins.

18 Our particular focus in this case was on the
19 impact of the transaction on low-income customers. As
20 the testimony of Commission Staff witness Melissa
21 Cheesman apply notes, the Commission has identified
22 factors that weigh in favor of the public interest,
23 commitments by applicants on important public service
24 obligations, including customer service, safety,
25 reliability, and energy efficiency, resource adequacy,

1 and support for low-income customers.

2 So in this agreement the joint applicant
3 commitments confirm support for the multiple
4 components of the HELP bill assistance program, they
5 reaffirm and strengthen the low-income weatherization
6 program, help advance equitable participation by
7 low-income customers in renewable energy programs, and
8 provide for continued consultation with agencies and
9 advisory groups on important topics, including
10 initiatives such as the Get To Zero program.

11 Finally, the settlement provides for a needs
12 assessment of low-income population served by Puget to
13 facilitate development of bill assistance and
14 westernization programs.

15 So as a package, this set of commitments
16 addresses and mitigates the Energy Project's concerns
17 with the potential risks and rate pressures which
18 could result from the proposed transaction. And in
19 conclusion, the Energy Project fully supports and
20 recommends approval of the proposed transaction as set
21 forth in the settlement agreement.

22 Thank you.

23 JUDGE O'CONNELL: Now, as to Northwest
24 Energy Coalition. Ms. Gerlitz, had you planned on
25 making an oral statement at this time? You don't have

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1 to, but I did want to inquire and give you the
2 opportunity.

3 MS. GERLITZ: I had not, unless the
4 Commissioners would like to hear anything
5 specifically. Thank you.

6 I stand on my testimony. Thank you.

7 JUDGE O'CONNELL: That will be fine.
8 Thank you.

9 So now let's turn to the parties opposing the
10 settlement. You will each have ten minutes for your
11 closing argument. We will start request Mr. Medlin.

12 MR. MEDLIN: Thank you.

13 From the IBEW's perspective, the status quo is
14 broken. Everyone today, from Mr. Molander to each of
15 the respective purchasers to Staff, has testified that
16 the transaction must be approved because it maintains
17 status quo, including relating to employees. Nothing
18 is changing. That is what they have all testified to,
19 and that is what they put in their testimony and
20 responded to today on cross-examination.

21 That is the problem, because status quo is
22 continuing to reduce employees at a 15 percent rate;
23 status quo is continuing to drive more overtime hours
24 for employees; status quo is accepting a high rate of
25 vehicle accidents which exceed almost 100 every year;

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1 status quo is continuing to use unqualified employees
2 to assess storm damage, putting them and the public in
3 harm; status quo is underutilizing apprenticeship and
4 failing to plan for succession, and the status quo
5 does need to change.

6 Commitment 3 refers to maintaining things as
7 they are regarding staffing, reliability, and safety,
8 and that includes employees. What the IBEW hoped to
9 do today through its evidence, and wanted to present,
10 is that the status quo is built on some really harsh
11 realities. The first is that over the course of eight
12 years, PSE has reduced its employee base by almost
13 15 percent and that thereby affects reliability.

14 PSE and the joint applicants all admitted
15 today that they have to have employees to operate.
16 They are not an automated utility, so that is fewer
17 customer field reps, that's fewer customer service
18 agents taking customers' calls, and fewer wiremen.
19 These are all roles that are meant to serve customers.
20 How can a utility genuinely be reliable when over the
21 course of eight years it has reduced nearly 15 percent
22 of its staff? Status quo is a continued downward
23 trend.

24 Secondly, because PSE has reduced so many
25 people, it forces remaining employees to do more, and

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1 that has pushed through high overtime hours. From
2 2009, shortly after the last transaction, to 2017
3 overtime increased by 21.9 percent. The top 50
4 service linemen, they averaged over 1,000 hours of
5 overtime in a year. To put that in a real numbers
6 perspective, that's 125 days a year, which would
7 include every single Saturday and Sunday in a full
8 year. Overburdening employees leads to mistakes, it
9 harms reliability, and it is a safety issue. Again,
10 status quo means continuing to push unstable overtime
11 hours.

12 Third, vehicle driving incidents remain high.
13 Since 2003, driving incidents have remained steady,
14 around 100 incidents per year. Now, it's not
15 surprising when you are pushing service linemen to do
16 over 1,000 hours of overtime a year, you're going to
17 have two utility truck rollovers in one month, which
18 is a potential harm to the public and to the
19 employees, and harm to the employees should matter,
20 and the Commission should consider that. Again,
21 maintaining the status quo is continuing to let that
22 happen.

23 PSE has increasingly used damage assessors and
24 wire guard team members to patrol for storm damage,
25 individuals who are not high voltage-qualified

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1 electrical workers, people who step out of their
2 vehicles with a hard hat and safety glasses, who
3 could -- potentially cost them their lives, and a
4 significant number of them are exempt employees who
5 work in the office and are being asked to go out into
6 the field in a potentially very dangerous situation.

7 Status quo means that continues.

8 If IBEW has shown anything today, it's that
9 PSE status quo is the harm. You have asked us to
10 identify the harm and we tried to do that through our
11 testimony and exhibits. We would ask that you please
12 consider our commitments that we put forward.

13 And we would also like to acknowledge and
14 appreciate your allowing us to intervene and noting
15 that we do have a unique perspective. I know lots of
16 people sort of look at us as the labor union, but at
17 the end of the day, a labor union is people. It's not
18 an organization in and of itself, it requires people
19 in order to function, and they are the people who work
20 at PSE and carry out its commitments, and they just
21 want to be heard, and they want the status quo to
22 change.

23 Thank you.

24 JUDGE O'CONNELL: Thank you, Mr. Medlin.

25 MS. CARSON: Your Honor, may I clarify

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1 if closing arguments are allowed to cover matters that
2 have been stricken?

3 JUDGE O'CONNELL: I understand your
4 question and concern. I am going to allow the
5 argument for the point that Mr. Medlin was making
6 about the status quo being the harm and his client
7 wanting to see the status quo change.

8 MS. CARSON: Thank you.

9 JUDGE O'CONNELL: Ms. Franco-Malone?

10 MS. FRANCO-MALONE: Thank you.

11 Thank you, first of all, for allowing us to
12 participate in these proceedings. We understand that
13 it is somewhat unusual and uncommon in the UTC to have
14 labor unions participate. We hope that the
15 information that we have supplied has been useful to
16 the Commission in considering the proposed
17 transaction.

18 We have focused on providing information about
19 the standards that PSE utilizes when it contracts out
20 work to third parties. There can be no doubt that
21 safety and reliability of service, even when that work
22 is being performed by a contractor, to be at the
23 utmost concern to the UTC. The Commission itself
24 recognized as much in Docket No. PG-060215, Order
25 No. 3, from April 9, 2008, when it held that it was

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1 emphasizing the responsibility of regulated utilities
2 to ensure adequate safeguards are in place to protect
3 the public, even when relying on contractor employees
4 to achieve portions of their mission.

5 So I would like to talk a little bit about the
6 specific risks that we have identified that could
7 result from this transaction in the absence of
8 additional commitments.

9 I would like to start by discussing the fact
10 that PSE is not the same company today that it was ten
11 years ago. Ten years ago, when this Commission
12 considered the sale of PSE, there were no commitments
13 that expressly applied to PSE's contracted workforce.
14 Now, whether or not such a commitment should have been
15 included, there can be no doubt that one needs to be
16 included this time around.

17 PSE's contracted workforce has grown steadily
18 over the past ten years, as shown in the data request
19 supplied by PSE, as discussed in Ms. Hutson's
20 testimony. The company has even published a white
21 paper emphasizing how central utilization of
22 third-party contractors is to its strategy.

23 Increasingly, contractors are performing core
24 utility functions. There is a real concern that under
25 this new stewardship, and as PSE continues to

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1 outsource more and more of its utility work, safety
2 standards will continue to deteriorate. The fact that
3 contracting out has become such a central part of
4 PES's operations and business model, requires the UTC
5 to impose meaningful commitments to ensure that safety
6 and reliability do not suffer as PSE continues to
7 pursue contracting out as a cost-cutting strategy.

8 I would also like to discuss the impact of
9 Macquarie's departure, which is something that we have
10 focused on as well. The other reason that commitments
11 relating to contracting out are so needed as part of
12 this transaction is because there is a risk that with
13 Macquarie's departure, an already bad situation is
14 about to become worse.

15 Macquarie was PSE's largest single shareholder
16 and it was the only shareholder with a responsible
17 contractor policy in place. PSE does have its own
18 responsible supplier and contractor guidelines, but as
19 our witness has testified to, that policy is
20 unquestionably weaker than Macquarie's policy. It
21 provides less rigorous guidelines when PSE is
22 contracting out. In fact, PSE's so-called responsible
23 contractor guidelines are nothing more than a list of
24 nonbinding factors that the company is free to take
25 into consideration when making contractor selection,

1 but it has total discretion. Those factors are
2 nonbinding.

3 Losing Macquarie as an investor in the Puget
4 Holdings consortium means that there will no longer be
5 a voice at the table pushing for PSE to use
6 responsible contracting practices. I would like to
7 note that it is not true that Macquarie was not
8 involved in PSE's development of its own responsible
9 contractor policy. In fact, if you take a look at
10 Exhibit No. 12 to Ms. Hutson's testimony, you will see
11 that Puget -- that PSE itself notes that Macquarie was
12 involved in encouraging PSE to adopt its own
13 contractor policy, weak though it may be.

14 The Macquarie policy provided that even
15 utilities in which it had less than a majority share,
16 like PSE, where it owned 43.99 percent, that policy
17 still provided that it had applicability, it still
18 encouraged -- it required Macquarie to encourage
19 managers over which Macquarie had oversight -- to
20 encourage PSE managers to use responsible contractor
21 considerations when making contracting decisions. So
22 the fact that -- it's simply a misnomer to suggest
23 that because Macquarie had less than a 50 percent
24 ownership interest, that its policy did not influence
25 PSE's policies. It surely did.

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1 There can be no doubt that Macquarie was an
2 advocate for this policy and that this policy was
3 adopted for the specific purpose of trying to
4 influence the utilities that it invested in, like PSE.
5 Again, Macquarie doesn't contract out, it does not
6 hire its own contractors. This policy was not there
7 for its own benefit when hiring contractors, it
8 existed for the specific purpose of providing guidance
9 to PSE managers that it, as a board member, had
10 oversight over.

11 You heard today from each of the owners that
12 will remain in the Puget Holdings consortium, if the
13 transaction is approved, that none of them have a
14 policy comparable to that of Macquarie's, none of them
15 have experience administering a similar policy, none
16 of them intends to actively influence PSE's business
17 operations in the same way that Macquarie sat here and
18 ten years ago told you that it intended to do.

19 So we believe that it is abundantly clear that
20 Macquarie departing the ownership consortium presents
21 a real risk that PSE's contracting practices will
22 deteriorate.

23 So what does this mean for PSE's operations
24 and PSE ratepayers? We think there is really good
25 reason to think that PSE's contracting practices will

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1 deteriorate under the new ownership. I want to talk
2 just briefly about what that means.

3 When it comes to the gas distribution work
4 that the Laborers members are involved in performing,
5 we're talking about extreme dangers. Not having a
6 properly trained workforce, not having a contractor
7 with an adequate safety record can lead to
8 catastrophic incidents.

9 The other sector in which the Laborers are
10 frequently involved in providing services to PSE comes
11 to flagging, which is almost always required when work
12 on PSE's utility is involved. Flagging is extremely
13 dangerous work. Having a workforce with adequate
14 training is crucial to avoiding workplace accidents in
15 that context. When unqualified workers, like those
16 that are often sent out by contractors on the PSE
17 system -- when unqualified workers are used, it is
18 much more likely that accidents will occur, and this
19 is borne out by statistics from Washington's own
20 Department of Labor & Industries.

21 While the risks that the Laborers have
22 identified with this transaction are serious, the good
23 news is that they are -- there are easily
24 identifiable, concrete solutions to ensure that things
25 do not get worse under the new consortium of owners.

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1 Ms. Hutson identified several commitments in her
2 testimony that would ensure that the no harm standard
3 is met. Those are detailed at Page 17 and 18 of her
4 testimony, and each of them seeks to provide
5 assurances that PSE's contracting practices will not
6 deteriorate. I will focus on the second of those two
7 proposed commitments, which would require PSE and
8 Puget Holdings to adopt a new responsible contractor
9 policy with more meaningful and quantifiable metrics
10 than its current policy, which is little more than a
11 fluff piece with aspirational statements.

12 We believe that part of the new responsible
13 contractor policy that PSE should be required to adopt
14 should preclude the use of any contractor that relies
15 upon temporary staffing agencies to supply labor. As
16 is discussed extensively in Ms. Hutson's testimony,
17 contractors that rely upon staffing agencies have
18 incontrovertibly inferior safety records. We believe
19 that a commitment not to use contractors that rely
20 upon temporary agencies for safety-sensitive positions
21 is just plain common sense.

22 I would also like to briefly note that there
23 is no evidence that adopting a responsible contractor
24 policy like the one that we advocate would increase
25 costs. We actually believe the opposite is true.

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1 When you are relying upon contractors that have good
2 practices in place, you will have less employee
3 turnover, which overall leads to more efficient
4 operations, fewer accidents, fewer incidents -- fewer
5 incidences, lower insurance rates being paid. You pay
6 a higher cost when you are an unsafe contractor for
7 Workers' Comp coverage. So we certainly do not agree
8 that adopting a policy like the one that we advocate
9 for would mean that costs to PSE ratepayers would go
10 up. We do not believe that's the case.

11 We believe that each of the additional
12 commitments that are discussed in Ms. Hutson's
13 testimony relate directly to risks that are not
14 otherwise addressed as part of the settlement and that
15 they would go a long way to ensuring that ratepayers
16 are not harmed as a result of this transaction.

17 However, I will note in closing that if the
18 Commission believes that none of these additional
19 commitments are necessary in order to meet the no harm
20 standard, the Laborers would advocate for a new docket
21 to be initiated to examine PSE's contracting practices
22 and problems relating to an inadequately trained
23 contractor workforce.

24 Thank you very much.

25 JUDGE O'CONNELL: Thank you,

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1 Ms. Franco-Malone.

2 We will accept a list of the citations, if
3 any, that you made in your closing argument at the
4 conclusion of this hearing.

5 Is there anything else we should discuss
6 before we conclude this hearing?

7 Seeing nothing, thank you all for everything
8 today, for participating in this hearing. We will
9 adjourn and be off the record. Thank you.

10 MS. CARSON: Thank you.

11 (Proceedings concluded 5:10 p.m.)

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CERTIFICATE

STATE OF WASHINGTON
COUNTY OF KING

I, Sherrilyn Smith, a Certified
Shorthand Reporter in and for the State of Washington,
do hereby certify that the foregoing transcript is
true and accurate to the best of my knowledge, skill
and ability.

SHERRILYN SMITH, CCR# 2097