

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

2 COMMISSION

3 In the Matter of the Joint )  
 Application of )  
 4 )  
 PUGET HOLDINGS LLC AND ) DOCKET NO. U-072375  
 5 PUGET SOUND ENERGY, INC. ) Volume VIII  
 ) Pages 941 - 978  
 6 For an Order Authorizing )  
 Proposed Transaction. )  
 7 -----

8  
 9 A public hearing in the above matter  
 10 was held on August 26, 2008, at 6:31 p.m., at 1300  
 11 South Evergreen Park Drive Southwest, Olympia,  
 12 Washington, before Administrative Law Judge ADAM TOREM,  
 13 Chairman MARK SIDRAN, Commissioner PATRICK OSHIE,  
 14 Commissioner PHILIP JONES.

15 The parties were present as follows:

16 WASHINGTON UTILITIES AND TRANSPORTATION  
 COMMISSION, by ROBERT CEDARBAUM, Assistant Attorney  
 17 General, 1400 South Evergreen Park Drive Southwest,  
 Post Office Box 40128, Olympia, Washington 98504;  
 18 telephone, (360) 664-1189.

19 PUGET SOUND ENERGY, INC., by DONNA L.  
 BARNETT, Attorney at Law, Perkins Coie, 10885 Northeast  
 20 Fourth Street, Suite 700, Bellevue, Washington  
 98004-5579; telephone, (425) 635-1422.

21 PUBLIC COUNSEL, by SIMON J. FFITCH, Assistant  
 22 Attorney General, 800 Fifth Avenue, Suite 2000,  
 Seattle, Washington 98104; telephone, (206) 389-2055.

23  
 24 Kathryn T. Wilson, CCR

25 Court Reporter

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

2 CHAIRMAN SIDRAN: Good evening, and welcome  
3 to a public hearing at the Washington Utilities and  
4 Transportation Commission regarding the proposed merger  
5 or sale of Puget Sound Energy. My name is Mark Sidran,  
6 and I'm Chair of the Commission, and I'm joined tonight  
7 by my colleagues. On my immediate right, Commissioners  
8 Patrick Oshie and Philip Jones, and on my left is our  
9 administrative law judge, Adam Torem, who will be  
10 conducting tonight's hearing.

11 This is a rather unusual process for us  
12 because normally, we have public hearing comments in  
13 the course of a case such as this or a general rate  
14 case early on in the proceedings where the public has  
15 an opportunity to comment, and as many of you know, we  
16 have done that here. In fact, we have had three public  
17 comment hearings, and that in part is a testimony to  
18 the acknowledged importance of this particular case in  
19 terms of the public interest, and we decided we would  
20 have a fourth hearing tonight because since our last  
21 three public hearings, which have been held around the  
22 service territory in various places of Puget Sound  
23 Energy, since those last hearings, perhaps all of you  
24 know or at least many of you know, we have before us a  
25 proposed settlement of this merger or sale in which all

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1 of the parties that are parties to this particular  
2 proceeding have joined in with the exception of Public  
3 Counsel, and during this week, we have been holding a  
4 hearing with regard to this proposed settlement, and we  
5 decided that in light of the import of this matter to  
6 the public that we would this evening hold a public  
7 comment hearing, which is another opportunity for the  
8 public to comment in a way they could not have  
9 commented at the prior hearings, and that is on the  
10 specific proposal that is now before the Commission  
11 that outlines the terms of a settlement agreement that  
12 would lead to the acquisition of Puget Sound Energy by  
13 a consortium of investors.

14           So tonight is another opportunity for the  
15 public to be heard in that regard. We recognize that  
16 those of you who are here and those that may be on the  
17 bridge line are taking time out of your busy lives to  
18 attend, either to observe and listen or to offer  
19 comments, and we are appreciative of the fact you are  
20 doing that.

21           This is, I believe, not the final opportunity  
22 by any means to offer comment in addition to tonight.  
23 The record will remain open, I believe, for a little  
24 longer. I don't actually have the date in mind, but  
25 following the conclusion of our hearing, which will

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1 conclude, we believe, tomorrow, there will be a period  
2 of time, not probably too much longer, perhaps Judge  
3 Torem will be able to tell us a more specific date, but  
4 there will be a relatively brief period of time when  
5 written comments can still be submitted to the  
6 Commission, either in the traditional way or by e-mail.

7           Our practice is for Judge Torem to conduct  
8 the hearing. He is going to now explain our process  
9 this evening, and we will then turn to hearing your  
10 comments. So thank you again for your attendance this  
11 evening, and I turn the matter over to Judge Torem.

12           JUDGE TOREM: Thank you, Chairman Sidran. Let  
13 me begin by identifying the case by its docket number.  
14 Again, last time we were together, we had two cases,  
15 but tonight we are just looking at the proposed  
16 settlement and the agreement regarding PSE's so-called  
17 merger application, U-072375.

18           Tonight is Tuesday evening, August 26th,  
19 2008. It's a little after 6:30 p.m., and my role as  
20 the administrative law judge tonight, much as it was  
21 back in June in this building, is to facilitate your  
22 public comments. The Commissioners' roles will be to  
23 listen, and I want to remind you tonight this is a  
24 public record proceeding, which means all of your  
25 comments to the Commissioners have to be on the record.

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1 You can't catch them in the hall or parking lot later.  
2 Everything has to be on the record or you are violating  
3 what we call ex parte rules, so I wanted to remind you  
4 of that. The Commissioners may ask you a question, but  
5 the tradition is to just listen at this time and it may  
6 not turn into a dialogue, so if you were expecting  
7 that, you are not probably going to get full  
8 satisfaction tonight.

9           Your comments will be taken down by a court  
10 reporter, so she can catch up with most paces of  
11 speech, but if you want every word taken down, please  
12 speak in a slower and more deliberate tone than you  
13 might be used to. This public hearing is part of the  
14 Commission's formal hearing process as we consider the  
15 transfer-of-property case, also known as the sale case  
16 or the merger case, and this is whereby Puget Energy  
17 and PSE propose to no longer be a publicly-traded  
18 company but be privately owned by an investors group,  
19 which is comprised of several private equity companies  
20 in Australia and several pension funds in Canada.

21           The hearing process in this case allows  
22 taking of technical testimony from the parties. Much  
23 of that was done yesterday and today and will continue  
24 tomorrow when the parties in the case formally appear  
25 before the Commission and present their expert

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1 witnesses for cross-examination, but we also consider  
2 your public testimony in this, as Chairman Sidran said,  
3 the fourth and the final public hearing in this matter.

4           The purpose tonight is to provide the  
5 Commissioners with any information that the public has  
6 and comments on the settlement, and hopefully you read  
7 that and are ready to comment on it. The standard for  
8 the Commissioners is whether or not the proposed merger  
9 will harm the public interest.

10           Comments tonight will be given under oath and  
11 they will be recorded. Your comments will become part  
12 of the formal record in this case, and they are the  
13 basis for the Commission's ultimate decision. The  
14 entire record consists of the sworn testimony that's  
15 been filed, the cross-examination, the hearing itself  
16 over the last two days and tomorrow, and all the public  
17 comment proceedings.

18           Let me ask counsel for the parties to  
19 identify themselves tonight so you know who the  
20 attorneys are and who they represent. You will see  
21 that there are going to be two assistant attorneys  
22 general that introduce themselves, and each has a  
23 separate client and a separate purpose. Let me find  
24 out first who is here for the Company.

25           MS. BARNETT: Good evening. Donna Barnett

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1 representing Puget Sound Energy.

2 MR. CEDARBAUM: My name is Robert Cedarbaum,  
3 and I represent Commission staff, which in this sort of  
4 proceeding operates like an independent counsel.

5 MR. FFITCH: Simon ffitch, assistant  
6 attorney general with the Public Counsel office.

7 JUDGE TOREM: We have a number of other  
8 intervenors, but I don't believe any of them are  
9 present for tonight's hearing. Seeing no one to  
10 correct me on that, let me thank you all again for  
11 coming to offer your comments, and make sure that if  
12 you have any questions about the process, we do have  
13 our Commission consumer services division. We have  
14 several representatives in the back, and you can direct  
15 any questions to them. They have some materials on the  
16 table, but when you direct your comments, I'm going to  
17 give you a chance to take three minutes at the  
18 microphone tonight. If you have further questions or  
19 you want to submit something in writing, then you can  
20 hand it to our public staff in the back and they will  
21 make sure it becomes part of the record.

22 Now, again, three minutes may not sound like  
23 a lot, but three minutes should be plenty. From our  
24 experience at the last public hearing when we offered a  
25 whole room full of people four minutes to comment on

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1 two cases, most were able to sum up in two to three  
2 minutes, so we are going to stick with three minutes  
3 tonight.

4 I'm going to use some cards -- you may have  
5 seen them last time -- to remind you, and as the color  
6 changes from yellow to red, you will know quickly it's  
7 time to stop. If you are running much over three  
8 minutes, I will ask you to sum up, and if you have  
9 written comments, those will become in full part of the  
10 record.

11 Tonight I've got two sheets already and  
12 expect a third one. Many of you have signed in but  
13 indicated, no, you don't wish to speak, so I'm only  
14 going to call on those that have indicated yes, and  
15 from my count, there are only eight on the first two  
16 sheets. If for some reason you think I skipped you, I  
17 will give you a chance at the end for you to identify  
18 if you still want to speak. If for some reason you  
19 already had your comments made by someone else, feel  
20 free to come up and state you agree with that person.  
21 You don't have to repeat that. You can in some way  
22 identify them so the Commission knows who you agree  
23 with and essentially the gist of their comments.

24 The deadline, I think, for you to safely  
25 submit written comments to become part of the record,



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1 Mr. Cedarbaum, Mr. ffitch, do you know if Judge Moss  
2 set something different than Friday, September the 5th?

3 MR. FFITCH: Not that I'm aware, Your Honor.

4 JUDGE TOREM: Then I will choose Friday,  
5 September 5th, as the reasonable date. That gives you  
6 a chance over the upcoming holiday weekend to send in  
7 your comments, and make sure they are here by close of  
8 business that Friday.

9 One more item in the interest of decorum,  
10 usually I don't have say it, but I want to make sure  
11 because there are a number of very strong feelings, and  
12 that can lead to sometimes the need to feel that you  
13 want to applaud for someone on your side and boo those  
14 that are not. This is not the place for that, and I  
15 want to encourage you all to treat each speaker,  
16 regardless of their opinion, the same respect you would  
17 want to be treated with and keep the civility and the  
18 proper decorum in this room.

19 This is a public hearing. In some cases, you  
20 might treat this like you were in a courtroom, so let's  
21 respect our fellow citizens and their opinions even  
22 though they may differ from yours. Commissioners, any  
23 other clarifying comments before I ask those that wish  
24 to comment to take the oath?

25 CHAIRMAN SIDRAN: The only thing I would add

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1 usually as part of the litany is if someone has said  
2 something that has testified before you and you agree  
3 with that point, you are welcome to second that point  
4 without perhaps repeating it in the interest of giving  
5 time to those who have yet to speak. So with that, I  
6 think we can begin.

7 JUDGE TOREM: We are ready to take comments,  
8 and I want to swear in all those that wish to give  
9 comments tonight, so if you are on the list or do  
10 intend to comment, I'm going to ask you now to stand  
11 and say "I do" after I give you the oath, and then when  
12 I call your name, I will ask you to come up to the  
13 podium.

14

15 Whereupon,

16 THE PUBLIC,  
17 having been first duly sworn, were called as witnesses  
18 herein and examined and testified as follows:

19

20 JUDGE TOREM: Thank you. When you come to  
21 the podium, please expect I'm going to ask you a few  
22 preliminary questions to identify who you are, and then  
23 you can begin your comments. It's going to be, again,  
24 no more than three minutes. I'll try to keep time on  
25 that, and remind you to speak slowly and as distinctly

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1 as you can so the court reporter can get everything  
2 down.

3 The first three that have indicated they wish  
4 to speak are Douglas Rauh of Bainbridge Island, Marv  
5 Cypert, and then David Schaffert. Mr. Rauh, can you  
6 state and spell your full name for us?

7 MR. RAUH: My name is Douglas A. Rauh. The  
8 last name is R-a-u-h. I live at 12266 Kenneth Place,  
9 Bainbridge Island, Washington. I have been both a  
10 Puget Sound Energy stock holder and a residential  
11 electric user for over a quarter of a century. I  
12 believe the sale of the Puget Sound Energy to Macquarie  
13 is a very bad idea for the residential ratepayers.

14 Selling Puget Sound Energy to Macquarie only  
15 raises the cost of infrastructure to residential  
16 ratepayers. This will occur because of the added cost  
17 of the Macquarie commissions for services by providing  
18 capital for new infrastructure. The one million Puget  
19 Sound Energy residential ratepayers are going to pay  
20 most of the costs.

21 In my opinion, it would be less expensive for  
22 ratepayers if fewer commissions and less interests were  
23 paid. I would rather pay a higher rate and use the  
24 additional revenue to expand and maintain the Puget  
25 Sound Energy infrastructure. Paying a higher rate

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1 because of Macquarie's commissions and interests on  
2 borrowed money is not an intelligent use of that  
3 resource.

4 Washington Public Power Supply System, also  
5 known as WPPSS, was an embarrassment to public power.  
6 Please do not allow the mentality of, We just got to  
7 borrow large amounts of money to build infrastructure,  
8 to happen again. Remember, the electric rates went up,  
9 the demand went down, and WPPSS defaulted on the bonds.  
10 This could happen again. Why would anyone believe  
11 Macquarie's plan would not come to the same result?

12 I agree with the attorney general's public  
13 counsel of chief Simon ffitich that this sale should not  
14 take place. It is my personal opinion if Puget Sound  
15 Energy executive staff and board of directors fail to  
16 honor their fiduciary responsibility to the owners,  
17 stock holders of the Puget Sound Energy through this  
18 offer to sell Puget Sound Energy assets to Macquarie,  
19 then to take on billions in debt for Puget Sound Energy  
20 residential ratepayers to pay interests on.

21 Remember, every billion dollars is an  
22 additional thousand dollars for each ratepayer. I am  
23 not comfortable with Puget Sound Energy's future  
24 billion dollars Macquarie. To me, this appears to be  
25 an opportunity for Macquarie to borrow billions and

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1 charge large commissions for this service.

2 I'm also concerned about the Canadian  
3 investors. Alberta is going to raise their energy tax  
4 about 20 percent in 2009. This will cause a  
5 differential between Canadian gas price and US gas  
6 price. This will cause their market to shrink. It  
7 appears to me that Macquarie and Canadian investors  
8 figure the easiest way to secure the largest share of  
9 the Northwest natural gas market is to buy the largest  
10 buyer of natural gas, and that is Puget Sound Energy,  
11 and remember that natural gas is used to generate  
12 electricity and is one of the prime capital  
13 expenditures they want to make.

14 Will Macquarie be able to raise the money  
15 needed to expand Puget Sound Energy? Macquarie funds,  
16 the inflow, has dropped 60 percent in over a 90-day  
17 period. As of August 8th, will the 2009 Alberta tax  
18 increase on natural gas be considered a higher power  
19 supply cost and passed along quickly to Puget Sound  
20 ratepayers? That's still an outstanding issue that's  
21 being looked at. It would appear that if Alberta  
22 raises their tax, we can expect to pay it.

23 JUDGE TOREM: You are going on  
24 three-and-a-half minutes. Any last comments, or do you  
25 want to turn that in in writing?

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1           MR. RAUH: Please do not approve this sale of  
2 Puget Sound Energy to Macquarie.

3           JUDGE TOREM: Thank you. Mr. Cypert?

4           MR. CYPERT: My name is Marv Cypert. I live  
5 here in the Olympia area, and if this issue was not a  
6 public company, we wouldn't be wasting our evening  
7 here. You people as Commissioners and the  
8 Commissioners before you for the last 20 years have  
9 been cheating the public by allowing Puget Power to  
10 rape the ratepayers.

11           The reason they have a Commission in this  
12 state is to protect citizens from being gouged, and  
13 it's high time, it's way past time that you  
14 Commissioners say no to any more gouging. Right as of  
15 last year, information provided from this agency after  
16 an adjustment for local taxes, Puget Power was getting  
17 50 percent more money per kilowatt hour than the same  
18 kilowatt hour was available elsewhere in the state of  
19 Washington.

20           Where did that money go? Somebody is milking  
21 a whole bunch of money from this, and it's coming out  
22 of the ratepayers' pocket, and it's time the damn  
23 Commission stepped up and did what the Commission was  
24 created to do, and that's protect the ratepayers.  
25 Thank you for voting this thing down and putting it

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1 back in the can.

2 JUDGE TOREM: David Schaffert is the next  
3 speaker. He will be followed by Holly Gwinn Graham and  
4 Chris Stearns.

5 MR. SCHAFFERT: My name is David Schaffert,  
6 S-c-h-a-f-f-e-r-t. I live in Lacey, 4418 26th Avenue.  
7 That's Lacey, Washington.

8 Thank you, Commissioners, for the  
9 opportunity, another opportunity to have the public  
10 address you. I'm a huge supporter of the private  
11 sector. I'm a huge supporter of private utilities and  
12 the ability of private utilities to do not only what's  
13 best for themselves but also the ratepayers as a whole.

14 I don't have a lot of specific comments, but  
15 my comments are very general. I support the efforts in  
16 the settlement negotiation which will in the end  
17 support PSE and its merger. This is said with a fair  
18 amount out of significant support for PSE as I have  
19 lived in this community for 20 years and have seen what  
20 it has done in assisting our local community grow and  
21 become a better place to live.

22 So in your due consideration, please give a  
23 lot of thought to the health of an organization, a  
24 company, and its ability to continue its quality work  
25 and commitment to communities within our state. Thank

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1 you.

2 JUDGE TOREM: Holly Gwinn Graham?

3 MS. GRAHAM: My name is Holly Gwinn,  
4 G-w-i-n-n, Graham, G-r-a-h-a-m. I would like to second  
5 the very informative information brought to us by Doug  
6 Rauh. I agree with every single point he made. I  
7 would like to thank deeply and in every way the  
8 attorney general's office for protecting and speaking  
9 for the people of this state in stopping this insidious  
10 sale.

11 Privatization is not the way of the future.  
12 The way of the future is that the people own the  
13 utility. I will be voting for people who say that we  
14 should own our public utilities locally. We have seen  
15 the disasters of Stockdale, California selling their  
16 water rights. We have seen the disasters of nuclear  
17 power, which now raises its hideously ugly head. Not a  
18 solution, not a future, but another way to poison  
19 ourselves in this heedless rush towards profit.

20 I say that a strong community is strength,  
21 and there is no such thing as security based on war,  
22 and if we are at war as a community, we are putting  
23 ourselves in deep danger, and anybody who stands for  
24 the idea that privatization is the way to go,  
25 especially a company as dodging and as Enron-like as



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1 Macquarie, is sorely mistaken.

2                   What about nuclear power? What about coal?

3 I read the 13 pages double-sided that were sent to me  
4 from the UTC, and I thank you for providing these to  
5 the people. I think the reason that this room is  
6 partially empty tonight is because not everybody has  
7 the time to plow through that much information. I saw  
8 with great distress the number of signatures on the  
9 pages. The only one missing, of course, is the  
10 attorney general's office.

11                   I ask you, I beg you, say no to this sale.

12 It is not a merger. It is a give-away of something  
13 that is precious and unique and necessary to the health  
14 and welfare of this county. Our community needs public  
15 power. We should be allowed to, asked to, invited to  
16 own it, share in it, not sell it to a company that is  
17 going to leave us on the brink with, as Mr. Rauh said,  
18 more and more debt every year.

19                   It is indeed time that you people thank -- I  
20 thank you for having this hearing. I believe that  
21 others who have told me that you are honest and just  
22 are right. I beg you, say no to this sale. Say no to  
23 the people who signed on, and say no to a future of  
24 indebtedness taken on by the public, one of whom I am.  
25 Thank you.

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1                   JUDGE TOREM: Thank you. Chris Stearns is  
2 next, to be followed by Teri Moore and Amy Fortier.  
3 Can you state and spell your name?

4                   MR. STEARNS: My name is Christopher Stearns,  
5 S-t-e-a-r-n-s.

6                   JUDGE TOREM: You live in which community?

7                   MR. STEARNS: 4435 36th Avenue, Olympia,  
8 Washington. First of all, I want to concur with  
9 Mr. Rouh's remarks and the sentiments just expressed by  
10 him and also the general feeling that Holly expressed  
11 before me. As I've testified earlier, there are many  
12 concerns about this merger that I think the board needs  
13 to address. I mentioned the issue of pension funds the  
14 last time I was in front of you and how Portland  
15 General Electric lost all of theirs where their holding  
16 company got bankrupted, Enron, and I still think that  
17 needs to be addressed.

18                   One of the outcomes of this proposed merger  
19 would be similar to a vertically integrated energy  
20 where natural gas production, distribution, and the  
21 utility that consumes it would be in one privately-held  
22 ownership.

23                   This connection is provided by a minority  
24 interest of this new consortium, which is the  
25 Canadian-owned pension funds of the new ownership.

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1 These funds have holdings in Canadian natural gas  
2 production and would want to keep its American customer  
3 base well into the future. An arrangement of this sort  
4 prevents future competitive bidding for the same  
5 domestically-produced natural gas supplies here in the  
6 U.S.

7 I've already expressed the damage done in the  
8 Northeast of Canadian power interests buying up small  
9 New England hydropower producers who provide low-cost  
10 power generation to Northeast residents. Obviously  
11 under Canadian ownership, that could who change. Your  
12 Montana state counterpart of your board turned down a  
13 Canadian proposal to purchase Montana utility with the  
14 same concerns. The state agency chose to keep its  
15 utilities domestically owned. That's not a very --  
16 state, I realize, but it did represent the public in  
17 this matter.

18 So I would hope that you would consider on  
19 the purchase of this company and what it results to the  
20 ratepayers, and again, I thank you for your interest  
21 and concerns about this matter.

22 JUDGE TOREM: Thank you. Teri Moore?

23 MS. MOORE: Good evening. My name is Teri,  
24 T-e-r-i, Moore, M-o-o-r-e. I live in Black Diamond, so  
25 I think I'm the one to drive the furthest. My address

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1 is 24130 Southeast Green Valley Road, Black Diamond,  
2 98010. I have been a Puget customer all my adult life,  
3 which is many more years than 25, and I wish to express  
4 two principles which allow me to stand in support of  
5 the settlement as we described today.

6           Number one, the significant philanthropic  
7 benefits to our community, which consists of a whole  
8 large area of Washington state, and number two,  
9 environmental sustainability.

10           First point, I was raised in this state and  
11 have spent a considerable amount of time of my adult  
12 life in the philanthropic field. I've seen major  
13 foundations continue to grow in prominence, and I began  
14 to feel like some of the steady workhorses who have so  
15 given generously and consistently over a period of  
16 years were being overshadowed sometimes in the media  
17 and elsewhere.

18           So in 2005, I nominated Puget Sound Energy  
19 for a national award for being outstanding corporation  
20 of the year, which rightly so they won. In doing so, I  
21 did a whole lot of research and I was astounded at what  
22 they do, and I quote, Puget Sound Energy and its  
23 predecessor companies has been a trusted philanthropic  
24 partner for more than 130 years offering consistent and  
25 generous charitable cash, in-kind contributions,

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1 volunteer hours to literally hundreds of nonprofit  
2 organizations throughout the region. This  
3 unprecedented and enduring support has furthered the  
4 missions of many organizations that I care about in  
5 this region and is often served as a catalyst for other  
6 corporations who start looking to PSE to follow their  
7 lead.

8           Further, Puget Sound Energy's long-term  
9 commitment to the community it serves to me epitomizes  
10 a standard by which other corporations should seek to  
11 attain. The company embodies a spirit of a true  
12 corporate philanthropist in its generosity of time,  
13 in-kind support, voluntaryism, leadership, and is a  
14 model of philanthropic sustainability for over 13  
15 decades.

16           If this merger is approved, it is my  
17 understanding that the investors have committed to an  
18 initial infusion of five million dollars to the Puget  
19 Sound Energy foundation, which will yield at minimum,  
20 and legally required to do so, 250 thousand additional  
21 dollars that will go to our community. This kind of  
22 investment would take PSE considerable time to attain  
23 on its own.

24           The second is environmental sustainability,  
25 and that is just that if this merger is approved, it's

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1 my understanding that they will also do a tremendous  
2 amount of work for the environment. This is something  
3 me and my family care about a considerable amount  
4 having raised horses and a meat farm in Black Diamond,  
5 and we also were a recipient of an award for  
6 conservation.

7 They are also going to continue to expand  
8 green power, customer renewal, energy, and energy  
9 efficiency commitments. Thank you, but I am in support  
10 of this merger, and thank you for your time.

11 JUDGE TOREM: Amy Fortier. She will be  
12 followed by Ms. Dianne Woody. Can you please state and  
13 spell your name?

14 MS. FORTIER: My name is Amy Fortier,  
15 F-o-r-t-i-e-r, and I live on the west side here in  
16 Olympia. I just want to reiterate the Public Counsel's  
17 recommendation that the Commission not approve this  
18 settlement to allow the acquisition of Puget Sound  
19 Energy by the Macquarie consortium. It is harmful to  
20 the public in a number of ways, many of which have  
21 already been stated, but also, I think we need to think  
22 about the fact that heat, water, light, these are basic  
23 human needs. It's a commodity, but it's not something  
24 that can be so regulated that it will not be possible  
25 for people to be able to purchase.

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1 Corporate rating, I think we've heard quite a  
2 bit about that, especially in the last several years,  
3 that hasn't turned out to be such a good financial  
4 opportunity for many businesses and also for many of  
5 the practitioners who initially thought that tons of  
6 money would be resulting from purchases of various  
7 business models that even though they may have proved  
8 successful in the past, that's not the business model  
9 we are looking at today.

10 I would like to say there hasn't been too  
11 much discussion of innovation and in other energy  
12 opportunities and financial opportunities for energy  
13 types of public consortiums, public co-ops, public  
14 utilities districts, and other types of energy options  
15 that now could replace and help consumers at a time  
16 when there is a lot of movement in the energy industry  
17 now.

18 So again, a corporate model doesn't seem to  
19 be beneficial to the public interest. I would like to  
20 just reiterate, do not approve this. Thank you.

21 JUDGE TOREM: Dianne Woody is the next  
22 speaker, and the one I have signed up that wishes to  
23 speak is Dorothy Jean Mykland, and she will be followed  
24 by Kim Dobson.

25 MS. WOODY: Dianne, D-i-a-n-n-e, Woody,

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1 W-o-o-d-y. Thank you for holding this hearing tonight.  
2 I have one page. I've tightened it up. I hope I can  
3 get through it all in three minutes.

4 This PSE merger proposal would be bad for the  
5 customers of Washington state and for PSE customers.  
6 The need for ring-fencing provisions alone points to  
7 how risky this is. No matter how hard you try to plug  
8 all the potential loopholes of this proposal, the risk  
9 is great that you will miss some that will reduce  
10 regulatory authority and/or cost Washington citizens  
11 hundreds of millions of dollars and jeopardize PSE's  
12 capital construction future needs.

13 I am particularly concerned about the 1.225  
14 billion-dollar loan the consortium plans to use to help  
15 pay for this merger. The settlement agreement reduced  
16 what was 1.425 billion by two million, but that still  
17 leaves 1.225 billion dollars, which the consortium  
18 expects to put on PSE books and require PSE customers  
19 to pay for with interest. That alone will raise rates  
20 and would appear to violate any reasonable standard of  
21 do no harm and the WAC standard prohibiting the  
22 transfer of property that is quote, "not consistent  
23 with the public interest," end quote.

24 Additionally, the proposed approximate ten  
25 million per year for ten years of energy credits is a



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1 drop in the bucket compared with what PSE customers  
2 will be required to pay annually in principle and  
3 interest on this 1.225 billion-dollar loan. If PSE  
4 customers will be obligated to pay for a 1.225  
5 billion-dollar loan, the money should be spent for  
6 tangible assets for PSE and to help meet the needs of  
7 PSE going forward, not to allow an international group  
8 of investors to use it as leverage to buy the company  
9 at no benefit to PSE or PSE customers.

10           Frequently, PSE executives and  
11 representatives have touted that the consortium has,  
12 quote, "deep pockets," end quote, and has asked us the  
13 capital necessary to meet current and future PSE  
14 capital construction needs. This decided as a primary  
15 rationale for supporting this merger. However, if you  
16 look at the product of those deep pockets, i.e., the  
17 terms and conditions in the 1.4 billion-dollar cap X  
18 loan agreement -- with lenders, you will see it is very  
19 restrictive.

20           Effectively, it has many nonmandatory  
21 construction project designations that PSE and the  
22 consortium couldn't or wouldn't explain to the AG, as  
23 well as cash lockup and project over restrictions that  
24 could leave construction projects hanging half done and  
25 vital projects not done.

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1           Therefore, the attorney general expert  
2 witness, Steven Hill, found that quote, "The  
3 restrictive covenant in the debt issued by Puget Energy  
4 and engineered by Macquarie can have a direct effect on  
5 whether PSA is able to fulfill its public service  
6 obligations. PSE would not be making those decisions  
7 nor would this Commission. Rather, Macquarie and the  
8 banks from which it intends to draw the transactional  
9 debt would be making those decisions," end quote.

10           And finally, for those and for many of the  
11 reasons, which I don't have time to go into, I propose  
12 that PSE customers would be better off with the status  
13 quo. I hope the Commission agrees. Please reject this  
14 merger proposal. Thank you.

15           JUDGE TOREM: Next is Dorothy Jean Mykland.  
16 Please state and spell your name.

17           MS. MYKLAND: My name is Dorothy Jean  
18 Mykland, M-y-k-l-a-n-d.

19           JUDGE TOREM: Where do you reside?

20           MS. MYKLAND: 1113 Fourth Avenue West,  
21 Olympia, 98502. I am for local control and  
22 accountability. Local residents are elected to serve  
23 on the board of commissioners, and those commissioners  
24 meet regularly in open session and are accountable to  
25 the voters with their decisions, but with outside

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1 investor owned, the focus can be more on sending  
2 profits to overseas stockholders than service and  
3 reliability to the customers here.

4           There is a great financial risk, three  
5 exclamation points, to utility customers. The sales  
6 put more debt on Puget Sound Energy's books. There is  
7 no evidence that the utility can't go out and acquire  
8 more capital on its own. I don't want my electricity  
9 and gas to be held with a private company. This is an  
10 increased financial risk and appears to give the  
11 consumer little or nothing in return. I am very  
12 frustrated and outraged that so many companies are  
13 being outsourced to foreign entities from my country,  
14 the United States of America.

15           In particular, I had come across some  
16 interesting information about the Macquarie group that  
17 has been described as the Australian equivalent of  
18 Goldman-Sachs, but actually, they are now being  
19 referred to as the Bear Stearns of Australia. In Paul  
20 Gallagher's article in Executive Intelligence Review,  
21 he describes it as a giant Ponzi scheme where the fund  
22 managers base their management fees and performance  
23 fees on percentages of the enterprise value, the bank  
24 debt borrowed by the fund. This cash comes from new  
25 investors hoping for the 20 percent or more returns

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1 annually.

2           The City Morning Herald reported RiskMetrics,  
3 Incorporated, had exposed Macquarie as a combination of  
4 Ponzy schemes and looting binges against investors,  
5 taxpayers, and the public. The Economist of London  
6 said if Macquarie fails, many people will say it should  
7 have never existed. Does anybody remember Enron? Down  
8 under, the citizens' electoral counsel referred to them  
9 as the Enron of Australia. Once they have a hold on  
10 Puget Sound Energy, they will likely attempt to devalue  
11 their gas and electric supplies to the new higher cost  
12 of petroleum products thus revaluing themselves upwards  
13 at our expense.

14           Gallagher's article suggests that the house  
15 of cards will collapse very soon, but we should all be  
16 asking ourselves is if the state Utilities and  
17 Transportation Commission is awake and how much the  
18 directors of Puget Sound Energy will be getting to  
19 settle with Macquarie. If Puget Sound Energy needs to  
20 raise capital, it should be raised in bonds here.

21           I'm very much against the merger, and I  
22 really think we need to keep our utilities here,  
23 whether it's Puget Sound Energy or not. I want it to  
24 go public. I want it to be a public utility. Thank  
25 you very much.

1                   JUDGE TOREM: Thank you, ma'am. The next  
2 speaker is Kim Dobson. She will be followed by E.B.,  
3 or Sam Pace.

4                   MR. DOBSON: My name is Kim Dobson, K-i-m,  
5 D-o-b-s-o-n, and thank you for taking my testimony,  
6 counselors, and I've been a ratepayer for 32 years in  
7 western Thurston county, and I testified at the last  
8 hearing on this case, and I'm back to say I still  
9 oppose the sale of PSE to Macquarie infrastructure  
10 partners even after the concessions given to  
11 Commissioners' concerns most recently.

12                   According to the recent filing by Public  
13 Counsel for the attorney general, this merger would not  
14 benefit the ratepayers. In fact, the new owners would  
15 be raising rates to provide more profit for the stock  
16 dividends shareholders without improving customer  
17 service. This is not in the public's interest and  
18 should not be approved.

19                   In addition, the UTC staff found that  
20 Macquarie would go ahead with the purchase deal by 4.2  
21 billion dollars in debt financing, and they rejected  
22 the proposal June 19th. AG Public Counsel section  
23 chief's Simon ffitch said, and thank you very much,  
24 "PSE customers and Washington's economy are better off  
25 with what they have now, a publically-traded

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1 investment-grade utility with improving financial  
2 health and low business risk.

3 In addition, if a county PUD were to purchase  
4 PSE assets, they could access low-cost power from the  
5 BPA, the Bonneville Power Administration, and a new  
6 public electric utility district would be able to  
7 charge rates up to 20 percent lower than the rates  
8 projected for Puget Sound Energy, according to a study  
9 released yesterday by the Washington Public Utility  
10 District Association.

11 The analysis by E.E.S. Consulting, a  
12 Kirkland-based management consulting firm specializing  
13 in energy and other natural resource-based industries,  
14 found that PSE rates have gone up sharply over the past  
15 several years, nearly 25 percent since 2002, or almost  
16 twice the national average. I rest my case, and my  
17 comments, I would have to agree with all the people  
18 against the sale of PSE to Macquarie. Thank you very  
19 much.

20 JUDGE TOREM: Thank you. Next speaker is Sam  
21 Pace, and the other two that have signed up on the last  
22 sheet are Jennifer Booker and Tom Pierson. Mr. Pace,  
23 can you state your full name for the record?

24 MR. PACE: My name is Sam Pace, P-a-c-e. I  
25 live in the Kent area. It's actually not in the city.

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1 I'm in unincorporated King County just out near Kent  
2 and Covington.

3 This is the first time I've ever been in  
4 front of the Commission, so it might seem like a long  
5 way to drive to testify on something like this your  
6 first time.

7 I'm here on behalf of myself. I'm not here  
8 on behalf of anybody else. I just want to share some  
9 personal observations, observations about Puget Sound  
10 Energy. One of the most stark recollections I have of  
11 observing them was about two o'clock in the morning. I  
12 live out in the sticks a little bit, so when the power  
13 goes out, they get to other folks before they get to me  
14 because they've got to take care of the most people,  
15 and this last time they were out there, we had been  
16 without power for about six days, and when those guys  
17 showed up, they were really careful. They were really  
18 focused on doing things right. They were really  
19 focused on being safe, but their butts were dragging,  
20 and they brought to me and my family at two in the  
21 morning a level of commitment and dedication that you  
22 seldom see in customer service. They reflected great  
23 credit on themselves. They reflected great credit on  
24 the company.

25 I'm not here on behalf of anybody else, but

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1 I'm pretty active in the community where I live, very  
2 active. Because of that, I also observe folks from  
3 Puget Sound Energy in a variety of situations, and I  
4 see in them the same kind of commitment and dedication  
5 to the community that I see in their linemen when they  
6 are up on the pole in the middle of the night in the  
7 ice when the lines are down and the trees are on it.  
8 They would much rather have been home after a week out  
9 like that for working 16 four, whatever they work in  
10 those situations.

11 So it doesn't surprise me that in connection  
12 with the settlement, environmental community,  
13 industrial users, and affordable housing folks are  
14 supportive of this. I follow politics a little bit.  
15 That's kind of an unusual set of bed fellows I don't  
16 see very often. I think it says something about the  
17 trust this company has earned.

18 I'm involved in real estate. Most of the  
19 folks that I'm involved in helping sell homes to expect  
20 that when you flip on the light switch, the lights are  
21 going to go on. PSRC says we've got 1.1 million jobs  
22 and 1.6 million people coming just to the four county  
23 region. We are going to need generation and need  
24 transmission facilities in order to meet those needs.  
25 I'm not persuaded that that capital will be available



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1 to meet those needs with some of the options that have  
2 been suggested tonight.

3 It is also my impression that if you approve  
4 this, as your staff has recommended, that this company  
5 will remain under Commission oversight. I trust that  
6 you will do your job. I have confidence in you, and I  
7 trust them because in my experience dealing with them,  
8 they've earned it.

9 JUDGE TOREM: Thank you. Jennifer Booker?

10 MS. BOOKER: Hi. Thank for this opportunity  
11 to comment. I wish I were more up to speed on the  
12 whole issue. I apologize for that, but I'm learning as  
13 I sit here and trying to read things as quickly as I  
14 can. I guess I have more questions than anything. It  
15 doesn't sound like a very good idea, this buy-out.

16 My question is, do the members of the  
17 Commission know what the proposed rate increases are  
18 over the next 12 months should this occur?

19 JUDGE TOREM: Ma'am, I'm not sure you were  
20 here when I gave the opening comments. We can't engage  
21 in a dialogue tonight. There is a separate rate  
22 increase case that's pending before the Commission that  
23 goes to hearing next week, and I'm sure you can speak  
24 to our consumer division in the back or to Mr. ffitich  
25 on your way out, the gentleman right here in the middle

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1 on my right. He would more than happy to give you  
2 information about the proposed rate increases that have  
3 settled with all parties, including Public Counsel, on  
4 a majority of the issues.

5 MS. BOOKER: My small amount of knowledge on  
6 this kind of situation is that in other communities and  
7 other states where this has occurred, the rates maybe  
8 in the first six to ten months didn't go up more than  
9 one or two percent, but after that, over the next 20 to  
10 24 months, rates increased enormously because, of  
11 course, a corporation's first responsibility is to the  
12 investors, and therefore, it is to create as much  
13 profit as is possible, so it just doesn't make sense to  
14 me that this would be allowed by the members of the  
15 Commission to go forward. Thank you very much.

16 JUDGE TOREM: If you need more information on  
17 the rate increases, the gentleman standing in the back,  
18 Mr. Cupp and his colleagues can give you information  
19 about the other case or direct you to that proceeding,  
20 and Mr. ffitich would be happy to discuss with you  
21 briefly tonight how to get that information as well.  
22 Tom Pierson is the next commentor.

23 MR. PIERSON: Tom Pierson, P-i-e-r-s-o-n, and  
24 I'm from the Federal Way area. First time I read a  
25 letter that's actually from Dean Nuco (phonetic), who

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1 is the CEO for Multiservice Center, and I'm the  
2 treasurer for the board for Multiservice Center.

3 She writes, "I'm truly sorry I'm unable to  
4 attend your hearing, but I wanted to speak on behalf of  
5 Multiservice Center, the community action agency  
6 providing energy assistance services to low income of  
7 south King County. Multiservice Center has had a good  
8 working relationship with Puget Sound Energy for years  
9 and have worked cooperatively through the federal  
10 low-income housing energy assistance program.

11 Several years ago, MSC and other nonprofit  
12 energy providers approached PSE about starting a  
13 program similar to the federal government program but  
14 operated by PSE. We spent several months on the  
15 details, and these were incorporated as part of a  
16 triple rate request submitted to the UTC.

17 We were most anxious to see the relationship  
18 and PSE help program continue, and we feel this merger  
19 will help with the continuation of this invaluable  
20 program for the following reasons: We believe the  
21 merger will benefit our clients, the low-income  
22 individuals and families living in south King County  
23 and the rest of PSE service area.

24 It will provide PSE with access to capital  
25 remain strong utility with an even stronger commitment

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1 to programs that support their low-income customers and  
2 those who are in need of assistance beyond. PSE has  
3 experienced the benefits of this program to their  
4 customers and itself and has established a very  
5 positive working relationship with all the nonprofits  
6 involved in these services. The proposed settlement  
7 provides enhancement benefit to PSE help program  
8 through the contributions to the PSE foundation.

9 I also am the CEO for the Federal Way Chamber  
10 of Commerce, and I see, similar to what this earlier  
11 gentleman said in terms of the work PSE does in the  
12 community, and it's not just necessarily on the lines  
13 and the poles, but it's to the families and to  
14 individuals in the community. It's through the work of  
15 several individuals in our community. -- it's others  
16 throughout the area that work hard to make sure that  
17 what they do in the community impacts and makes an  
18 impact and will last throughout our region through our  
19 neighbors and community. Thank you very much.

20 JUDGE TOREM: That exhausts the names that  
21 indicated they did want to speak. If you want to turn  
22 that letter in to the gentleman in the back, he will  
23 make sure it's collected for the public record. If any  
24 of you have written comments you want to turn in, I  
25 will ask you to follow that same procedure and make

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1 sure our consumer division staff receive a copy.

2           Were there any others here tonight that still  
3 wanted to offer their comments? Seeing none, then let  
4 me again remind that you it will be Friday, September  
5 the 5th, is the deadline for submitting your comments.  
6 The address you want to mail them in to make sure they  
7 are received here by Friday the 5th is PO Box 47250 in  
8 Olympia, and the zip code is 98504. If you will please  
9 note that your comments are regarding the PSE merger  
10 case, and it would be very helpful if you put the  
11 docket number, which is U-072375, that will make sure  
12 they get into the record for the appropriate PSE case.  
13 Chairman Sidran, Commissioners, any closing comments?

14           CHAIRMAN SIDRAN: I would only like to again  
15 thank people who took the time to come here tonight to  
16 offer their comments, and I will leave you with the  
17 assurance that we are keenly aware of the importance of  
18 this matter to the community and to long-term future  
19 well-being of the region, and we will give it the most  
20 careful consideration we can, and we will be  
21 considering the comments tonight and all of the other  
22 comments that have been offered by the public, as well  
23 as all the evidence that has been offered by all of the  
24 parties to this proceeding. So while I can't tell you  
25 how it will come out, I will tell you that it will get

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1 the most careful consideration and the best judgment we  
2 are capable of rendering. So with that, I believe we  
3 can adjourn.

4 JUDGE TOREM: It's now 7:25 and we are  
5 adjourned.

6 (Public hearing adjourned at 7:25 p.m.)

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