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212 Union Avenue, 2nd Floor  
Olympia, WA 98501  
(360) 741-2675  
(360) 741-2686 Fax  
www.wpuda.org

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OCT 12 2008  
CHAIR, WUTC

October 9, 2008

Mark Sidran, Chairman  
Washington Utilities & Transportation Commission  
P.O. Box 47250  
1300 S. Evergreen Park Dr. SW  
Olympia, WA 98504-7250

Commissioner Sidran:

The Washington Public Utility Districts Association urges the Washington Utilities & Transportation Commission to consider the desire of local communities in our state to own and operate their own electric utilities, prior to authorizing the sale of Puget Sound Energy to a consortium of foreign investors led by the Macquarie Bank of Australia.

There are currently 56 publicly owned electric utilities in the state – municipal utilities, public utility districts and cooperatives – providing service to more than half the state’s residents. And with a single exception, they all provide electricity at rates less than PSE now charges. Should the UTC approve PSE’s latest request for another 8 percent increase, the company’s rates will be higher than all 56 public power utilities in the state.

In at least three additional communities – Jefferson and Skagit counties and on Whidbey Island – residents will go to the polls this fall to determine whether to pursue establishing their own community-owned electric utilities. The success of those ventures would depend to some degree on the cost of acquiring the existing distribution systems owned by Puget Sound Energy.

At the same time, PSE is before your commission seeking approval to sell the company to a consortium of foreign investors.

We believe that Puget Sound Energy should offer to sell its distribution system to interested local communities before selling the company to foreign investors. Communities that oppose foreign ownership of their electric company, or communities that feel they can do a better job of providing service than Puget Sound Energy, should have an opportunity to buy their local distribution systems.

Unfortunately, in each of the communities where residents are considering whether to establish electric utilities, PSE has threatened lengthy and expensive litigation to stop them from acquiring PSE's distribution system. Apparently PSE is for sale, just not to the local communities.


We believe that is poor public policy and that the UTC should condition the larger sale of the company to the Macquarie group on PSE first agreeing to sell portions of its distribution system to those communities that believe in local control and accountability. We believe that local buyers should have the same opportunity as a group of foreign investors.

It is also our belief that communities interested in establishing local electric utilities would be willing to pay the same, proportionally, for their share of the distribution system as PSE shareholders will be getting from the Macquarie group, or even an additional premium, based on a per mile or per customer assessment.

That could be a good deal for PSE, its shareholders, the local communities, and ultimately for the state. We are asking the UTC to give serious consideration to our proposal before making a final decision about the future of electrical service in Washington.

Communities in this state have a long history of successfully running their own electric utilities. In light of the pending sale of PSE to foreign investors, in a highly leveraged takeover that would significantly increase PSE's debt and in all likelihood drive rates even higher, we believe the UTC should give other communities the same opportunity.

Sincerely,



Steve Johnson, Executive Director  
Washington RUD Association