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February 3, 2009

VIA EMAIL AND OVERNIGHT MAIL

David Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 Evergreen Park Drive, SW
Olympia, WA 98504

**Re: *In re the Joint Application of Puget Holdings LLC and Puget Sound Energy, Inc.,
Docket No. U-072375***

Dear Mr. Danner:

Pursuant to Order 08 Approving and Adopting Settlement Stipulation; Authorizing Transaction Subject to Conditions (the “Final Order”) issued by the Commission on December 30, 2008, in WUTC Docket No. U-072375, Puget Holdings LLC (“Puget Holdings”) and Puget Sound Energy, Inc. (“PSE”) file the following:

- (i) a Schedule 132–Merger Rate Credit to the WN U-60, Tariff G for electric service of PSE, which provides for rate credits for electric service in compliance with Commitment No. 34 in the Multiparty Settlement Stipulation, Exhibit A to the Final Order (attached to this filing letter as Attachment A);
- (ii) a Schedule 132–Merger Rate Credit to the WN U-2 tariff for natural gas service of PSE, which provides for rate credits for natural gas service in compliance with Commitment No. 34 in the Multiparty Settlement Stipulation, Exhibit A to the Final Order (attached to this filing letter as Attachment B);
- (iii) an Affidavit of Christopher J. Leslie on behalf of Puget Holdings in compliance with the second condition of the Final Order (attached to this filing letter as Attachment C);

- (iv) an Affidavit of Christopher J. Leslie on behalf of Puget Holdings in compliance with the third condition of the Final Order (attached to this filing letter as Attachment D);
- (v) an Affidavit of Stephen P. Reynolds on behalf of Puget Energy, Inc. (“Puget Energy”) in compliance with the third condition of the Final Order (attached to this filing letter as Attachment E);
- (vi) a form of notice to prospective lenders in compliance with the fourth condition of the Final Order that (i) describes the ring-fencing provisions included in Commitment Nos. 8, 9, 10, 24, 35, 36, 37, 39, and 40, (ii) states that these provisions in Commitment Nos. 8, 9, 10, 24, 35, 36, 37, 39, and 40 provide no recourse to PSE assets as collateral or security for debt issued by Puget Energy or Puget Holdings, and (iii) states that any change in control of Puget Holdings or change in ownership of ten percent or more of Puget Holdings, including lenders taking equity interest, requires Commission approval, as specified in the Commission clarification of Commitment No. 26 (attached to this filing letter as Attachment F);
- (vii) a copy of the final Limited Liability Company Agreement of Puget Holdings (the “LLC Agreement”) in compliance with the fifth condition of the Final Order (attached to this filing letter as Attachment G);¹ and
- (viii) an Affidavit of Christopher J. Leslie on behalf of Puget Holdings in compliance with the eleventh condition of the Final Order (attached to this filing letter as Attachment H).

With respect to the affidavit regarding the capital expenditure credit facilities required by the second condition of the Final Order, the only changes to the credit agreements are non-substantive corrections of typographical errors, inserting effective dates, and other similar non-substantive changes.

¹ The Final Order requires Puget Holdings to file “a copy of its final Corporate Bylaws with the Commission prior to closing of the transaction.” Final Order at 151. Puget Holdings is a Delaware limited liability company and not a corporation. A limited liability company agreement—and not bylaws—governs the affairs of a limited liability company and the conduct of its business.

With respect to the LLC Agreement, which is CONFIDENTIAL per the Protective Order in WUTC Docket No. U-072375, Puget Holdings notes the following with regard to the fifth, ninth, and fourteenth conditions of the Final Order:

- Section 2.06 of the LLC Agreement provides for compliance by Puget Holdings and its subsidiaries with Commission rules and orders including, without limitation, the Final Order;
- Section 4 of the LLC Agreement describes the management of Puget Holdings;
- Section 4.03 of the LLC Agreement describes the requirement for and specifications of the Independent Manager(s) of Puget Holdings, including, without limitation, a definition of the word “regional” to mean Washington State as it applies to the Commitment No. 41, as required by the fourteenth condition of the Final Order;
- Sections 4.06(p), (q) and (r) of the LLC Agreement provide for supermajority Board approval, including the affirmative vote of the Independent Manager, of matters identified in Appendix C to the Draft LLC Agreement Term Sheet, subparts (D), (E) and (F), as required by the fifth condition of the Final Order; and
- Section 7.01 of the LLC Agreement requires all transfers of shares of Puget Holdings comply with the regulations and orders of the Commission.

Puget Holdings and PSE anticipate that the proposed transaction will close on February 6, 2009. At closing, Macquarie Capital Group Ltd. will transfer 9.9 percent of the equity ownership of Puget Holdings to MIP II Washington Holdings, L.P. (“MIP II”), as contemplated in the Final Order.²

² See, e.g., Final Order at 18 (noting that “Macquarie Capital Group Ltd. expects to sell down its minority position to other Macquarie Group-managed funds or other like-minded third party investors prior to financial close or shortly thereafter”).

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Puget Holdings and PSE respectfully request receipt of a letter accepting this filing no later than the close of business on Thursday, February 5, 2009, to allow the transaction to close as planned on Friday, February 6, 2009. If you have any questions, please contact either Sheree Carson at (425) 635-1422 or Jason Kuzma at (425) 635-1416.

Very truly yours,

A handwritten signature in black ink that reads "Sheree S. Carson". The signature is written in a cursive, flowing style.

Sheree S. Carson

SSC:ssc

Enclosures

cc: Administrative Law Judge Dennis Moss
Service List in Docket No. U-072375