

1 entered into by and between the parties on June 11, 2010, which is provided as
2 Exhibit No. KRK-3.

3 **Q. Please describe the course of events that led PSE to enter into the proposed**
4 **settlement with JPUD.**

5 A. In the summer of 2008, a sufficient number of signatures were gathered in
6 Jefferson County, Washington, to submit "Proposition No. 1" to the voters for
7 consideration in the November general election. Proposition No. 1 authorized
8 JPUD to "construct or acquire electric facilities for the generation, transmission or
9 distribution of electric power." Proponents of Proposition No. 1 advanced this
10 proposal as a means to authorize JPUD to take over PSE's service area in east
11 Jefferson County (the "Service Territory").

12 Proposition No. 1 was a controversial ballot measure. There was open and
13 vigorous public debate on the relative merits of "going public" as opposed to
14 maintaining PSE as the preferred service provider. In the course of these public
15 discussions, both PSE and JPUD also retained outside experts to undertake
16 independent preliminary feasibility analyses of the potential costs and risks that
17 JPUD was likely to face if it proceeded to acquire PSE's assets and go into the
18 business of providing retail electric service to our customers. JPUD's consultant,
19 D. Hittle & Associates, prepared a "Preliminary Feasibility Study" and concluded
20 that the cost to JPUD to acquire PSE's service area would be approximately
21 \$47.2 million, plus another \$9 million would be needed for start up and separation
22 costs in order to commence service. The D. Hittle & Associates study ~~is~~ provided