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April 6, 2009

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504

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

Nonconsolidation opinion regarding Puget Sound Energy, Inc. and its Upstream Affiliates (as defined below)

Commissioners and Staff:

We have acted as special counsel to Puget Sound Energy, Inc., a Washington corporation (*"PSE"*), for the purpose of providing this opinion to you in connection with the acquisition of PSE by Puget Holdings LLC, a Delaware limited liability company (*"Puget Holdings"*).

OPINION

Based upon the facts on the date hereof, and the assumptions, legal considerations and reasoning set forth herein, it is our opinion that based on existing statutory and case law, in a competently argued and properly presented case with a correctly reasoned judicial decision in conformity with existing statutory and case law, and over the competently argued objection of creditors of PSE or any other party in interest, the bankruptcy court would not, in a case under the Bankruptcy Code (as defined below) in which one or more Upstream Affiliates is a debtor, cause a substantive consolidation of the assets and liabilities of PSE with those of one or more Upstream Affiliates and treat such assets and liabilities as though PSE and one or more Upstream Affiliates were one entity.

BACKGROUND

PSE is wholly owned by Puget Energy, Inc., a Washington corporation ("*Puget Energy*"). Puget Energy is wholly owned by Puget Equico LLC, a Washington limited liability company ("*Equico*"). Equico is wholly owned by Puget Intermediate Holdings, Inc., a Washington corporation ("*Puget Intermediate*"). Puget Intermediate is wholly owned by Puget Holdings. Puget Holdings, Puget Energy, Equico and Puget Intermediate are hereinafter collectively referred to as the *"Upstream Affiliates."*

GENERAL QUALIFICATIONS AND ASSUMPTIONS

For purposes of this opinion we have only examined Order 08 entered on December 30, 2008 in Docket U-072375 by the Washington State Utilities and Transportation Commission (the "*Order*")

and the certificates attached hereto as Exhibit A (the "*Factual Certificates*"), and have assumed the accuracy thereof in all respects material to the our opinion. We have assumed in all respects material to our opinion that: (i) each of the Upstream Affiliates and PSE is validly existing under the laws of the jurisdiction of its organization; and (ii) creditors of PSE have reasonably relied on the separateness of PSE from any Upstream Affiliate and would suffer prejudice from, or would be harmed by, a consolidation of PSE with any Upstream Affiliate. We have conducted no independent factual investigation of our own, but rather have relied solely upon the Factual Certificates and the assumptions set forth herein, all of which we assume to be true, complete and accurate in all material respects.

The law covered by our opinion is limited to the Bankruptcy Reform Act of 1978 as amended and codified in Title 11 of the United States Code (the *"Bankruptcy Code"*). We have not reviewed, nor is our opinion in any way predicated upon an examination of, any other law.

We express no opinion as to any matter not specifically set forth herein, including, without limitation, the effect of substantive consolidation of any other entities or persons other than as expressly set forth herein. We note that the question of whether the assets and the liabilities of PSE will be substantively consolidated with those of any Upstream Affiliate is inherently fact-specific. Other than as specifically provided herein, we cannot opine as to what action a court will take in the future when reviewing actions that have not occurred as of the date hereof. We express no opinion as to the substantive consolidation of the assets and the liabilities of PSE with those of any Upstream Affiliate if such consolidation is done in a manner that is not prejudicial to PSE's creditors. Finally, we assume that any case involving the issues that are the subject of this opinion is properly presented and competently argued, and the applicable law is correctly applied.

ADDITIONAL FACTUAL ASSUMPTIONS

A. PSE.

1. To the extent material to its separateness, PSE at all times will comply with the ring-fencing provisions of the Order and consistent therewith, PSE will:

(a) not pledge its assets or guarantee or otherwise obligate itself with respect to any debts, liabilities or obligations of any Upstream Affiliate or hold out itself or its credit as being available to satisfy any debts, liabilities or obligations of any Upstream Affiliate;

(b) not acquire any obligations or securities of any Upstream Affiliate or otherwise advance credit to or make loans to any Upstream Affiliate;

(c) maintain its debt separate from the financial securities and debt of any Upstream Affiliate;

(d) maintain its own books, records and accounts that are separate and apart from any Upstream Affiliate's books, records and accounts, provided that the foregoing will not prevent PSE, for non-Washington regulatory purposes, from being included in consolidated

financial statements in accordance with generally accepted accounting principles, consolidated tax returns and tax reporting in accordance with applicable tax law and regulations, and other consolidated financial presentation and reporting;

(e) not commingle its funds or assets with those of any Upstream Affiliate, other than pursuant to a centralized cash management system with a record keeping procedure that permits one to determine the portion of the commingled cash owned by PSE;

(f) transact business with any Upstream Affiliate only on commercially reasonable terms that are no less favorable to PSE than terms obtainable in an arms-length relationship with an unrelated third party;

(g) hold itself out as a corporation separate and apart from any Upstream Affiliate and observe all corporate formalities;

(h) conduct its own business in its own name or an acronym (such as "PSE") commonly associated with PSE; and

(i) allocate expenses and overhead shared with any Upstream Affiliate fairly and reasonably.

2. PSE is, and intends in the future to remain, solvent; provided, however, that our opinion is not based on any assumption as to PSE's future solvency.

3. PSE maintains, and intends in the future to maintain, adequate capital in light of its contemplated business operations; provided, however, that our opinion is not based on any assumption as to PSE's future adequate capitalization.

4. PSE will not engage in any type of fraudulent activity material to its separateness.

B. **Upstream Affiliates.**

1. To the extent material to PSE's separateness, each Upstream Affiliate has caused, and at all times hereafter will cause, PSE to be operated and managed in compliance with the foregoing assumptions.

2. No Upstream Affiliate will engage in any type of fraudulent activity material to PSE's separateness.

LEGAL ANALYSIS

The general principle is well-established that the legal separateness of corporate entities will presumptively be recognized. Substantive consolidation is a judicially created doctrine that runs counter to this well-established principle. Under the doctrine of substantive consolidation, a bankruptcy court may, if appropriate circumstances are determined to exist, consolidate the assets and liabilities of different entities by merging the assets and liabilities of the entities and treating the related

entities as a consolidated entity for purposes of distribution in a bankruptcy case. Some courts have held that substantive consolidation can be used with similar effect to extend a debtor's bankruptcy proceeding to include in the debtor's estate the assets of a related entity that is not a debtor in a case under the Bankruptcy Code. In addition, some courts have held that a court can consolidate estates as to certain unsecured claims (e.g., trade claims) even if it is not consolidating as to all unsecured claims.

The modern statement of the doctrine is found in the opinions of the Courts of Appeals for the Third, Second and District of Columbia Circuits in their decisions in *Owens Corning*,[1] *Augie-Restivo*[2] and *Auto-Train*, [3] respectively. Under the Third Circuit test stated in *Owens Corning*, the proponent seeking substantive consolidation must establish either: "(i) the entities pre-petition disregarded their separateness so significantly that their creditors relied on the breakdown of entity borders and treated them as one legal entity, or (ii) post-petition that the assets and liabilities of the entities are so scrambled that separating them is prohibitive and hurts all creditors."[4] The Second Circuit's formulation in *Augie-Restivo*[5] (adopted by the Ninth Circuit)[6] is (1) "whether creditors dealt with the entities as a single economic unit and did not rely on their separate identity in extending credit" and (2) "whether the affairs of the two entities are so entangled that consolidation will benefit all creditors." Under the District of Columbia Circuit test as stated in *Auto-Train*[7] (also followed by the Eighth[8] and Eleventh[9] Circuits), the proponent of consolidation must make a prima facie case demonstrating: (1) that "there is substantial identity between the entities to be consolidated; and (2) [that] consolidation is necessary to avoid some harm or to realize some benefit." Once the proponent for consolidation has made this showing, "the burden shifts to an objecting creditor to show that (1) it has relied on the separate credit of one of the entities to be consolidated; and (2) it will be prejudiced by substantive

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1 *In re Owens Corning*, 419 F.3d 195 (3d Cir. 2005).

2 *Union Savings Bank v. Augie/Restivo Baking Co.* (*In re Augie/Restivo Baking Co.*), 860 F.2d 515 (2d Cir. 1988).

3 *Drabkin v. Midland-Ross Corp.* (*In re Auto-Train Corp., Inc.*), 810 F.2d 270 (D.C. Cir. 1987).

4 *Owens Corning*, 419 F.3d at 211.

5 *Augie/Restivo Baking Co.*, 860 F.2d at 518.

6 *Alexander v. Compton* (*In re Bonham*), 229 F.3d 750, 751 (9th Cir. 2000).

7 *Auto-Train*, 810 F.2d at 276.

8 *In re Gilles*, 962 F.2d 796, 799 (8th Cir. 1992).

9 *Eastgroup Properties v. S. Motel Ass'n, Ltd.*, 935 F.2d 245, 249 (11th Cir. 1991).

consolidation."[10] Although the D.C. Circuit's test -- to establish a prima facie case by requiring only that consolidation avoid some harm or realize some benefit -- states a less severe standard than the tests adopted by the Second and Third Circuits, those courts following the *Auto-Train* test will substantively consolidate only in the absence of actual reliance by a creditor on the separateness of the entities who is prejudiced by consolidation unless the benefits of substantive consolidation "heavily outweigh" the harm to the objecting creditor harmed by consolidation.[11] The Courts of Appeals' decisions uniformly deny consolidation if separate assets and liabilities of the entities can be identified and there is reliance by a significant creditor on the separateness of the entities. [12]

In circuits where there is no controlling Court of Appeals authority, the courts may rely on an analysis based upon lists of factors. Two sets of substantive consolidation factors are often cited. One list of factors taken from the older alter ego veil piercing case is collected in the Tenth Circuit's opinion in *Fish v. East.*[13] The second commonly cited list of factors appears in *In re Vecco Constr. Indus.*[14]

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[10] *Auto-Train,* 810 F.2d at 276.

[11] *Eastgroup*, 935 F.2d at 249. This "modern trend" was explicitly rejected in *Owens Corning*, 419 F.3d at 207.

[12] *Owens Corning*, 419 F.3d at 212 ("Where, as in the instant case, creditors . . . knowingly made loans to separate entities and no irremediable commingling of assets has occurred, a creditor cannot be made to sacrifice the priority of its claims against its debtor by fiat based on the bankruptcy court's speculation that it knows the creditor's interests better than does the creditor itself.")

[13] 114 F.2d 177, 191 (10th Cir. 1940):

1. The parent corporation owns all or a majority of the capital stock of the subsidiary.
2. The parent and subsidiary corporations have common directors or officers.
3. The parent corporation finances the subsidiary.
4. The parent corporation subscribes to all the capital stock of the subsidiary or otherwise causes its incorporation.
5. The subsidiary has grossly inadequate capital.
6. The parent corporation pays the salaries or expenses or losses of the subsidiary.
7. The subsidiary has substantially no business except with the parent corporation or no assets except those conveyed to it by the parent corporation.
8. In the papers of the parent corporation, and in the statements of its officers, "the subsidiary" is referred to as such or as a department or division.
9. The directors or executives of the subsidiary do not act independently in the interest of the subsidiary but take direction from the parent corporation.

The presence or absence of some or all of these "elements" does not necessarily lead to a determination that substantive consolidation is or is not appropriate.[15] Indeed, many of the "elements" are present in most bankruptcy cases involving affiliated companies or a holding company structure but do not necessarily lead to substantive consolidation. The Third Circuit and other courts have noted that some of these factors, particularly the "consolidation of financial statements," "difficulty of separating assets," "commingling of assets," and "profitability to all creditors," may be more important than others.[16]

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10. The formal legal requirements of the subsidiary as a separate and independent corporation are not observed.

See also Eastgroup, 935 F.2d at 249-50; *In re Tureaud*, 45 B.R. 658, 662 (Bankr. N. D. Okla. 1985), *aff'd*, 59 B.R. 973 (N.D. Okla. 1986), and *In re Gulfco*, 593 F.2d 921 (10th Cir. 1979); For a similar, but somewhat longer list, *see In re Drexel Burnham Lambert Group, Inc.*, 138 B.R. 723, 764 (Bankr. S.D.N.Y. 1992) (citing cases); *see also In re Giller*, 962 F.2d 796, 798-99 (8th Cir. 1992); *In re Affiliated Foods, Inc.*, 249 B.R. 770, 776-84 (Bankr. W. D. Mo. 2000); *In re Apex Oil Co.*, 118 B.R. 683, 692-93 (Bankr. E.D. Mo. 1990) (relying, in part, on such factors, but also considering fairness of substantive consolidation to creditors).

[14] 4 B.R. 407, 410 (Bankr E.D. Va. 1986):

1. the degree of difficulty in segregating and ascertaining individual assets and liabilities;
2. the presence or absence of consolidated financial statements;
3. profitability of consolidation at a single physical location;
4. the commingling of assets and business functions;
5. the unity of interests and ownership between the various corporate entities;
6. the existence of parent or intercorporate guarantees or loans; and
7. the transfer of assets without formal observance of corporate formalities.

[15] *See In re Donut Queen, Ltd.*, 41 B.R. 706, 709-10 (Bankr. E.D.N.Y. 1984) (criteria should not be mechanically applied in determining consolidation; rather, factors should be evaluated within the larger context of balancing the prejudice resulting from the proposed order of consolidation with the prejudice alleged by creditor from the debtor's separateness.); *see also In re Drexel Burnham Lambert Group, Inc.*, 138 B.R. 723, 764-65 (the consolidation factors must be "evaluated within the larger context of balancing the prejudice resulting from the proposed consolidation against the effect of preserving separate debtor entities.").

[16] *Owens Corning*, 419 F.3d at 210-11; *see also Morse Operations, Inc. v. Robins Le-Cocq, Inc., (In re Lease-A-Fleet, Inc.)*, 141 B.R. 869, 877 (Bankr. E.D. Pa. 1992) (noting that, in that particular case, "the more important factors" have not been alleged or asserted "with any degree of particularity"); *R^2 Investments, LDC v. World Access, Inc. (In re World Access, Inc.)*, 301 B.R. 217,

We also note that several cases have considered a factor articulated in 1942 in *Stone* -- i.e., whether "by . . . ignoring the separate corporate entity of the [subsidiaries] and consolidating the proceeding . . . with those of the parent corporation . . . all the creditors receive that equality of treatment which it is the purpose of the bankruptcy act to afford."[17] Arguably, these cases reflect "the courts' recognition of the increasingly widespread existence in the business world of parent and subsidiary corporations with interrelated corporate structures and functions"[18] and suggest that, in the absence of harm or prejudice to any particular group, a court would be less concerned with traditional concepts of actual or constructive blameworthy behavior. There are bankruptcy court decisions in which courts have ordered substantive consolidation where consolidation would enhance the debtors' chances of successful reorganization.[19] It is important, however, to note that the courts in these cases have emphasized the absence of any harm or prejudice to any particular group or have concluded, after considering the equities, that any harm or prejudice is outweighed by the benefits of substantive consolidation.[20]

The United States Courts of Appeals for the Second Circuit and the Third Circuit, however, have ruled that merely furthering the reorganization effort is not, in the absence of the more traditional

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276 (Bankr. N.D. Ill. 2003). Conversely, *Augie/Restivo*, 860 F.2d at 519, and *Owens Corning*, 419 F.3d at 212, point to explicit guarantees as indicia of separateness.

[17] *Stone v. Eacho*, 127 F.2d 284, 288 (4th Cir. 1942); *see also In re Richton Intern. Corp.*, 12 B.R. 555, 558 (Bankr. S.D.N.Y. 1981) (considering, as a key factor, that consolidation "will yield an equitable treatment of creditors without any undue prejudice to any particular group"); *In re Manzey Land & Cattle Co.*, 17 B.R. 332, 332 (Bankr. D.S.D. 1982); *In re Food Fair, Inc.*, 10 B.R. 123, 127 (Bankr. S.D.N.Y. 1981).

[18] *In re F. A. Potts & Co., Inc.*, 23 B.R. 569, 571 (Bankr. E.D. Pa. 1982); *see also Eastgroup Props.*, 935 F.2d at 248-49 (noting a "modern" or "liberal" trend toward allowing substantive consolidation in "recognition of the widespread use of interrelated corporate structures by subsidiary corporations operating under a parent entity's corporate umbrella") (quoting *In re Murray Indus.*, 119 B.R. 820, 828-29 (Bankr. M.D. Fla. 1990)); *Richton Int'l Corp.*, 12 B.R. at 555; *In re Vecco Const. Indus., Inc.*, 4 B.R. 407 (Bankr. E.D. Va. 1980); *In re Interstate Stores, Inc.*, 1 B.R. 755 (Bankr. S.D.N.Y. 1980); Seth D. Amera & Alan Kolod, *Substantive Consolidation: Getting Back to Basics*, 14 AM. BANKR. INST. L. REV. 1 (2006); *but see Owens Corning*, 419 F.3d at 209, n.15 ("[t]hus we disagree with the assertion of a 'liberal trend' toward increased use of substantive consolidation.")

[19] *Manzey Land & Cattle*, 17 B.R. at 338; *F.A. Potts & Co.*, 23 B.R. at 573; *Murray Indus.*, 119 B.R. at 832; *Nite Lite Inns*, 17 B.R. 367 (Bankr. S.D. Cal . 1982).

[20] *See also In re Silver*, 2 Bankr. Ct. Dec. 470 (Bankr. D. Minn. 1976).

factors, enough to warrant substantive consolidation.[21]

Given that the power to order substantive consolidation derives from the equity jurisdiction of the bankruptcy courts, the issue is determined on a case-by-case basis and the decisions reflect the courts' analysis of the particular factual circumstances presented. A court's inquiry involves an examination of the organizational structures of the entities proposed to be consolidated, their relationships with each other, and their relationships with their respective creditors and other third-parties. In particular, the court will consider the impact upon the creditors of each entity if consolidation were to be ordered and whether such parties would be unfairly prejudiced or treated more equitably by substantive consolidation.

The question whether, and in what circumstances, a court should order substantive consolidation of the assets and liabilities of PSE with those of one or more Upstream Affiliates cannot be answered in the abstract but must take into account the actual facts and circumstances of the operations and relations of those entities over time. In light of the lack of a detailed, clearly prescribed standard for determining the appropriateness of substantive consolidation under existing case law, and given the equitable basis for the remedy, any opinion regarding substantive consolidation must, of necessity, be a reasoned opinion based on the various "elements" and, to the extent applicable, the balancing test applied by some courts. The circumstances of the future operations of PSE on one hand and the Upstream Affiliates on the other cannot be known today; however, operation of PSE and the Upstream Affiliates consistent with the Order and the assumptions set forth above will in our view be significant with respect to any effort to consolidate one or more Upstream Affiliates substantively with PSE in the event an Upstream Affiliate becomes a debtor in a case under the Bankruptcy Code.

Although there is a unity of ownership among the Upstream Affiliates and PSE, this fact does not, of itself, establish any harm or prejudice to creditors of the Upstream Affiliates. Further, the separate financial affairs of the Upstream Affiliates and PSE, the absence of guarantees by PSE of the indebtedness of any of the Upstream Affiliates, and the fact that PSE has not undertaken to make loans to provide working capital to any of the Upstream Affiliates should establish that the creditors of the Upstream Affiliates did not rely upon the credit of PSE.

We also do not believe a showing could be made of sufficient administrative necessity or convenience for the substantive consolidation of PSE and one or more Upstream Affiliates. PSE's assets would be segregated and readily identifiable and intercompany transactions properly recorded so that they would not be so intermingled that a prohibitively costly "unscrambling" that could threaten reorganization would be required.

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[21] In *Augie/Restivo*, the Second Circuit found that consolidation would unfairly prejudice the principal creditor of one of the debtors. *Augie/Restivo*, 860 F.2d at 520. In *Owens Corning*, the Third Circuit stated: "Mere benefit to the administration of the case (for example, allowing a court to simplify a case by avoiding other issues or to make postpetition accounting more convenient) is hardly a harm calling substantive consolidation into play." *Owens Corning*, 419 F.3d at 211.

Under these circumstances, while there is no case litigated on the merits directly on point, we are able to express our opinion set forth above. We note, however, that substantive consolidation is an equitable doctrine and that courts have accorded different degrees of importance to the factual elements before them in determining whether to exercise their equitable power to order substantive consolidation.

This opinion is rendered for the sole benefit of the addressee hereof and no other person or entity is entitled to rely hereon. The opinion expressed herein is given on the date hereof only, and we assume no obligation to update or supplement our opinion to reflect any fact or circumstance that may hereafter come to our attention or any change in law that may hereafter occur or become effective.

Very truly yours,

Perkins Coie LLP

PERKINS COIE LLP

EXHIBIT A

Factual Certificates

CERTIFICATE IN SUPPORT OF OPINION OF PERKINS COIE LLP

April 6, 2009

This Certificate is given in connection with the opinion letter dated April 6, 2009 (the "Opinion Letter") concerning substantive consolidation to be delivered by Perkins Coie LLP (the "Firm") in connection with the acquisition of Puget Sound Energy, Inc. by Puget Holdings LLC. Unless otherwise specified, capitalized terms not defined herein have the meanings assigned to them in the Opinion Letter.

The undersigned, in his capacity as Vice President Finance and Treasurer of Puget Sound Energy, Inc., hereby certifies, acknowledges and confirms the following:

1. I have knowledge of PSE's business and affairs. I have reviewed the Order and the portions of the Opinion Letter entitled "BACKGROUND", "GENERAL QUALIFICATIONS AND ASSUMPTIONS" and "ADDITIONAL FACTUAL ASSUMPTIONS " and have, or someone assisting me has, examined such corporate records, and made such inquiries of PSE's officers and counsel as I deemed reasonable and necessary in order to reasonably insure the material accuracy of the certifications set forth herein. With respect to the matters covered in this Certificate, it is understood that I am certifying as to matters of fact and not as to conclusions of law. It is further understood and acknowledged that I am executing this Certificate not in an individual capacity, but solely in my capacity as an officer and that I am without personal liability as to the matters contained in this Certificate. Neither PSE nor I am aware of any fact or circumstance that would render any factual statement or conclusion reached in this Certificate inaccurate, misleading or untrue in any material respect.

2. I am duly authorized by PSE to execute this Certificate on its behalf.

3. I acknowledge that the representations contained in this Certificate may be relied on by the Firm in rendering the Opinion Letter. PSE agrees to indemnify the Firm against any and all liability resulting from any material misrepresentation or misstatement contained in this Certificate.

4. The facts and assumptions contained under the headings "BACKGROUND", "GENERAL QUALIFICATIONS AND ASSUMPTIONS" and "ADDITIONAL FACTUAL ASSUMPTIONS " of the Opinion Letter that relate to PSE are, to the best of my knowledge and belief, true and correct in all material respects as of the date hereof, and PSE has no reason to believe that any statement or fact expressed in the Opinion Letter relating to PSE is untrue inaccurate or incomplete in any material respect.

PUGET SOUND ENERGY, INC.

By: _____

Donald E. Gaines
Title: Vice President Finance and Treasurer

CERTIFICATE IN SUPPORT OF OPINION OF PERKINS COIE LLP

April 6, 2009

This Certificate is given in connection with the opinion letter dated April 6, 2009 (the "Opinion Letter") concerning substantive consolidation to be delivered by Perkins Coie LLP (the "Firm") in connection with the acquisition of Puget Sound Energy, Inc. by Puget Holdings LLC. Unless otherwise specified, capitalized terms not defined herein have the meanings assigned to them in the Opinion Letter.

The undersigned, in his capacity as Vice President Finance and Treasurer of Puget Holdings LLC, hereby certifies, acknowledges and confirms the following:

1. I have knowledge of the business and affairs of the Upstream Affiliates. I have reviewed the Order and the portions of the Opinion Letter entitled "BACKGROUND", "GENERAL QUALIFICATIONS AND ASSUMPTIONS" and "ADDITIONAL FACTUAL ASSUMPTIONS " and have, or someone assisting me has, examined such corporate records, and made such inquiries of the Upstream Affiliates ' officers and counsel as I deemed reasonable and necessary in order to reasonably insure the material accuracy of the certifications set forth herein. With respect to the matters covered in this Certificate, it is understood that I am certifying as to matters of fact and not as to conclusions of law. It is further understood and acknowledged that I am executing this Certificate not in an individual capacity, but solely in my capacity as an officer and that I am without personal liability as to the matters contained in this Certificate. Neither any Upstream Affiliate nor I am aware of any fact or circumstance that would render any factual statement or conclusion reached in this Certificate inaccurate, misleading or untrue in any material respect.

2. I am duly authorized by Puget Holdings to execute this Certificate on its behalf and on behalf of the Upstream Affiliates.

3. I acknowledge that the representations contained in this Certificate may be relied on by the Firm in rendering the Opinion Letter. Puget Holdings agrees to indemnify the Firm against any and all liability resulting from any material misrepresentation or misstatement contained in this Certificate.

4. The facts and assumptions contained under the headings "BACKGROUND", "GENERAL QUALIFICATIONS AND ASSUMPTIONS" and "ADDITIONAL FACTUAL ASSUMPTIONS " of the Opinion Letter that relate to the Upstream Affiliates are, to the best of my knowledge and belief, true and correct in all material respects as of the date hereof, and no Upstream Affiliate has any reason to believe that any statement or fact expressed in the Opinion Letter relating to the Upstream Affiliates is untrue inaccurate or incomplete in any material respect.

PUGET HOLDINGS LLC

By: _____
Donald E. Gaines
Title: Vice President Finance and Treasurer