CITY OF BUCKLEY, WASHINGTON

RESOLUTION NO. 13-01

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BUCKLEY, WASHINGTON, DECLARING AN INTENT TO SELL THE CITY OF BUCKLEY NATURAL GAS UTILITY AND ISSUING A REQUEST FOR PROPOSALS FOR THE PURCHASE OF THE UTILITY.

WHEREAS, the City of Buckley City Council has determined that it is no longer in the financial interest of the City to continue operating its natural gas utility; and

WHEREAS, RCW 35.94.020 authorizes a city to sell its gas utility and requires that any such sale must be initiated by the adoption of a resolution specifying the general terms of sale, amongst other requirements; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF BUCKLEY, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. The City Council hereby adopts and issues a Request for Proposal and RFP Document, attached as Exhibit A and incorporated by this reference as if set forth in full, requesting proposals for the purchase of its natural gas utility.

Section 2. The city clerk shall publish this resolution not less than once a week for four weeks in the official newspaper of the city, together with a notice calling for sealed bids to be filed with the clerk no later than 5:00 pm, June 13, 2013, accompanied by a certified check payable to the order of the City as specified in the attached Request for Proposal.

RESOLVED this 8th day of January, 2013.

APPROVED BY:

[Signature]
Pat Johnson, Mayor

ATTEST:

[Signature]
Joanne Starr, Deputy City Clerk
APPROVED AS TO FORM:

[Signature]

Phil Olbrechts, City Attorney

POSTED: January 10, 2013
EXHIBIT A

REQUEST FOR PROPOSALS
CITY OF BUCKLEY
SALE OF NATURAL GAS UTILITY

Sealed proposals will be received by the undersigned at the City of Buckley, 933 Main Street, P.O. Box 1960, Buckley, Washington 98321, up to 5:00 p.m. on Thursday, June 13, 2013 for purchase of the City's Natural Gas Utility in accordance with RCW 35.94, Sale or Lease of Municipal Utilities. Bidders shall be Public or Private Natural Gas Utility Companies, regulated by the Washington State Utilities and Trade Commission (WUTC) who are currently in full compliance with State and Federal regulations.

The Proposals will be considered by the City Council for a period of time following the due date. All proposals must include requested information and comply with the specifications and requirements of the RFP Document. All Proposals must be accompanied by a certified check, cashier's check, money order, or bid bond payable to the "City of Buckley" and in an amount of not less than five percent (5%) of the total amount bid.

Potential Bidders may obtain a copy of the RFP Document, free of charge, in electronic format from the City Clerk of the City of Buckley ((360) 829-1921). In obtaining the RFP Document, Bidders must register with company name, physical address, phone and fax numbers, and email address. Registration is required to obtain Addenda.

The City of Buckley expressly reserves the right to reject any or all Proposals and to waive minor irregularities or informalities and to Accept the Proposal of the responsive, responsible bidder as it serves the interest of the City, in accordance with the process set forth in RCW 35.94.

(Signed)
JOANNE STARR, DEPUTY CITY CLERK

Dates of publication: [once a week for four consecutive weeks]
RFP DOCUMENT

The City of Buckley owns and operates a Natural Gas Utility that serves customers within the city limits. The U.S. Department of Energy classification of the system is a Municipally Owned Distribution Company. The City is hereby requesting proposals for purchase of its Natural Gas Utility.

The City purchases its natural gas from the Williams Pipeline, wheeled through the City of Enumclaw. As of the end of 2011, the City’s natural gas customers include 1,178 residential customers and 190 commercial customers. The distribution system includes four regulating stations and approximately 37 miles of gas mains.

The following information is attached as background information on the City of Buckley Natural Gas System:

1) Exhibit A, Revenue, 2012 Proposed Budget
2) Exhibit B, Expenditures, 2012 Proposed Budget
3) Table U.1 FTE Breakdown, Public Works, 2012
4) Capital Infrastructure Flowchart, 2012
5) USDOT PHMSA 2011 Annual Report
7) Natural Gas Distribution System Operator Qualification
8) Form EIA-176 2011 Annual Report
9) City of Buckley UGA and FUGA Maps

Site visits for a tour of the City’s natural gas utility infrastructure may be scheduled with Mr. John Dansby, Public Works Supervisor, (253) 261-9826. The City intends to schedule a pre-bid conference 3-4 weeks after publication of this RFP. Potential Bidders who have registered with the City as outlined in the RFP advertisement will be notified of the date and time of this meeting.

Required information in the Proposal is as follows:

1) Bid Price: Lump sum for Natural Gas System Complete
2) Proposed Customer Programs (e.g. energy efficiency rebates, incentives, reduced rate classifications)
3) Proposed five (5) year future rate analysis for the City’s system
4) Company Profile Information (e.g. firm qualifications and history, qualifications of key personnel, facility locations, insurance coverage’s, experience with WUTC and Federal Pipeline Safety Regulations)

All bids must comply with all requirements of RCW 35.94.020, quoted below.

This RFP does not commit the City to pay any costs incurred in the preparation of a response to this RFP.

Selection Process:

The proposal evaluation process implemented by the City shall be based on a “Best Overall Selection” taking into consideration price, programs offered, rate scenario(s) and background/qualifications of the bidder(s). The City reserves the right to make a selection directly from the proposal, or to require an interview of the firm(s) submitting proposals. The City’s Utilities Subcommittee will make recommendations to the City Council, who will then consider the proposals and subsequent committee recommendation. Subject to the provisions of RCW 35.94.020 the City Council can then award the contract
to the bid “it deems best” upon approval by 2/3’s of the Council by ordinance. The ordinance shall then be subject to a majority vote by the citizens of Buckley at the next general or special election. If approved by the voters, the ordinance shall take effect upon the mayor’s proclamation of voter approval, which is made as soon as the election results are certified.

If approved by the voters, the successful bidder will be required to enter into agreement with the City for the transfer of ownership. Terms of the agreement shall be negotiated between the parties prior to execution.

**RCW 35.94.020**

35.94.020. Procedure

The legislative authority of the city, if it deems it advisable to lease or sell the works, plant, or system, or any part thereof, shall adopt a resolution stating whether it desires to lease or sell. If it desires to lease, the resolution shall state the general terms and conditions of the lease, but not the rent. If it desires to sell the general terms of sale shall be stated, but not the price. The resolution shall direct the city clerk, or other proper official, to publish the resolution not less than once a week for four weeks in the official newspaper of the city, together with a notice calling for sealed bids to be filed with the clerk or other proper official not later than a certain time, accompanied by a certified check payable to the order of the city, for such amount as the resolution shall require, or a deposit of a like sum in money. Each bid shall state that the bidder agrees that if his or her bid is accepted and he or she fails to comply therewith within the time hereinafter specified, the check or deposit shall be forfeited to the city. If bids for a lease are called for, bidders shall bid the amount to be paid as the rent for each year of the term of the lease. If bids for a sale are called for, the bids shall state the price offered. The legislative authority of the city may reject any or all bids and accept any bid which it deems best. At the first meeting of the legislative authority of the city held after the expiration of the time fixed for receiving bids, or at some later meeting, the bids shall be considered. In order for the legislative authority to declare it advisable to accept any bid it shall be necessary for two-thirds of all the members elected to the legislative authority to vote in favor of a resolution making the declaration. If the resolution is adopted it shall be necessary, in order that the bid be accepted, to enact an ordinance accepting it and directing the execution of a lease or conveyance by the mayor and city clerk or other proper official. The ordinance shall not take effect until it has been submitted to the voters of the city for their approval or rejection at the next general election or at a special election called for that purpose, and a majority of the voters voting thereon have approved it. If approved it shall take effect as soon as the result of the vote is proclaimed by the mayor. If it is so submitted and fails of approval, it shall be rejected and annulled. The mayor shall proclaim the vote as soon as it is properly certified.

A strong preference will be given to firms that match the following:

- Bid price.
- Knowledge of the City’s utilities infrastructure and needs.
- Qualifications and reliability of the firm(s) natural gas background and experience.
- Long term rate projections and stability.
- Customer energy savings incentives and rebates.
- Familiarity and past compliance with WUTC and Federal Pipeline Safety Regulations.
- Firms that have facilities located within adequate emergency response distances.
- Firms with Washington State Licensed Professional Engineers.
• Firms with a full complement of OQ qualified staff pursuant to 49 CFR subparts 192.801 through 192.809.
• Standard required insurances.
• Firms with a willingness and ability to absorb OQ Certified employees currently working for the City’s Natural Gas System that would be displaced by a sale.
• Firms with the capability and willingness to expand the system into underutilized service areas.
RESOLUTION NO. 13-05

BUCKLEY, WASHINGTON

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BUCKLEY, PIERCE COUNTY, WASHINGTON DECLARING IT ADVISABLE TO ACCEPT THE BID OF PUGET SOUND ENERGY, INC. TO PURCHASE THE NATURAL GAS SYSTEM OF THE CITY OF BUCKLEY.

WHEREAS, pursuant to the provisions of RCW 35.94.020, the City Council of the City of Buckley adopted Resolution No. 13-01 dated January 8, 2013, pursuant to which it invited the submission of bids containing the terms of proposals by parties interested in purchasing the municipal gas system of said City; and

WHEREAS, notice of such resolution was thereafter published once a week for four consecutive weeks; and

WHEREAS, a timely and responsive bid in proper form, a copy of which is attached to this resolution as Exhibit A, was submitted by Puget Sound Energy, Inc., a corporation authorized to engage in the retail sale of natural gas.

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BUCKLEY, TWO-THIRDS OF ALL OF THE ELECTED MEMBERS OF WHICH VOTING IN FAVOR THEREOF:

It is advisable to accept the bid of Puget Sound Energy, Inc. attached to this resolution as Exhibit A, for the purchase by it of the municipal gas system of the City of Buckley.

Introduced, passed and approved this 9th day of July, 2013.

ATTEST:

Joanne Starr, Deputy City Clerk

APPROVED AS TO FORM:

Phil Olbrechts, City Attorney

POSTED: July 11, 2013
June 13, 2013

Patricia Johnson, Mayor
Dave Schmidt, City Administrator
City of Buckley
933 Main Street, P.O. Box 1960
Buckley, WA 98321

Regarding: Request for Proposals City of Buckley Sale of Natural Gas Utility

Dear Mayor Johnson and Mr. Schmidt,

Puget Sound Energy has been the sole provider of electric service to the City of Buckley since the original town was incorporated in 1889. We have built trust within communities like Buckley by operating safely and efficiently and offering services at competitive rates.

I am pleased to present to you a bid package in response to the City of Buckley Request for Proposals' process initiated earlier this year.

PSE is enthusiastic about the opportunity to build upon and expand our relationship with the residents and leadership of the City of Buckley by providing natural gas service to you.

Sincerely,

[Signature]
Roger Garratt
Director, Financial Planning and Strategic Initiatives
Puget Sound Energy, Inc.

Bid Package to Purchase the City of Buckley Natural Gas Distribution System

June 13, 2013
Puget Sound Energy, Inc. ("PSE") is pleased to respond to the City of Buckley’s Request for Proposals ("the Buckley RFP") with a bid to purchase its natural gas distribution system. In its more than 135 years of service to the Puget Sound area, PSE has remained a committed partner to the communities we serve by offering great customer service and helping to make our communities better places to live and work. PSE views this as an opportunity to further enhance our strong bond with the City of Buckley ("the City" or "Buckley") and to leverage our existing local infrastructure and resources to offer safe, reliable and affordable natural gas service and customer programs to the City’s residents, many of whom are already PSE electric service customers.

PSE is Washington State’s oldest local energy company, providing electric and natural gas service to customers primarily in the Puget Sound region of Western Washington. With a service area of more than 6,000 square miles, stretching from south Puget Sound north to the Canadian border, and from Central Washington’s Kittitas Valley west to the Kitsap Peninsula, we serve more than 1.1 million electric customers and more than 760,000 natural gas customers in 10 counties, including Pierce County.

BID PRICE

Puget Sound Energy, Inc. offers $5,400,000.00 for the assets of the City of Buckley’s natural gas utility.

Accompanying this bid is a cashier’s check payable to the City of Buckley totaling $270,000.00.

PSE acknowledges if its bid is accepted and it fails to comply therewith within the time hereunder the check or deposit shall be forfeited to the city.

CUSTOMER PROGRAMS

Unparalleled Customer Programs and Services
Providing customers safe and efficient energy solutions is very important to PSE. Following are some of the natural gas programs that would be available to the City of Buckley from PSE:

**Natural Gas Safety Response** - The safety of our customers and communities is paramount to PSE. As a result, we have over 100 gas first responders throughout the Puget Sound region that are fully trained and ready to respond to all gas safety and odor calls. Our gas first responders are consistently at every safety call within 30 minutes no matter where the location.

**Energy Efficiency Services** - PSE has natural gas rebates and incentives to help customers save money on their energy bills. These incentives range from gas furnace rebates, weatherization incentives, rebates for restaurants that cook with natural gas, and even fuel-switching incentives from homes currently heating with electricity and switch to natural gas. Homeowners have access to up to $5000 worth of natural gas incentives and rebates.

**Natural Gas Appliance Repair** - In addition to our safety response service, our gas first responders are also available to help ensure our customers’ equipment is operating safely and efficiently by replacing equipment parts, making mechanical adjustments and even simply explaining proper use. Our natural gas customers consistently rate this service highly.

**FIVE YEAR PROSPECTIVE RATE ANALYSIS**

PSE offers a variety of natural gas service offerings. City of Buckley customers would be placed on, or select, the appropriate tariff schedule for service. Buckley customers would be transitioned to PSE rates as expeditiously as allowed under current law at no charge.

PSE anticipates the majority of Buckley residential and commercial customers would see a drop in the overall price for their natural gas service; the Rainier School facility would pay about the same rate overall.

- Based on a comparison of residential natural gas rates, an average residential customer may pay up to 10 percent less under PSE rates than they would under current City of Buckley rates.
- Based on a comparison of commercial natural gas rates, an average commercial customer would pay about 6 percent less under PSE rates than they would under current City of Buckley rates.
City of Buckley customers would be placed on existing PSE rate schedules. Rates would adjust indiscriminately across all rate schedules as approved by the WUTC. Future five year rates are unknown. However, historical natural gas rates may provide some insight of possible rate scenarios:

BUCKLEY INFRASTRUCTURE AND NEEDS

PSE reviewed City construction and maintenance records, as well as WUTC audit records. The due diligence performed led the PSE team to conclude the Buckley natural gas system was in adequate condition and similar to PSE's regarding age, material, and construction.

At or prior to transition, PSE would likely perform a leak survey. Subsequently, customer meters would be swapped out in order to comply with State law that requires PSE to have knowledge of a meter's history.

On an ongoing basis, PSE programmatically evaluates system capacity deficiencies and expansion needs and then periodically upgrades its natural gas system.
PSE maintains service centers near Buckley, in the cities of Puyallup, Tacoma, and Enumclaw. PSE anticipates serving the City out of one or more of these pre-existing locations. The Bonney Lake community is already served by PSE natural gas operations from the nearby locations mentioned.

**PSE QUALIFICATIONS AND EXPERIENCE**

*Natural Gas Supply*
Puget Sound Energy introduced Washington territory to gas lighting in 1873. Today we operate the state's largest natural-gas distribution system serving more than 760,000 gas customers in six counties.

PSE manages a strategically diversified gas-supply portfolio to reduce financial risks and hold down customers' rates. PSE also controls gas-supply costs by storing gas in large underground facilities, then withdrawing it in winter when customer usage is highest.

All the gas PSE acquires is transported into the Company's service area through large interstate pipelines owned and operated by third parties. Once PSE takes possession of the gas, it is distributed to customers through more than 21,000 miles of PSE-owned gas mains and service lines.

PSE controls its gas-supply costs by acquiring gas, under contract, from a variety of gas producers and suppliers across the western United States and Canada. To obtain gas at the most favorable price, PSE carefully analyzes gas-market trends and conditions, then strategically procure gas under a mix of short-, medium- and long-term contracts. The combined price PSE pays for natural gas under these contracts is passed along to customers at cost, with no mark-up or profit for PSE. Another cost-saving measure involves flexible gas-transportation agreements with suppliers that enable PSE to selectively purchase gas from favorably priced locations.

PSE purchases 100 percent of the natural-gas supplies needed to serve its customers. About half the gas is obtained from producers and marketers in British Columbia and Alberta, and the rest comes from Rocky Mountains states.

*Natural Gas Reliability*
Maintaining safety, while delivering a consistent and affordable supply of natural gas is PSE's highest priority, which is why it regularly inspects and tests the natural gas system, making corrections before power-quality problems arise.

While state and federal maintenance requirements for natural-gas equipment are steadily increasing, PSE routinely goes beyond the required standards. PSE technicians and other field employees monitor the gas system daily for anything out of the ordinary.
Plus, PSE’s consistent maintenance and upgrades to the piping systems help ensure its reliability.

**Safety and Reliability Highlights**
- Sophisticated electronic gas-detection equipment is used to inspect every neighborhood’s system
- Transmission pipelines are surveyed for leaks every six months
- Gas mains in service areas with business and high-occupancy structures are examined for leaks annually
- About 60 percent of our natural gas system lines are corrosion-resistant plastic piping
- Cathodic protection is applied on steel pipelines to inhibit corrosion
- Upgrading many remaining steel pipelines to plastic piping

**WUTC AND FEDERAL PIPELINE SAFETY REGULATIONS**

PSE is committed to following Washington State, Federal, and utility best practices with regard to pipeline safety regulations. The Company proactively monitors the system and repairs equipment, and corrects deficiencies as they arise.

**WASHINGTON STATE LICENSED PROFESSIONAL ENGINEERS**

PSE employees approximately 100 licensed engineers and around 25 of them are involved with the Company’s natural gas operations.

**OQ QUALIFIED STAFF**

PSE is fully compliant with Subpart N of 49 CFR Part 192. In addition to PSE field employees, the Company can also call on its Service Provider to make available additional OQ qualified employees as needed. The training and qualification is set up through the PSE-UA Training Trust, an agreement between PSE and UA Local 32 that sets forth the understanding between the two parties relating to the training and qualification of PSE employees.

**INSURANCE PROGRAM**

PSE maintains a comprehensive program of risk retention and insurance.

The Company’s casualty program for General Liability, Auto Liability, Workers Compensation and Completed Operations has substantial limits in place. The self-insured retention, which is currently $2,000,000 per occurrence, may fluctuate from year to year; however, it is always consistent with PSE’s net worth and cash flows.
Excess insurance protection is purchased, which is consistent with that of other corporations of similar size and meets or exceeds the insurance required for the Buckley natural gas system.

PSE's property program also has substantial limits in place. The self-insured retention, which is currently $5,000,000, may fluctuate from year to year; however, it is also always consistent with PSE's net worth and cash flows. Excess property insurance protection is purchased, which is consistent with that of other corporations of similar size and meets or exceeds the insurance requirements necessary for this natural gas system. PSE self-insures its underground gas transmission and distribution systems.

PSE EMPLOYMENT OPPORTUNITIES

PSE is willing to extend an offer of employment to each of the City of Buckley's three current gas utility employees. PSE's training and operations staff would work with the employees, should they choose to accept an employment offer, to identify and address any training or qualification gaps to meet PSE's journey level standards.

The purchase transaction would occur irrespective of the City employees' decision regarding PSE job offers.

CLOSING

Puget Sound Energy, Inc. is pleased to extend a bid to purchase the City of Buckley's natural gas system. PSE has been in the community as an electric service provider for decades and welcomes the opportunity to expand our offerings by meeting the natural gas needs of the City's customers for years to come.
CITY OF BUCKLEY, WASHINGTON

ORDINANCE NO. 08 - 13

AN ORDINANCE ACCEPTING THE BID OF PUGET SOUND ENERGY, INC. TO PURCHASE THE GAS UTILITY OF THE CITY OF BUCKLEY, DIRECTING THE EXECUTION OF A CONVEYANCE THEREOF BY THE MAYOR, AND PLACING THE MATTER UPON BALLOT AT THE NOVEMBER, 2013, GENERAL ELECTION.

WHEREAS, pursuant to provisions of RCW 35.94.020, the City Council of the City of Buckley adopted Resolution No. 13-01, dated January 8, 2013, pursuant to which it invited the submission of bids containing the terms of proposals by parties interested in purchasing the municipal gas system of the City of Buckley, and

WHEREAS, notice of such resolution was thereafter published once a week for four consecutive weeks, and

WHEREAS, a timely and responsive bid in proper form, a copy of which is attached to this ordinance as Exhibit A, was submitted by Puget Sound Energy, Inc., a corporation authorized to engage in the retail sale of natural gas, and

WHEREAS, by Resolution No. 13-05, dated July 9, 2013, the City Council of the City of Buckley declared it advisable to accept such bid, and

WHEREAS, the City Council finds that the amount of money bid by Puget Sound Energy, Inc. constitutes full and fair market value for the gas system because (1) the bid was submitted as part of a public bid process, (2) the bid significantly exceeds the value of the gas system’s depreciated capital assets and costs of establishing a new system, and (3) the bid provides the only viable opportunity for the continued provision of natural gas service to Buckley residents at a competitive price because the City is no longer able to do so under expanding regulation of the natural gas industry,

WHEREAS, in order to prevent any public confusion on the issue, it is noted that the final sales price of the gas utility may be adjusted to a minor degree by the transfer of sale or other costs normally borne by the seller to the buyer or vice versa,

NOW, THEREFORE, be it ordained by the City Council of the City of Buckley, two-thirds of all of the elected members of such council voting in favor thereof:

Section 1. The bid of Puget Sound Energy, Inc. to purchase the municipal gas system of the City of Buckley, attached hereto as Exhibit A, is hereby accepted.
Section 2. The Mayor is authorized and directed to execute all necessary deeds, bills of sale, or other instruments reasonably necessary to effectuate such sale.

Section 3. This ordinance shall, notwithstanding the foregoing paragraphs, not be effective until it shall have been submitted to the voters of the City of Buckley for their approval or rejection at the November, 2013 general election, and a majority of the voters shall have approved the same.

Introduced, passed, and approved this 9th day of July, 2013

[Signature]
Mayor Pat Johnson

Attest:

[Signature]
Joanne Starr, Deputy City Clerk

APPROVED AS TO FORM

[Signature]
Phil Olbrechts, City Attorney

PUBLISHED: July 17, 2013
EFFECTIVE: Upon Certification of November 2013 General Election
June 13, 2013

Patricia Johnson, Mayor  
Dave Schmidt, City Administrator  
City of Buckley  
933 Main Street, P.O. Box 1960  
Buckley, WA 98321

Regarding: Request for Proposals City of Buckley Sale of Natural Gas Utility

Dear Mayor Johnson and Mr. Schmidt,

Puget Sound Energy has been the sole provider of electric service to the City of Buckley since the original town was incorporated in 1889. We have built trust within communities like Buckley by operating safely and efficiently and offering services at competitive rates.

I am pleased to present to you a bid package in response to the City of Buckley Request for Proposals process initiated earlier this year.

PSE is enthusiastic about the opportunity to build upon and expand our relationship with the residents and leadership of the City of Buckley by providing natural gas service to you.

Sincerely,

[Signature]
Roger Garratt  
Director, Financial Planning and Strategic Initiatives
Puget Sound Energy, Inc.

Bid Package to Purchase the City of Buckley Natural Gas Distribution System

June 13, 2013
Puget Sound Energy, Inc. ("PSE") is pleased to respond to the City of Buckley's Request for Proposals ("the Buckley RFP") with a bid to purchase its natural gas distribution system. In its more than 135 years of service to the Puget Sound area, PSE has remained a committed partner to the communities we serve by offering great customer service and helping to make our communities better places to live and work. PSE views this as an opportunity to further enhance our strong bond with the City of Buckley ("the City" or "Buckley") and to leverage our existing local infrastructure and resources to offer safe, reliable and affordable natural gas service and customer programs to the City's residents, many of whom are already PSE electric service customers.

PSE is Washington State's oldest local energy company, providing electric and natural gas service to customers primarily in the Puget Sound region of Western Washington. With a service area of more than 6,000 square miles, stretching from south Puget Sound north to the Canadian border, and from Central Washington's Kittitas Valley west to the Kitsap Peninsula, we serve more than 1.1 million electric customers and more than 760,000 natural gas customers in 10 counties, including Pierce County.

**BID PRICE**

Puget Sound Energy, Inc. offers $5,400,000.00 for the assets of the City of Buckley's natural gas utility.

Accompanying this bid is a cashier's check payable to the City of Buckley totaling $270,000.00.

PSE acknowledges if its bid is accepted and it fails to comply therewith within the time hereunder the check or deposit shall be forfeited to the city.

**CUSTOMER PROGRAMS**

*Unparalleled Customer Programs and Services*
Providing customers safe and efficient energy solutions is very important to PSE. Following are some of the natural gas programs that would be available to the City of Buckley from PSE:

**Natural Gas Safety Response** - The safety of our customers and communities is paramount to PSE. As a result, we have over 100 gas first responders throughout the Puget Sound region that are fully trained and ready to respond to all gas safety and odor calls. Our gas first responders are consistently at every safety call within 30 minutes no matter where the location.

**Energy Efficiency Services** - PSE has natural gas rebates and incentives to help customers save money on their energy bills. These incentives range from gas furnace rebates, weatherization incentives, rebates for restaurants that cook with natural gas, and even fuel-switching incentives from homes currently heating with electricity and switch to natural gas. Homeowners have access to up to $5000 worth of natural gas incentives and rebates.

**Natural Gas Appliance Repair** - In addition to our safety response service, our gas first responders are also available to help ensure our customers' equipment is operating safely and efficiently by replacing equipment parts, making mechanical adjustments and even simply explaining proper use. Our natural gas customers consistently rate this service highly.

**FIVE YEAR PROSPECTIVE RATE ANALYSIS**

PSE offers a variety of natural gas service offerings. City of Buckley customers would be placed on, or select, the appropriate tariff schedule for service. Buckley customers would be transitioned to PSE rates as expeditiously as allowed under current law at no charge.

PSE anticipates the majority of Buckley residential and commercial customers would see a drop in the overall price for their natural gas service; the Rainier School facility would pay about the same rate overall.

- Based on a comparison of residential natural gas rates, an average residential customer may pay up to 10 percent less under PSE rates than they would under current City of Buckley rates.
- Based on a comparison of commercial natural gas rates, an average commercial customer would pay about 6 percent less under PSE rates than they would under current City of Buckley rates.
City of Buckley customers would be placed on existing PSE rate schedules. Rates would adjust indiscriminately across all rate schedules as approved by the WUTC. Future five year rates are unknown. However, historical natural gas rates may provide some insight of possible rate scenarios:

**BUCKLEY INFRASTRUCTURE AND NEEDS**

PSE reviewed City construction and maintenance records, as well as WUTC audit records. The due diligence performed led the PSE team to conclude the Buckley natural gas system was in adequate condition and similar to PSE's regarding age, material, and construction.

At or prior to transition, PSE would likely perform a leak survey. Subsequently, customer meters would be swapped out in order to comply with State law that requires PSE to have knowledge of a meter's history.

On an ongoing basis, PSE programatically evaluates system capacity deficiencies and expansion needs and then periodically upgrades its natural gas system.
PSE maintains service centers near Buckley, in the cities of Puyallup, Tacoma, and Enumclaw. PSE anticipates serving the City out of one or more of these pre-existing locations. The Bonney Lake community is already served by PSE natural gas operations from the nearby locations mentioned.

PSE QUALIFICATIONS AND EXPERIENCE

Natural Gas Supply
Puget Sound Energy introduced Washington territory to gas lighting in 1873. Today we operate the state's largest natural-gas distribution system serving more than 760,000 gas customers in six counties.

PSE manages a strategically diversified gas-supply portfolio to reduce financial risks and hold down customers' rates. PSE also controls gas-supply costs by storing gas in large underground facilities, then withdrawing it in winter when customer usage is highest.

All the gas PSE acquires is transported into the Company's service area through large interstate pipelines owned and operated by third parties. Once PSE takes possession of the gas, it is distributed to customers through more than 21,000 miles of PSE-owned gas mains and service lines.

PSE controls its gas-supply costs by acquiring gas, under contract, from a variety of gas producers and suppliers across the western United States and Canada. To obtain gas at the most favorable price, PSE carefully analyzes gas-market trends and conditions, then strategically procures gas under a mix of short-, medium- and long-term contracts. The combined price PSE pays for natural gas under these contracts is passed along to customers at cost, with no mark-up or profit for PSE. Another cost-saving measure involves flexible gas-transportation agreements with suppliers that enable PSE to selectively purchase gas from favorably priced locations.

PSE purchases 100 percent of the natural-gas supplies needed to serve its customers. About half the gas is obtained from producers and marketers in British Columbia and Alberta, and the rest comes from Rocky Mountains states.

Natural Gas Reliability
Maintaining safety, while delivering a consistent and affordable supply of natural gas is PSE's highest priority, which is why it regularly inspects and tests the natural gas system, making corrections before power-quality problems arise.

While state and federal maintenance requirements for natural-gas equipment are steadily increasing, PSE routinely goes beyond the required standards. PSE technicians and other field employees monitor the gas system daily for anything out of the ordinary.
Plus, PSE’s consistent maintenance and upgrades to the piping systems help ensure its reliability.

Safety and Reliability Highlights
- Sophisticated electronic gas-detection equipment is used to inspect every neighborhood’s system
- Transmission pipelines are surveyed for leaks every six months
- Gas mains in service areas with business and high-occupancy structures are examined for leaks annually
- About 60 percent of our natural gas system lines are corrosion-resistant plastic piping
- Cathodic protection is applied on steel pipelines to inhibit corrosion
- Upgrading many remaining steel pipelines to plastic piping

WUTC AND FEDERAL PIPELINE SAFETY REGULATIONS

PSE is committed to following Washington State, Federal, and utility best practices with regard to pipeline safety regulations. The Company proactively monitors the system and repairs equipment, and corrects deficiencies as they arise.

WASHINGTON STATE LICENSED PROFESSIONAL ENGINEERS

PSE employees approximately 100 licensed engineers and around 25 of them are involved with the Company’s natural gas operations.

OQ QUALIFIED STAFF

PSE is fully compliant with Subpart N of 49 CFR Part 192. In addition to PSE field employees, the Company can also call on its Service Provider to make available additional OQ qualified employees as needed. The training and qualification is set up through the PSE-UA Training Trust, an agreement between PSE and UA Local 32 that sets forth the understanding between the two parties relating to the training and qualification of PSE employees.

INSURANCE PROGRAM

PSE maintains a comprehensive program of risk retention and insurance.

The Company’s casualty program for General Liability, Auto Liability, Workers Compensation and Completed Operations has substantial limits in place. The self-insured retention, which is currently $2,000,000 per occurrence, may fluctuate from year to year; however, it is always consistent with PSE’s net worth and cash flows.
Excess insurance protection is purchased, which is consistent with that of other corporations of similar size and meets or exceeds the insurance required for the Buckley natural gas system.

PSE’s property program also has substantial limits in place. The self-insured retention, which is currently $5,000,000, may fluctuate from year to year; however, it is also always consistent with PSE’s net worth and cash flows. Excess property insurance protection is purchased, which is consistent with that of other corporations of similar size and meets or exceeds the insurance requirements necessary for this natural gas system. PSE self-insures its underground gas transmission and distribution systems.

PSE EMPLOYMENT OPPORTUNITIES

PSE is willing to extend an offer of employment to each of the City of Buckley’s three current gas utility employees. PSE’s training and operations staff would work with the employees, should they choose to accept an employment offer, to identify and address any training or qualification gaps to meet PSE’s journey level standards.

The purchase transaction would occur irrespective of the City employees’ decision regarding PSE job offers.

CLOSING

Puget Sound Energy, Inc. is pleased to extend a bid to purchase the City of Buckley’s natural gas system. PSE has been in the community as an electric service provider for decades and welcomes the opportunity to expand our offerings by meeting the natural gas needs of the City’s customers for years to come.