

FINANCING DISCUSSION

\$600M 30-year PSE BOND NEW ISSUE PRICING APPROVAL May 29, 2018

Background

Recall that in January 2018, the board approved management’s request to:

1. Repurchase through tender offer up to \$250 million of the 2067 junior subordinated notes (the “Hybrid”) and call any remaining balance;
2. Amend the senior note indenture to address fall-away structure;
3. [REDACTED]

We have successfully completed the Hybrid tender offer and called in the remaining notes and amended the senior note indenture to address fall-away. The purpose of this memorandum is to focus on next steps for item 3 above, and to provide an update on transaction economics and obtain final pricing approval from the securities pricing committee before we launch the new bond issuance in June.

Use of Proceeds

The proceeds of the new senior note issue will be used to refinance the Hybrid, redeem the \$200M maturity in June, and pay down short term debt and general corporate purposes.

Considerations

Restrictive Covenants: As of December 31, 2017, PSE had property to support an additional \$2.6 billion and \$535.0 million of additional indebtedness under its electric and gas mortgage indentures, respectively. PSE would issue the notes under its senior note indenture utilizing electric property.

Credit Ratings: PSE’s senior secured notes are rated A-/A2/A by S&P, Moody’s and Fitch, respectively.

Timing: [REDACTED]

Indicative Fees: Management expects to pay an underwriting fee of [REDACTED].

Syndicate Structure: PSE is considering a syndicate structure with [REDACTED] active book runners, [REDACTED] passive joint lead arrangers and [REDACTED] co-managers. [REDACTED]

[REDACTED] Selection was based, as it has in the past, on; a) ability and experience in similar transactions, b) participation levels in PE and PSE’s credit facilities, c) capabilities of investment professionals, d) anticipated ability to bring value to the transaction, e) expressed interest in leading the transaction.

Financing Plans from the 2018 5-year Plan

The 2018 5-year business plan included an assumed rate of [REDACTED].

Indicative Terms & Pricing

Based on recent indications from investment banks, the Company could issue at [REDACTED].

[REDACTED] Treasury rate	[REDACTED]
Credit spread (area)	[REDACTED]
Coupon	[REDACTED]

[REDACTED]

Requested Action

Management requests approval [REDACTED].