



April 12, 2002

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Draft Interpretive Statement A-020334

Dear Ms. Washburn:

We received the draft interpretive statement of the Washington Utilities and Transportation Commission (Commission) referenced above, and appreciate the opportunity to review the draft and provide comments. The purpose of this letter is to confirm our understanding of the draft interpretive statement and to suggest a procedure for us to follow in the future to comply with the RCW 80.08 filing requirements in connection with the issuance of securities under shelf registration statements. We are committed to providing the Commission with relevant and complete financing information on a timely basis, while at the same time preserving our ability afforded by the shelf registration process to respond quickly to market opportunities.

Shelf Registration

Rule 415 under the Securities Act of 1933 establishes shelf registration, which permits a company to register securities with the Securities and Exchange Commission (SEC) for sale to the public at an undetermined future date. The primary benefit of shelf registration is that it allows us to complete the SEC review process before we intend to issue securities. Because this review process can take from 30 to 60 days, the process can significantly delay our ability to issue securities to the public. By filing a shelf registration statement, however, we can complete this review at a time when we do not need to issue securities and, therefore, will not be disadvantaged by delays associated with the registration process. Once the SEC declares a shelf registration "effective" (meaning the registration statement has cleared the SEC review process), we can issue securities at any time without further SEC review. This allows us to issue securities to the public when market conditions are favorable, reducing our cost of capital, a benefit for both our customers and shareholders.

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PSE's Shelf Registration Process

To ensure that we are prepared to meet our financing requirements, we generally have an effective shelf registration available at all times. Our shelf registration statements will normally include a variety of securities, such as senior notes, first mortgage bonds, subordinated debentures and trust preferred securities. As permitted under Rule 415, in the registration statement, we specify the aggregate dollar amount of all securities we intend to offer, rather than specifying the dollar amount of each type of security we register. The initially filed registration includes a "base prospectus" that includes a general description of each type of security being registered and our intended use of the proceeds from a sale of the securities. The base prospectus will not contain detailed information on the terms of the registered securities; this will appear in the "prospectus supplement," which is filed with the SEC at the time the securities are sold.

When we intend to issue securities under a shelf registration, the Securities Pricing Committee the PSE board of directors will authorize certain PSE officers to negotiate the definitive terms of the offering within approved parameters; provided the pricing is completed within a stated time period (usually 15 to 45 days after committee approval). This provides the Company with additional flexibility to take advantage of favorable market conditions when they occur. The definitive terms of the securities are not known with certainty until shortly prior to the closing of the transaction when the securities are "priced." In the case of senior notes, for example, the terms would include, among other terms, the aggregate principal amount to be sold, the maturity date, the interest rate, as well as any redemption provisions.

Once the pricing occurs, a prospectus or pricing supplement, which describes the definitive terms, is prepared and filed with the SEC and delivered to the purchasers. The offering typically closes (or settles) within three trading days after pricing. During this time, PSE cannot terminate the transaction, though the initial purchasers will typically have limited rights to terminate the transaction if certain specified events occur.

Compliance with RCW 80.08

PSE's Current Practice

RCW 80.08.040 requires PSE to file certain information with the Commission before it issues securities. In the past, we have submitted the required filing at the time we file our shelf registration statement and, as permitted by RCW 80.08.040(4), we have requested (and received) an order from the Commission that we have complied with the

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requirements of RCW 80.08.040. No additional notice filings have been made in connection with sales of securities under the shelf registration.

Draft Interpretive Statement

Under the draft interpretive statement, we understand the Commission's interpretation of RCW 80.08.040 to be that filing a shelf registration statement with the SEC does not constitute "undertaking the issuance of a security" and, therefore, an RCW 80.08.040 notice filing is not required at the time PSE files a shelf registration statement. Under the draft interpretive statement as we understand it, a notice filing under RCW 80.08.040 should be made on a date when reasonable specificity or detail is available about the amount, type and terms of an actual issuance of securities under a shelf registration.

Proposed Filing Procedure Under Interpretive Statement

Assuming our understanding of the draft interpretive statement is correct, in order to provide the most relevant and complete financing information on a timely basis, we propose the following procedure for future RCW 80.08.040 notice filings with respect to our shelf registrations:

- ***Provide shelf registration statements to Commission.*** As suggested in the draft interpretive release, for informational purposes, PSE would provide to the Commission a copy of each effective shelf registration statement. Among other items, the shelf registration statement would indicate the types of securities registered and provide a general description of each security and our intended use of proceeds from the sale of the securities.
- ***Make RCW 80.08.040 notice filing after Securities Pricing Committee Approval of Basic Parameters.*** Definitive terms of an offering, including, for example, the aggregate principal amount to be sold, maturity dates and interest rates, are not available until pricing occurs. In recognition of that, PSE would submit the RCW 80.08.040 notice filing to the Commission as soon as practicable following the action by PSE's Securities Pricing Committee approving the parameters of a proposed offering (generally, within one business day). The filing would include the approved parameters for terms of the offering, including principal amounts, interest indices and interest rate spreads. Pursuant to RCW 80.08.040, PSE would reserve its right request the

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Commission to enter a written order prior to pricing that PSE has complied with the requirements of RCW 80.08.040.

- ***File Pricing Information.*** As soon as practicable following the actual pricing of an offering, PSE would file for informational purposes a copy of the relevant pricing or prospectus supplement.

Again, we appreciate and thank you for the opportunity to review the draft interpretive statement and to provide comments. We would welcome the opportunity to further discuss this matter. In particular, we would appreciate your comments and advice regarding our understanding of the draft interpretive statement and the procedures we have outlined above for making future RCW 80.08.040 filings in connection with our shelf registrations. I would be happy to meet with you in person to discuss any questions or comments you may have and to further develop a mutually acceptable procedure for future notice filings. Please do not hesitate to contact me directly at (425) 462-3870.

Very truly yours,

Puget Sound Energy, Inc.

By: 

Donald E. Gaines

Vice President Finance & Treasurer