

**EXHIBIT NO. \_\_\_(DEG-10C)  
DOCKET NO. UE-060266/UG-060267  
2006 PSE GENERAL RATE CASE  
WITNESS: DONALD E. GAINES**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-060266  
Docket No. UG-060267**

**THIRD EXHIBIT (CONFIDENTIAL) TO THE  
PREFILED REBUTTAL TESTIMONY OF  
DONALD E. GAINES  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED  
VERSION**

**AUGUST 23, 2006**

**PUGET SOUND ENERGY, INC.**

**Utility Capital Structure  
Cost of Capital and Rate of Return  
Average of Monthly Average Balances For 2007**

	(A)	(B)	(C)	(D)	(E)
				<b>Cost</b>	<b>Regulated</b>
	<b>Description</b>	<b>Amount (i)</b>	<b>Ratio</b>	<b>Rates</b>	<b>Cost of</b>
					<b>Capital</b>
					<b>Calculation</b>
7	Short Term Debt	XXXXXX	2.11%	6.66%	0.13%
8	Long Term Debt	XXXXXX	48.44%	6.64%	3.22%
9	Trust Preferred	XXXXXX	0.70%	8.54%	0.06%
10	Preferred Stock	XXXXXX	3.75%	7.61%	0.29%
11	Common Stock	XXXXXX	45.00%	11.25%	5.06%
12	<b>Total</b>	<b>XXXXXX</b>	<b>100.00%</b>		<b>8.76%</b>

**PUGET SOUND ENERGY, INC**  
**Utility Capital Structure Calculation**  
**December 31, 2006 Through December 31, 2007**  
**Average of Month-End Balances**

1	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
2															<u>Ave. of</u>
3															<u>Monthly</u>
4	<b>(\$ thousands)</b>	<b>Dec-06</b>	<b>Jan-07</b>	<b>Feb-07</b>	<b>Mar-07</b>	<b>Apr-07</b>	<b>May-07</b>	<b>Jun-07</b>	<b>Jul-07</b>	<b>Aug-07</b>	<b>Sep-07</b>	<b>Oct-07</b>	<b>Nov-07</b>	<b>Dec-07</b>	<u>Average</u>
															<u>Balances</u>
5	Short-term debt	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
6	Long-term debt	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
7	Total Debt	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
8	Trust Preferred	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
9	Preferred	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
10	Common	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
11	Total Capital	\$5,259,244	\$5,277,778	\$5,270,152	\$5,251,976	\$5,290,328	\$5,337,753	\$5,397,399	\$5,425,940	\$5,441,643	\$5,503,000	\$5,521,850	\$5,507,355	\$5,489,756	\$5,388,967
12															
13	Short-term debt	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
14	Long-term debt	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
15	Total Debt	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
16	Trust Preferred	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
17	Preferred	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
18	Common	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
19	Total	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
20															
21	PSE Common Equity	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
22	Puget Western Inc	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
23	Hydro Energy Developm	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
24	Total Subsidiary R.E.	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
25	Regulated Common Equity	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
26	(Excl. Sub. R.E.)														

Puget Sound Energy, Inc.  
 Cost of Short-Term Debt  
 For The 12 Months Ended December 31, 2007

1	(A)	(B)	(C)	(D)	(E)	(F)
2	(A)	(B)	(C)	(D)	(E)	(F)
3	(A)	(B)	(C)	(D)	(E)	(F)
4	(A)	(B)	(C)	(D)	(E)	(F)
5	(A)	(B)	(C)	(D)	(E)	(F)
6	(A)	(B)	(C)	(D)	(E)	(F)
7	(A)	(B)	(C)	(D)	(E)	(F)
8	(A)	(B)	(C)	(D)	(E)	(F)
9	(A)	(B)	(C)	(D)	(E)	(F)
10	(A)	(B)	(C)	(D)	(E)	(F)
11	(A)	(B)	(C)	(D)	(E)	(F)
12	(A)	(B)	(C)	(D)	(E)	(F)
13	(A)	(B)	(C)	(D)	(E)	(F)
14	(A)	(B)	(C)	(D)	(E)	(F)
15	(A)	(B)	(C)	(D)	(E)	(F)
16	(A)	(B)	(C)	(D)	(E)	(F)
17	(A)	(B)	(C)	(D)	(E)	(F)
18	(A)	(B)	(C)	(D)	(E)	(F)
19	(A)	(B)	(C)	(D)	(E)	(F)
20	(A)	(B)	(C)	(D)	(E)	(F)
21	(A)	(B)	(C)	(D)	(E)	(F)
22	(A)	(B)	(C)	(D)	(E)	(F)
23	(A)	(B)	(C)	(D)	(E)	(F)
24	(A)	(B)	(C)	(D)	(E)	(F)
25	(A)	(B)	(C)	(D)	(E)	(F)
	<b>Description</b>		<b>Short Term Debt Outstanding (i)</b>	<b>Interest Rate</b>	<b>Annual Charge</b>	<b>Cost Rate (ii)</b>
	Commercial Paper		XXXXX	5.54%	XXXXX	
	AR Securitization Facility		XXXXX	5.42%	XXXXX	
	Demand Promissory Note		XXXXX	5.44%	XXXXX	
	Bank Credit Facility		\$0	0.00%	\$0	
	Money Market		\$0	0.00%	\$0	
	Commitment Fees				XXXXX	
	12 Month Short Term Debt Issue Costs Amortization				XXXXX	
	<b>Total Short-Term Debt/Cost</b>		<b>XXXXX</b>		<b>XXXXX</b>	<b>6.66%</b>

(i) Average of Monthly Average Balance for 2007.

(ii) Cost Rate is calculated by dividing the Annual Charge (E) by the Outstandings (C).

**Puget Sound Energy, Inc.**  
**Short Term Debt Interest Expense Calculation**  
**For The 12 Months Ended December 31, 2007**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
		Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	
Est. AR Purchase Limit ( in 000's)	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$180,000	\$165,000	\$162,000	\$158,000	\$200,000	\$200,000	\$200,000	
STD Month End Balance (in 000's)	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Short Term Debt Funding (in 000's) (i)															
Commercial Paper	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
AR Securitization	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Demand Promissory Note	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
AR Availability After Proj Usage	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Number of Days in Month			31	28	31	30	31	30	31	31	30	31	30	31	365
CP Interest Expense (ii)		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
AR Interest Expense (ii)		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Demand Promissory Note		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Total STD Interest Expense		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Ave Monthly Borrowing Rate		5.80%	5.80%	5.77%	0.00%	5.61%	5.63%	5.36%	5.34%	5.34%	5.11%	5.11%	5.12%		
											Average Borrowing Rate			5.46%	
CP Borrowing Rate		5.90%	5.90%	5.90%	5.90%	5.70%	5.70%	5.70%	5.42%	5.42%	5.42%	5.20%	5.20%	5.20%	
AR Securitization Rate		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Demand Promissory Note (iii)		XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
3 Month															
Projected Short Term Rates	Libor	CP Spread	CP	AR Spread	AR										
1-Oct-06	5.70%	0.20%	5.90%	XXXXXX	XXXXXX										
1-Jan-07	5.70%	0.20%	5.90%	XXXXXX	XXXXXX										
1-Apr-07	5.50%	0.20%	5.70%	XXXXXX	XXXXXX										
1-Jul-07	5.22%	0.20%	5.42%	XXXXXX	XXXXXX										
1-Oct-07	5.00%	0.20%	5.20%	XXXXXX	XXXXXX										

(i) The Company's short term borrowing strategy is to fund the first \$29mm with proceeds from the PE inter-company loan and the next \$50mm of borrowing requirements in the commercial paper market to maintain market presence. Additional borrowing needs above \$80mm (aprox. \$29mm + \$50mm) are provided through the AR securitization facility.

(ii) Short term interest is calculated on the average balance for the month times the interest rate for the month divided by 360 times the actual days in the month.

(iii) The interest rate on the PE inter-company loan is the lower of the commercial paper rate or AR Sec rate during the month.

**Puget Sound Energy, Inc.**  
**Short Term Debt Commitment Fees & Amortization of Debt Issuance Costs**  
**For The 12 Months Ended December 31, 2007**

1	(A)	(B) Beginning Date	(C) Ending Date	(D) Days	(E) Unused	(F) Fee %	(G) Fee \$ (i)
2	<b>Commitment Fees</b>						
3							
4	5 Year Bank Revolving Credit	1/1/2007	12/31/2007	365	\$499,526,000	XXXXXX	XXXXXX
5	Facility Size:						
6	\$500,000,000						
7							
8	AR Securitization	1/1/2007	12/31/2007	365	\$200,000,000	XXXXXX	XXXXXX
9	Facility Size:						
10	\$200,000,000						
11							
12	Letter of Credit Fees	1/1/2007	12/31/2007	365	\$474,000	XXXXXX	XXXXXX
13							
14							
15							
16	<b>Amortization of Debt Issuance Costs</b>						
17							
18	<u>5 Year Bank Revolving Credit</u>						
19	Monthly Amortization	XXXXXX					
20	No of Months in Year	XXXXXX					
21	Annual Amortization	XXXXXX					
22							
23							
24	<u>AR Securitization</u>						
25	Monthly Amortization	XXXXXX					
26	No of Months in Year	XXXXXX					
27	Annual Amortization	XXXXXX					
28							
29	<b>Total Annual Amortization</b>	XXXXXX					
30							
31	(i) Commitment fees are calculated for actual days elapsed on the basis of a 360 day year						

**Puget Sound Energy**  
**Cost of Debt For The 12 Months Ended December 31, 2006**

1	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)
2						Net			Month-End Balances Rollforward (\$ in millions)													Ave Amt
3		Principal	Interest	Issue	Maturity	Proceeds	Cost Rate	Annual	D-06	J-07	F-07	M-07	A-07	M-07	J-07	J-07	A-07	S-07	O-07	N-07	D-07	Outstandi
4	Bond	in 000's	Rate	Date	Date	Per \$100	(iii)	Charge														ng in
5		12/31/2006				(i)																000's)
6	MTN-A	\$100,000	7.750%	Jan-92	Feb-07	99.1612	7.850%	981,250	100.0	100.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	12.5
7	MTN-C	\$20,000	7.020%	Sep-95	Sep-07	98.9674	7.150%	1,012,917	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	.0	.0	.0	.0	14.2
8	MTN-C	\$5,000	7.040%	Sep-95	Sep-07	98.9674	7.170%	253,938	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	.0	.0	.0	.0	3.5
9	SN	\$150,000	3.363%	Jun-03	Jun-08	99.1883	3.540%	5,310,000	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
10	MTN-B	\$3,500	6.530%	Aug-93	Aug-08	98.9062	6.650%	232,750	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
11	MTN-B	\$1,000	6.510%	Aug-93	Aug-08	98.9060	6.630%	66,300	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
12	MTN-B	\$25,000	7.610%	Sep-00	Sep-08	99.2252	7.740%	1,935,000	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
13	MTN-B	\$150,000	6.460%	Mar-99	Mar-09	99.2645	6.560%	9,840,000	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
14	MTN-C	\$3,000	6.610%	Dec-95	Dec-09	99.3308	6.680%	200,400	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
15	MTN-C	\$5,000	6.620%	Dec-95	Dec-09	99.3308	6.690%	334,500	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
16	MTN-B	\$225,000	7.960%	Feb-00	Feb-10	99.2313	8.070%	18,157,500	225.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0
17	MTN-C	\$7,000	7.120%	Sep-95	Sep-10	98.9181	7.240%	506,800	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
18	MTN-C	\$260,000	7.690%	Nov-00	Feb-11	99.2812	7.790%	20,254,000	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0
19	MTN-B	\$3,000	6.830%	Aug-93	Aug-13	98.8139	6.940%	208,200	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
20	MTN-B	\$10,000	6.900%	Sep-93	Oct-13	98.8221	7.010%	701,000	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
21	MTN-C	\$10,000	7.350%	Sep-95	Sep-15	98.8439	7.460%	746,000	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
22	MTN-C	\$2,000	7.360%	Sep-95	Sep-15	98.8439	7.470%	149,400	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
23	SN	\$150,000	5.197%	Oct-05	Oct-15	99.1883	5.303%	7,954,500	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
24	MTN-A	\$200,000	6.740%	Jun-98	Jun-18	98.9851	6.830%	13,660,000	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
25	FMB	\$25,000	9.570%	Sep-90	Sep-20	99.3981	9.630%	2,407,500	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
26	MTN-C	\$15,000	7.150%	Dec-95	Dec-25	99.2119	7.210%	1,081,500	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
27	MTN-C	\$2,000	7.200%	Dec-95	Dec-25	99.2116	7.260%	145,200	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
28	MTN-A	\$300,000	7.020%	Dec-97	Dec-27	98.9857	7.100%	21,300,000	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
29	MTN-B	\$100,000	7.000%	Mar-99	Mar-29	99.0429	7.080%	7,080,000	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
30	PCB	\$23,400	5.100%	Mar-03	Mar-31	95.5490	5.410%	1,265,940	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4
31	PCB	\$138,460	5.000%	Mar-03	Mar-31	95.5490	5.310%	7,352,226	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5
32	SN	\$250,000	5.483%	May-05	Jun-35	84.8769	6.653%	16,632,500	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
33	SN	\$250,000	6.724%	Jun-06	Jun-36	107.5500	6.168%	15,420,000	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
34	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
35	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
36								Annual Charge on Reacquired Debt (ii)														
37	<b>Total LTD</b>	<b>2,758,360</b>				<b>(iv)</b>	<b>6.64%</b>	<b>173,348,226</b>	<b>2,683.4</b>	<b>2,683.4</b>	<b>2,583.4</b>	<b>2,583.4</b>	<b>2,583.4</b>	<b>2,583.4</b>	<b>2,583.4</b>	<b>2,583.4</b>	<b>2,583.4</b>	<b>2,633.4</b>	<b>2,633.4</b>	<b>2,633.4</b>	<b>2,633.4</b>	<b>2,610.4</b>

(i) Net proceeds are face amount less underwriter's fees and issuance expenses.

(ii) See schedule of Reacquired Debt on page 8.

(iii) Cost Rate for each bond is the yield to maturity based on net proceeds.

(iv) For total long term debt, the cost rate is the total annual charge including the annual charge on reacquired debt divided by the average outstanding balance for the period.

**Cost of New Issuances**

	(A)	(B)	(C)	(D)	(E)
		June 2006 30 year Issue	Sept 2006 30 year Issue	Oct 2007 year Issue	DRD -Nov 2006
1	<u>Bond &amp; Preferred Financings:</u>				
2	Principal	\$250,000,000	\$250,000,000	\$75,000,000	\$200,000,000
3	UST	5.3240%	5.0500%	5.0000%	
4	Credit Spread	1.4000%	1.4000%	1.0000%	
5	Issue Rate	6.7240%	6.4500%	6.0000%	7.0000%
6	Issue Date	06/30/06	09/15/06	09/15/07	11/01/06
7	Maturity Date	06/15/36	09/15/36	09/15/17	11/01/11
8	Redemption Value Per \$100	100.0000	100.0000	100.0000	100.0000
9	CST \$100	107.5500	99.0300	99.0200	97.5000
10	FREQUENCY	2	2	2	4
11	BASIS	0	0	0	0
12	YTM COST	<b>6.1700%</b>	<b>6.5240%</b>	<b>6.1330%</b>	<b>7.6100%</b>
13					
14	<u>Issuance Costs</u>				
15	Underwriting Fee	2,187,500	2,187,500	487,500	4,500,000
16	Rating Agency Fee	47,500	45,000	45,000	125,000
17	Comfort Letter	24,317	24,000	24,000	35,000
18	Shelf Expense Allocation	38,200	38,200	38,200	80,000
19	Printing	27,912	27,912	27,912	30,000
20	Shipman & Goodwin - Trustee counsel	1,200	1,200	1,200	0
21	PSE Counsel - Perkins	27,000	27,000	27,000	75,000
22	Underwriting Counsel	75,000	75,000	75,000	150,000
23	SEC Fee	10,272	10,300	10,300	
24	Hedge Settlement	-21,322,600	0	0	0
25	Total Issuance Costs	<u>(\$18,883,699)</u>	<u>\$2,436,112</u>	<u>\$736,112</u>	<u>\$4,995,000</u>



**Puget Sound Energy, Inc.**  
**Schedule of Annual Charges on Reacquired Debt**  
**For the 12 Months Ended December 31, 2007**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	
	Issue	Issue Date	Original Maturity	Redemption Date	Refinance Issue	Refinance Date	Maturity Dt for Amort.	Monthly Amortization (i)	No. of Months- 2007	Annual Amortization (i)	SAP #	
4	10.250%	29-Dec-87	15-Dec-97	15-Dec-95			10-Nov-16	\$1,528.00	12	\$18,336.00	18900013	
5	8.250%	9-Apr-86	1-Apr-96	1-Apr-92			1-Feb-07	\$9,098.22	1	\$9,098.22	18900153	
6	9.625%	15-Oct-90	15-Oct-97	7-Feb-94			1-Feb-24	\$14,073.35	12	\$168,880.20	18900173	
7	\$200mm VRN	15-Jul-04	15-Jul-04	27-May-05	30 Yr 5.483%	27-May-05	27-May-35	\$1,423.88	12	\$17,086.56	18900183	
8	9.140%	21-Jun-91	21-Jun-01	15-Jun-98			15-Jun-18	\$291.57	12	\$3,498.84	18900243	
9	PCB Series 1991A	7-Aug-91	1-Aug-21	11-Mar-03			1-Mar-31	\$3,790.04	12	\$45,480.48	18900253	
10	PCB Series 1991B	7-Aug-91	1-Aug-21	11-Mar-03			1-Mar-31	\$2,880.12	12	\$34,561.44	18900263	
11	PCB Series 1992	1-Mar-92	1-Mar-22	11-Mar-03			1-Mar-31	\$8,818.79	12	\$105,825.48	18900273	
12	PCB Series 1993	29-Apr-93	1-Apr-20	11-Mar-03			1-Mar-31	\$2,691.48	12	\$32,297.76	18900283	
13	WNG 8.4%	13-Jan-92	12-Jan-22	21-Mar-03			12-Jan-22	\$95.09	12	\$1,141.08	18900293	
14	WNG 8.39%	13-Jan-92	13-Jan-22	21-Mar-03			13-Jan-22	\$221.88	12	\$2,662.56	18900303	
15	PP 8.4%	7-May-92	7-May-07	26-Mar-03			7-May-07	\$504.26	4	\$2,017.04	18900313	
16	WGN 8.25%	12-Aug-92	12-Aug-22	29-May-03			12-Aug-22	\$5,207.14	12	\$62,485.68	18900323	
17	PSPL 8.2%	21-Dec-92	21-Dec-12	29-May-03			21-Dec-12	\$8,236.59	12	\$98,839.08	18900333	
18	PSPL 8.59%	9-Apr-92	9-Apr-12	29-May-03			9-Apr-12	\$1,286.88	12	\$15,442.56	18900343	
19	WGN 7.19%	18-Aug-93	18-Aug-23	18-Aug-03			N/A	\$887.99	12	\$10,655.88	18900353	
20	7.19% WGN MTN Due 2023	18-Aug-93	18-Aug-23	14-Nov-00			18-Aug-23	<u>(\$10,083.11)</u>	12	<u>(\$120,997.32)</u>	25700013	
21	<b>Total Amortization on Reacquired Debt</b>								<b>\$50,952.17</b>		<b>\$507,311.54</b>	

22  
23  
24  
25

26 (i) Amortization is over life of replacement issue or remaining life of called bond if no replacement issue.

**Puget Sound Energy, Inc.**  
**Cost of Preferred Stock**  
**For the 12 Months Ended December 31, 2007**

1	(A)	(C)	(D)	(E)	(I)	(J)	(K)	(L)	
2									
3		Issue Date	Maturity Date	Call Date	Dividend Rate	Average Monthly Ave. Balance	Net Proceeds Per \$100	Cost Rate	Annual Cost
4	<b>Trust Preferred (i)</b>								
5	8.231% Capital Trust I	6/6/97	6/1/27		8.23%	\$37,750,000	98.69	8.350%	3,152,125
6									
7	Total Trust Preferred Stock					Annual Amortization of Gain on Reacquired Shares (iii)			\$72,364
8						<u>\$37,750,000</u>		<u>8.54%</u>	<u>\$3,224,489</u>
9									
10	<b>Preferred Stock (ii)</b>								
11	XXXXXXXXXX	XXXXX	XXXXX	XXXXX	7.00%	XXXXXX	97.50	7.61%	XXXXX
12	4.84% Series	7/3/62	Sinking Fund	N/A	4.84%	\$1,458,300	97.87	4.95%	72,186
13	4.70% Series	5/19/64	Sinking Fund	N/A	4.70%	\$431,100	98.52	4.77%	20,563
14	Total Preferred Stock								Annual Amortization of Gain on Reacquired Shares (iii)
15						XXXXX		<u>7.61%</u>	XXXXX

- 17 (i) Cost Rate= Uses the yield to maturity calculation.  
18 (ii) Cost Rate=Dividend Rate/(Net Proceeds/Issue Amount)  
18 (iii) See schedule of Reacquired PS on page 10.

**PUGET SOUND ENERGY, INC**  
**Calculation of Amortization of Net Loss**  
**On Reacquired Preferred Stock**  
**For The 12 Months Ended December 31, 2007**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
<b>Gain or Loss on Reacquired Preferred Stock</b>										<b>Original (Gain) or Loss on Costs to Reacquire</b>	<b>End of Amortization Period</b>
<b>Issue</b>	<b>Par</b>	<b>Shares Issued</b>	<b>Issue Date</b>	<b>Date Re-acquired</b>	<b>Original Issue Amount</b>	<b>Reacquired Shares</b>	<b>Face Value Reacquired</b>	<b>Call Price</b>			
8.231% Capital Trust I				01-Jun-05			42,500,000	\$110.82	\$5,227,262		1-Jun-27
7.45% Series II	\$25	2,400,000	24-Nov-93	01-Nov-03	\$60,000,000	2,400,000		\$25.00	\$0		n/a
7.75% Series (i)	\$100	750,000	25-Mar-92	15-Aug-03	\$75,000,000	337,500		\$102.07	\$698,625		14-Aug-13
8.231% Capital Trust I (ii)				21-Feb-03			19,750,000	\$99.00	(\$197,500)		1-Jun-27
Adj. Prfd.	\$25	2,000,000		15-Aug-97	\$50,000,000	1,181,994		\$25.63	\$738,746		15-Aug-07
4.70%	\$100	150,000		15-Aug-97	\$15,000,000	51,854		\$89.32	(\$553,801)		15-Aug-07
4.84%	\$100	150,000		15-Aug-97	\$15,000,000	33,148		\$91.51	(\$281,427)		15-Aug-07

<b>Annual Amortization of Net Gain/( Loss) on Reacquired Preferred Stock</b>						
<b>Issue</b>	<b>Net (Gain) or Loss</b>	<b>No. of Years (Gain) Loss To Be Amortized</b>	<b>Months Amortized in Reporting Period</b>	<b>Monthly Amort</b>	<b>Prorated Net Loss (Gain)</b>	
<b>Trust Preferred</b>						
8.231% Capital Trust I - Net Loss	\$5,048,024.23	22	12	\$19,121.30	<u>\$72,364</u>	
<b>Preferred Stock</b>						
7.75% Series (ii)	\$698,625.00	10	12	\$5,821.88	\$69,863	
Adj. Prfd.	\$738,746.00	10	8	\$9,234.33	\$110,812	
4.70%	(\$553,801.00)	10	8	(\$6,922.51)	(\$83,070)	
4.84%	(\$281,427.00)	10	8	(\$3,517.84)	(\$42,214)	
Total Redeemable and Nonredeemable PS	<u>\$602,143.00</u>				<u>\$55,390</u>	

30 (i) For Cost of Capital calculation, the loss on the 7.75% Preferred Stock will be amortized over 10 years.

31 (ii) In June 2005, the unamortized balance of this gain was netted against the loss on the June 2005 tender of the 8.231% Trust Pref.