

**EXHIBIT NO. \_\_\_(DEG-4)  
DOCKET NO. UE-11\_\_\_/UG-11\_\_\_  
2011 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-11\_\_\_  
Docket No. UG-11\_\_\_**

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

**JUNE 13, 2011**

**PUGET SOUND ENERGY, INC.**

**Utility Capital Structure  
Cost of Capital and Rate of Return  
For The 12 Months Ending December 31, 2010**

1	(A)	(B)	(C)	(D)	(E)
2					
3					<b>Weighted</b>
4				<b>Test Year</b>	<b>Cost of</b>
5	<u>Description</u>	<u>Amount (i)</u>	<u>Ratio</u>	<u>Cost (1)</u>	<u>Capital</u>
6					
7	<b>Short Term Debt</b>	\$137,068,618	2.05%	5.11%	0.11%
8					
9	<b>Long Term Debt</b>	\$3,314,651,667	49.49%	6.59%	3.26%
10					
11	<b>Common Stock (Note 1)</b>	<u>\$3,245,236,434</u>	<u>48.46%</u>	<b>10.80%</b>	<u>5.23%</u>
12					
13	<b>Total</b>	<u><b>\$6,696,956,719</b></u>	<u><b>100.00%</b></u>		<u><b>8.60%</b></u>
14					
15					

16 (i) - Average of Month-End Balances

17 **Note 1:** Test year actual capital structure and debt costs but with updated proposed ROE

**PUGET SOUND ENERGY, INC**  
**Utility Capital Structure Calculation**  
**Dec 31, 2009 Through Dec 31, 2010**  
**Average of Month-End Balances**

1	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O) Avg of Mo- end Balances
2	(\$ thousands)	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Balances
3	Commercial Paper	-	-	-	-	-	11,200	-	-	-	-	-	-	-	933
4	Intercompany Loan with PE	22,898	22,898	22,898	22,898	22,898	22,898	22,898	22,898	22,898	22,898	22,898	22,898	22,598	22,885
5	Bank Credit Facilities	\$105,000	\$185,000	\$325,000	\$40,000	\$65,000	\$177,000	-	-	-	\$77,000	\$127,000	\$187,000	\$247,000	113,250
6	<b>Short-term debt</b>	\$127,898	\$207,898	\$347,898	\$62,898	\$87,898	\$211,098	\$22,898	\$22,898	\$22,898	\$99,898	\$149,898	\$209,898	\$269,598	<b>\$137,069</b>
7	<b>Long-term Bonds</b>	\$2,870,860	\$2,870,860	\$2,645,860	\$2,970,860	\$2,970,860	\$2,970,860	\$3,220,860	\$3,220,860	\$3,220,860	\$3,213,860	\$3,213,860	\$3,213,860	\$3,213,860	<b>\$3,064,652</b>
8	<b>Jr. Subordinated Notes</b>	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	<b>250,000</b>
9	<b>Long Term Debt</b>	\$3,120,860	\$3,120,860	\$2,895,860	\$3,220,860	\$3,220,860	\$3,220,860	\$3,470,860	\$3,470,860	\$3,470,860	\$3,463,860	\$3,463,860	\$3,463,860	\$3,463,860	<b>\$3,314,652</b>
10	<b>Total Preferred</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	<b>Regulated Common Equity</b>	3,326,659	3,338,663	3,340,874	3,285,774	3,292,945	3,221,226	3,191,859	3,190,349	3,181,645	3,193,200	3,198,959	3,221,818	3,244,391	<b>3,245,236</b>
12	<b>Total Capital</b>	\$6,575,417	\$6,667,420	\$6,584,632	\$6,569,532	\$6,601,703	\$6,653,184	\$6,685,616	\$6,684,107	\$6,675,403	\$6,756,957	\$6,812,717	\$6,895,575	\$6,977,849	<b>\$6,696,957</b>
13	Short-term debt	1.9%	3.1%	5.3%	1.0%	1.3%	3.2%	0.3%	0.3%	0.3%	1.5%	2.2%	3.0%	3.9%	2.0%
14	Long-term debt	47.5%	46.8%	44.0%	49.0%	48.8%	48.4%	51.9%	51.9%	52.0%	51.3%	50.8%	50.2%	49.6%	49.5%
15	Total Debt	49.4%	49.9%	49.3%	50.0%	50.1%	51.6%	52.3%	52.3%	52.3%	52.7%	53.0%	53.3%	53.5%	51.5%
16	Preferred	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
17	Common	50.59%	50.07%	50.74%	50.02%	49.88%	48.42%	47.74%	47.73%	47.66%	47.26%	46.96%	46.72%	46.50%	48.46%
18	Total	100.0%	100.0%	100.0%	100.00%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
19	<b>Consol. Common Equity</b>	\$3,083,072	\$3,085,277	\$3,079,708	\$2,988,958	\$3,003,509	\$2,972,663	\$2,928,875	\$2,917,900	\$2,888,213	\$2,892,282	\$2,903,113	\$2,935,927	\$2,974,908	
20	Subsidiary R.E.														
21	Puget Western	5,840	5,840	5,840	5,695	5,695	5,695	5,550	5,550	5,550	5,240	5,240	5,240	4,883	
22	HEDC	(31,107)	(31,107)	(31,107)	(30,412)	(30,412)	-	-	-	-	-	-	-	-	
23	<b>Total Subsidiary R.E.</b>	(\$25,267)	(\$25,267)	(\$25,267)	(\$24,717)	(\$24,717)	\$5,695	\$5,550	\$5,550	\$5,550	\$5,240	\$5,240	\$5,240	\$4,883	
24	Other Comprehensive Income Adjustments (OCI) and Derivative Accounting														
25	Derivative Impacts through Income	(\$8,200)	(\$24,772)	(\$39,181)	(\$81,661)	(\$78,410)	(\$70,616)	(\$87,593)	(\$101,805)	(\$127,138)	(\$138,657)	(\$137,729)	(\$131,481)	(\$116,720)	
26	OCI - Derivatives	(90,732)	(84,418)	(78,250)	(71,590)	(68,767)	(66,566)	(64,462)	(60,152)	(56,306)	(52,129)	(48,447)	(45,202)	(41,870)	
27	OCI - Other	(119,389)	(118,928)	(118,468)	(118,848)	(117,542)	(117,076)	(116,479)	(116,042)	(115,537)	(115,371)	(114,910)	(114,448)	(115,777)	
28	<b>Total OCI Adj</b>	(218,320)	(228,119)	(235,899)	(272,099)	(264,719)	(254,258)	(268,534)	(277,998)	(298,981)	(306,157)	(301,086)	(291,131)	(274,366)	
29	<b>Regulated Common Equity</b>	\$3,326,659	\$3,338,663	\$3,340,874	\$3,285,774	\$3,292,945	\$3,221,226	\$3,191,859	\$3,190,349	\$3,181,645	\$3,193,200	\$3,198,959	\$3,221,818	\$3,244,391	

**Puget Sound Energy, Inc.**  
**Cost of Short-Term Debt**  
**For The 12 Months Ending December 31, 2010**

1	(A)	(B)	(C)	(D)	(E)
2					
3	<u>Description</u>	<u>Weighted Amt</u>	<u>Interest</u>	<u>Annual</u>	<u>Cost</u>
4		<u>Outstanding (i)</u>	<u>Rate</u>	<u>Charge</u>	<u>Rate</u>
5					
6	Commercial Paper	\$218,904	0.659%	\$1,443	
7	Demand Promissory Note	\$22,896,142	0.951%	\$217,697	
8	\$400mm Liquidity Facility	\$30,205,479	1.168%	\$352,815	
9	\$400mm Capex Facility	\$78,071,233	1.154%	\$900,827	
10	Interest Charges & Avg Borrowing Rate	<u>\$131,391,758</u>	1.121%	<u>\$1,472,782</u>	
11					
12	Commitment Fees			\$1,922,637	(ii)
13					
14	12 Month Short Term Debt Issue Costs Amortization			\$3,324,806	(iii)
15					
16	<b>Total Short-Term Debt/Cost</b>	<b>\$131,391,758</b>		<b>\$6,720,225</b>	<b>5.11%</b>
17					
18					
19	(i) Weighted Average <u>Daily</u> Balance Outstanding for 12 Months Ended				
20	(ii) See Pg 4 STD OS & Comm Fees (includes any LC Fees)				
21	(iii) See Pg 5 STD Amort				

PUGET SOUND ENERGY  
SHORT TERM DEBT RATE

For The 12 Months Ending December 31, 2010

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
<b>Weighted Avg. Outstandings and Rates and Total Commitment Fees</b>									
		<u>Wtd. Avg. Outstandings</u>	<u>Period Interest</u>	<u>Wtd. Avg. Rate (365)</u>	<u>Commitment Fees</u>				
Commercial Paper		\$218,904	\$1,443	0.659%	\$0				
Demand Promissory Note		\$22,896,142	\$217,697	0.951%	\$0				
\$400mm Liquidity Facility		\$30,205,479	\$352,815	1.168%	960,661				
\$400mm Capex Facility		\$78,071,233	\$900,827	1.154%	848,640				
Letters of Credit					113,336				
<b>Totals</b>		<u>\$131,391,758</u>	<u>\$1,472,782</u>	1.121%	<u>\$1,922,637</u>				
<b>Bank Facility Fees</b>									
<b>Commitment Fee Calculation</b>									
	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Days</u>	<u>Commitment</u>	<u>W. Avg Annual Utilized (Drawn)</u>	<u>W. Avg Annual Unutilized Commitment</u>	<u>Fee %</u>	<u>Fee \$</u>	
\$400mm Liquidity Facility	12/31/09	12/31/10	365	\$400,000,000	\$35,576,425	\$364,423,575	0.260%	\$960,661	
\$400mm Capex Facility	12/31/09	12/31/10	365	\$400,000,000	\$78,071,233	\$321,928,767	0.260%	848,640	
Bank Facility Commitment Fees								<u>\$1,809,301</u>	
<b>Letters of Credit (LC) Fees</b>									
				<u>Facility</u>	<u>Days</u>	<u>W. Avg Amount</u>			
Goldendale; Klickitat PUD Transmission				Wells Fargo (not within facility)	365	\$5,941,683	1.00%	\$60,242	
BPA Transmission				Liquidity Facility (Barclays)	365	\$5,370,946	0.975%	\$53,094	
<b>Total Fees</b>								<u>\$113,336</u>	
Commitment fees are calculated for actual days elapsed on the basis of a 360 day year.									

**PUGET SOUND ENERGY**  
**AMORTIZATION OF SHORT TERM DEBT ISSUE COSTS**  
For The 12 Months Ending December 31, 2010

(A)	(B)	(C)	(D)	(E)
1	<b>Description</b>	<b>\$400 million</b>	<b>\$400 million</b>	
2		<b>Working Cap Fac</b>	<b>Capex Fac</b>	<b>TOTAL</b>
3	<b>SAP #</b>	<b>18101083</b>	<b>18101073</b>	<b>AMORTIZATION</b>
4				
5	Beginning Balance			
6	As of: 12/31/09	\$6,758,418	\$6,758,418	
7				
8	January-10	(137,927)	(137,927)	
9	February-10	(137,939)	(137,939)	
10	March-10	(137,962)	(137,962)	
11	April-10	(137,969)	(137,969)	
12	May-10	(138,642)	(138,642)	
13	June-10	(138,831)	(138,831)	
14	July-10	(138,838)	(138,838)	
15	August-10	(138,851)	(138,851)	
16	September-10	(138,860)	(138,862)	
17	October-10	(138,860)	(138,862)	
18	November-10	(138,860)	(138,862)	
19	December-10	(138,860)	(138,862)	
20				
21	<b>Total Amortization for 12 months ended</b>	<b>(\$1,662,401)</b>	<b>(\$1,662,405)</b>	<b>(\$3,324,806)</b>
22				
23	Costs transferred in	41,832	41,878	
24	Costs transferred out			
25	Ending Balance	<u>\$5,137,849</u>	<u>\$5,137,891</u>	

**Puget Sound Energy, Inc. Cost of Long Term Debt (\$in 000's)**  
**For The 12 Months Ending December 31, 2010**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)
		Interest	Issue	Mat.	W. Avg.	Proceeds	Cost	Annual													
	Type	Rate	Date	Date	Amt O/S	Net (i)	Rate (ii)	Charge	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
1	MTN-B	7.960%	Feb-00	Feb-10	28,125	99.23	8.07%	2,270	225,000	225,000											
2	MTN-C	7.120%	Sep-95	Sep-10	4,958	98.85	7.25%	359	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000				
3	MTN-C	7.690%	Nov-00	Feb-11	260,000	99.28	7.79%	20,254	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000
4	MTN-B	6.830%	Aug-93	Aug-13	3,000	98.81	6.94%	208	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
5	MTN-B	6.900%	Sep-93	Oct-13	10,000	98.82	7.01%	701	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
6	MTN-C	7.350%	Sep-95	Sep-15	10,000	98.84	7.46%	746	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
7	MTN-C	7.360%	Sep-95	Sep-15	2,000	98.84	7.47%	149	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
8	SN	5.197%	Oct-05	Oct-15	150,000	99.19	5.30%	7,950	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
9	SN	6.750%	Jan-09	Jan-16	250,000	99.24	6.89%	17,225	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
10	MTN-A	6.740%	Jun-98	Jun-18	200,000	98.99	6.83%	13,660	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
11	FMB	9.570%	Sep-90	Sep-20	25,000	99.40	9.63%	2,408	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
12	MTN-C	7.150%	Dec-95	Dec-25	15,000	99.21	7.21%	1,082	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
13	MTN-C	7.200%	Dec-95	Dec-25	2,000	99.21	7.26%	145	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
14	MTN-A	7.020%	Dec-97	Dec-27	300,000	98.99	7.10%	21,300	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
15	MTN-B	7.000%	Mar-99	Mar-29	100,000	99.04	7.08%	7,080	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
16	PCB	5.000%	Mar-03	Mar-31	138,460	95.55	5.54%	7,676	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460	138,460
17	PCB	5.100%	Mar-03	Mar-31	23,400	95.55	5.65%	1,323	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400
18	SN	5.483%	May-05	Jun-35	250,000	84.89	6.65%	16,625	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
19	SN	6.724%	Jun-06	Jun-36	250,000	107.52	6.17%	15,425	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
20	SN	6.274%	Sep-06	Mar-37	300,000	98.81	6.36%	19,080	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
21	SN	5.757%	Sep-09	Oct-39	350,000	98.98	5.83%	20,405	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
22	SN	5.795%	Mar-10	Mar-40	257,292	98.96	5.87%	15,103				325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000
23	SN	5.764%	Jun-10	Jul-40	135,417	98.97	5.84%	7,908						250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
24	JrSubN	6.974%	Jun-07	Jun-17	250,000	98.23	7.23%	18,075	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
25																					
26																					
27		<b>Annual Charge from Reacquired Debt Schedule</b>							<b>1,114</b>												
28	<b>TOTAL LONG TERM DEBT</b>				<b>3,314,652</b>		<b>6.59%</b>	<b>218,272</b>	<b>3,120,860</b>	<b>3,120,860</b>	<b>2,895,860</b>	<b>3,220,860</b>	<b>3,220,860</b>	<b>3,220,860</b>	<b>3,470,860</b>	<b>3,470,860</b>	<b>3,470,860</b>	<b>3,463,860</b>	<b>3,463,860</b>	<b>3,463,860</b>	<b>3,463,860</b>
29																					
30																					
31		(i) Net proceeds are the net proceeds per \$100 face amount and are the proceeds less underwriter's fees and issuance expenses.																			
32		(ii) Yield to Maturity based on Net Proceeds																			

**Puget Sound Energy, Inc.**  
**Schedule of Annual Charges on Reacquired Debt**  
**For The 12 Months Ending December 31, 2010**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
		Issue	Maturity	Redemption	Refinance	Refinance	Maturity Date	Annual		
3	Issue	Date	Date	Date	Issue	Date	for Amort.	Amortization (i)	<u>SAP #</u>	
5	7.19% WNG MTN Due 2023	18-Aug-93	18-Aug-23	14-Nov-00			1-Feb-11	(\$120,997)	25700013	
6	PSPL 8.59%	9-Apr-92	9-Apr-12	29-May-03			9-Apr-12	\$15,443	18900343	
7	PSPL 8.2%	21-Dec-92	21-Dec-12	29-May-03			21-Dec-12	\$98,839	18900333	
8	10.250%	29-Dec-87	15-Dec-97	15-Dec-95			10-Nov-16	\$18,336	18900013	
9	8.231% Capital Trust I (Call)	6-Jun-97	1-Jun-27	1-Jun-07	JrSubN 6.974%	4-Jun-07	1-Jun-17	\$190,955	18900383	
10	9.14% PP	21-Jun-91	21-Jun-01	15-Jun-98	20 Yr 6.740%	15-Jun-98	15-Jun-18	\$3,499	18900243	
11	WNG 8.4%	13-Jan-92	12-Jan-22	21-Mar-03			12-Jan-22	\$1,141	18900293	
12	WNG 8.39%	13-Jan-92	13-Jan-22	21-Mar-03			13-Jan-22	\$2,663	18900303	
13	WNG 8.25%	12-Aug-92	12-Aug-22	29-May-03			12-Aug-22	\$62,486	18900323	
14	WNG 7.19%	18-Aug-93	18-Aug-23	18-Aug-03			18-Aug-23	\$10,656	18900353	
15	9.625% PP	15-Oct-90	15-Oct-97	7-Feb-94	30 Yr 7.350%	1-Feb-94	1-Feb-24	\$168,880	18900173	
16	8.231% Capital Trust I (Tender)	6-Jun-97	1-Jun-27	1-Jun-05			1-Jun-27	\$229,804	18900193	
17	PCB Series 1991A	7-Aug-91	1-Aug-21	11-Mar-03	2003 PCB's	11-Mar-03	1-Mar-31	\$45,480	18900253	
18	PCB Series 1991B	7-Aug-91	1-Aug-21	11-Mar-03	2003 PCB's	11-Mar-03	1-Mar-31	\$34,561	18900263	
19	PCB Series 1992	1-Mar-92	1-Mar-22	11-Mar-03	2003 PCB's	11-Mar-03	1-Mar-31	\$105,825	18900273	
20	PCB Series 1993	29-Apr-93	1-Apr-20	11-Mar-03	2003 PCB's	11-Mar-03	1-Mar-31	\$32,298	18900283	
21	\$200mm VRN	15-Jul-04	15-Jul-06	27-May-05	30 Yr 5.483%	27-May-05	27-May-35	\$17,087	18900183	
22	8.40% Capital Trust II	24-May-01	30-Jun-41	30-Jun-06	30 Yr 6.724%	30-Jun-06	15-Jun-36	\$197,021	18900373	
23										
24										
25	<b>Total Amortization on Reacquired Debt</b>							<b>\$1,113,977</b>		
26										
27										
28										
29	(i) Applicable monthly amortization during the 12 month reporting period;									
30	Amortization is over life of replacement issue or remaining life of called bond if no replacement issue.									