

**Exhibit No. DCP-5
Dockets UE-090704 and UG-090705
Witness: David C. Parcell**

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET UE-090704

DOCKET UG-090705

EXHIBIT TO TESTIMONY OF

DAVID C. PARCELL

**ON BEHALF OF
STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Rating Agency Reports

November 17, 2009

**STANDARD
& POOR'S**

RATINGS DIRECT

November 19, 2008

Research Update:

**Puget Energy Inc.'s, Puget Sound
Energy Inc.'s Corp Credit Ratings
Remain On Watch Neg**

Primary Credit Analyst:

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Table Of Contents

Rationale

Credit Watch

Ratings List

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Research Update:

Puget Energy Inc.'s, Puget Sound Energy Inc.'s Corp Credit Ratings Remain On Watch Neg

Rationale

On Nov. 19, 2008, Standard & Poor's Ratings Services said that its 'BBB-' corporate credit rating on Puget Energy Inc. (Puget) and Puget Sound Energy Inc. (PSE) remains on CreditWatch with negative implications, pending final regulatory approval proceedings related to the proposed merger with Macquarie Infrastructure Partners. The rating reflects the 'excellent' business profile of PSE, a regulated, vertically integrated electric and gas utility, and the 'aggressive' consolidated financial risk profile of Puget.

Puget's business risk profile is 'excellent', reflecting the combined electric and gas utility business of PSE, which is subject to regulation by the Washington Utilities and Transportation Commission (WUTC). The regulatory environment in Washington and how the company manages its relationship with the WUTC are key drivers of credit quality, especially in light of PSE's high capital needs and commodity price exposure. On Oct. 8, 2008, the WUTC issued its Final Order in PSE's 2007 general rate filing. The order approved the settlement agreement and granted a 46% equity ratio and a return on equity of 10.15%, resulting in a 7% increase in revenue requirements for electric customers and 4.6% for gas.

Puget's cost recovery mechanisms also support credit quality. The company has a great degree of flexibility in implementing rate changes through its power cost adjustment (PCA), but the threshold it must meet to true-up undercollected rates is high and deferred costs are not automatically collected. Each year, uncollected costs are subject to defined sharing bands, allowing the company to defer certain portions for collection from customers. However, the PCA mechanism does not trigger a rate increase until a minimum deferral balance is reached. Puget is also able to update rates for changes in projected costs by filing a power cost only rate case (PCORC), which gives it the flexibility to file for changes in variable and fixed costs whenever there is a projected deferral balance of \$30 million or more. The PCORC functions as a "mini" rate case that takes about five months and is especially useful for new plant additions or contracts. The use of this mechanism has allowed the company to keep deferral balances low and better match actual costs with collected costs.

Puget's financial risk profile is 'aggressive' under Standard & Poor's corporate risk matrix. Financial measures have been adequate for the rating, although cash flow coverage metrics have been mixed and are expected to weaken if the pending acquisition by Macquarie is completed. Adjusted funds from operations (FFO) to interest coverage was approximately 3.9x, while FFO to average total debt was at about 19.8% for the 12 months ended Sept. 30, 2008. Adjusted debt leverage -- including debt adjustments for operating leases, purchased power, and hybrid equity -- was approximately 58.5% as of Sept. 30, 2008, but is expected to rise slightly above 60% on a consolidated basis, if

Research Update: Puget Energy Inc.'s, Puget Sound Energy Inc.'s Corp Credit Ratings Remain On Watch Neg

the merger is completed as proposed.

Capital requirements are very high at PSE, with capital expenditures of \$2.7 billion planned for 2008 through 2010 related to system upgrade needs, customer growth, and further generation resource additions. Ongoing periodic debt and equity funds are expected to finance this growth.

Short-term credit factors

PSE's short-term rating is 'A-3'. Overall liquidity at PSE is adequate, with \$147 million in available capacity as of Sept. 30, 2008, under its \$500 million committed unsecured bank credit agreement that expires April 15, 2012, and a fully available \$150 million facility to support hedging activities, less \$35 million allocated to Lehman. In August 2008, PSE entered into a nine-month, \$375 million credit agreement with \$300 remaining available under the agreement. Additional liquidity resources at PSE include a \$200 million receivables securitization facility with \$29 million available and a cash balance of \$158 million as of Sept. 30, 2008. Liquidity requirements will remain high at PSE due to a high level of planned capital spending and potential collateral requirements related to the company's electric and gas supply arrangements. Debt maturities are manageable, with about \$158 million due in 2009 and \$232 million due in 2010. We expect Puget to internally fund at least 40% of capital expenditures in order to maintain a stable capital structure. Post-transaction Puget is expected to have ample liquidity due to the addition of new credit facilities.

Credit Watch

Standard & Poor's expects to resolve the Credit Watch listing shortly after the Washington Utilities and Transportation Commission's final decision.

Ratings List

Ratings Remaining On Credit Watch

Puget Energy Inc. Corporate credit rating	BBB-/Watch Neg/--
Puget Sound Energy Inc. Corporate credit rating	BBB-/Watch Neg/A-3
Commercial Paper Local Currency	A-3/Watch Neg
Junior Subordinated Local Currency	BB/Watch Neg
Preferred Stock Local Currency	BB/Watch Neg
Washington Natural Gas Co. Corporate credit rating	BBB-/Watch Neg/--
Senior Secured	BBB+/Watch Neg

Research Update: Puget Energy Inc.'s, Puget Sound Energy Inc.'s Corp Credit Ratings Remain On Watch Neg

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**STANDARD
& POOR'S**

RATINGS DIRECT

January 16, 2009

Research Update:

**Puget Sound Energy Inc.'s Corp
Credit Rtg Raised To 'BBB'; Puget
Energy Inc.'s Corp Credit Rtg
Lowered To 'BB+'**

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Table Of Contents

Rationale

Outlook

Ratings List

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Research Update:

Puget Sound Energy Inc.'s Corp Credit Rtg Raised To 'BBB'; Puget Energy Inc.'s Corp Credit Rtg Lowered To 'BB+'

Rationale

On Jan. 16, 2009, Standard & Poor's Ratings Services raised its corporate credit rating on integrated electric and gas utility company Puget Sound Energy Inc. (PSE) to 'BBB' from 'BBB-', its secured ratings to 'A-' from 'BBB+', and its preferred stock and junior subordinated debt ratings to 'BB+' from 'BB'. At the same time, Standard & Poor's lowered its corporate credit rating on Puget Energy Inc. (Puget) to 'BB+' from 'BBB-'. Standard & Poor's removed all the ratings from CreditWatch with negative implications. The outlook is stable.

The rating actions on PSE and Puget reflect their acquisition led by Macquarie Infrastructure Partners. All federal and state regulatory and shareholder approvals required for the merger have now been obtained, and the company expects the transaction to close by Feb. 6, 2009.

Standard & Poor's placed the ratings on CreditWatch with negative implications on Oct. 26, 2007. The action followed the announcement that Puget has agreed to sell itself to a consortium of private investors led by Macquarie Infrastructure Partners, an affiliate of Macquarie Group Ltd. (A-/Negative/A-2) for \$7.4 billion. The approved transaction is expected to increase total net debt by \$850 million on consolidated basis while reducing debt at PSE.

The upgrade of PSE and its related securities reflects Standard & Poor's view that plans to place an independent director on the board of directors of the utility company, coupled with other commitments, such as dividend restrictions, provides insulation to the utility company. In addition, the utility company's stand-alone financial metrics are expected to improve post-transaction as some debt is repaid and, on a forward basis, the capital structure is expected to be managed to a more credit supportive level. The downgrade of Puget Energy reflects the additional transaction debt and our expectation that the amount of priority debt, including all operating company debt and credit facilities, in addition to the insulation of the utility company, is a disadvantage to creditors of Puget Energy.

The business risk profile is 'excellent', reflecting the combined electric and gas utility business of PSE, which is subject to regulation by the Washington Utilities and Transportation Commission (WUTC). The regulatory environment in Washington and how the company manages its relationship with the WUTC are key drivers of credit quality, especially in light of PSE's high capital needs and commodity price exposure. PSE's cost recovery mechanisms support credit quality. The company has flexibility in implementing rate changes through its power cost adjustment (PCA), but the threshold it must meet to true up under-collected rates is high and deferred costs are not

Research Update: Puget Sound Energy Inc.'s Corp Credit Rtg Raised To 'BBB'; Puget Energy Inc.'s Corp Credit Rtg Lowered To 'BB+'

automatically collected. Each year, uncollected costs are subject to defined sharing bands, allowing the company to defer certain portions for collection from customers. However, the PCA mechanism does not trigger a rate increase until a minimum deferral balance is reached. Puget is also able to update rates for changes in projected costs by filing a power-cost-only rate case (PCORC), which gives it the flexibility to file for changes in variable and fixed costs whenever there is a projected deferral balance of \$30 million or more. The PCORC functions as a "mini" rate case that takes about five months and is especially useful for new plant additions or contracts. The use of this mechanism has allowed the company to keep deferral balances low and better match actual costs with collected costs.

Puget's financial risk profile is 'aggressive' under Standard & Poor's corporate risk matrix. Financial measures have been adequate for the rating, although cash flow coverage metrics have been mixed and are expected to weaken post-acquisition. Adjusted funds from operations (FFO) to interest coverage was approximately 3.9x, while FFO to average total debt was at about 19.8% for the 12 months ended Sept. 30, 2008. Due to the additional debt at the holding company, post-transaction coverages are expected to be run at 3.0x and no less than 12%, respectively. Adjusted debt leverage -- including debt adjustments for operating leases, purchased power, and hybrid equity -- is expected to rise slightly above 60%. Dividends to Puget may be restricted, under conditions of financial weakness at PSE.

PSE's financial risk profile is also categorized as 'aggressive' but it will reflect more robust financials metrics post-transaction due to the exclusion of holding company debt. Adjusted FFO to interest coverage is expected to average above 4x, while FFO to average total debt is expected to average above 20%. Adjusted debt leverage is expected to be balanced at 50%. Capital requirements are very high at PSE, with capital expenditures of \$2.7 billion planned for 2008 through 2010 related to system upgrade needs, customer growth, and further generation resource additions. Ongoing periodic debt and equity funds are expected to finance this growth.

Short-term credit factors

PSE's short-term rating is 'A-2'. Overall liquidity at PSE is adequate, with \$147 million in available capacity as of Sept. 30, 2008, under its \$500 million committed unsecured bank credit agreement that expires April 15, 2012, and a fully available \$350 million facility to support hedging activities, less \$35 million allocated to Lehman. In August 2008, PSE entered into a nine-month, \$375 million credit agreement with \$300 remaining available under the agreement. Additional liquidity resources at PSE include a \$200 million receivables securitization facility with \$29 million available and a cash balance of \$158 million as of Sept. 30, 2008. Liquidity requirements will remain high at PSE due to a high level of planned capital spending and potential collateral requirements related to the company's electric and gas supply arrangements. Debt maturities are manageable, with about \$158 million due in 2009 and \$232 million due in 2010. We expect PSE to internally fund at least 40% of capital expenditures in order to maintain a stable capital structure. Post-transaction, Puget is expected to have ample liquidity due to the addition of new credit facilities.

Research Update: Puget Sound Energy Inc.'s Corp Credit Rtg Raised To 'BBB'; Puget Energy Inc.'s Corp Credit Rtg Lowered To 'BB+'

Outlook

The stable outlook on Puget reflects our expectation that it will be able to refinance term loans and credit facilities that come due in five years and that financial risks are prudently managed such that they remain within our 'aggressive' financial category. Consolidated adjusted FFO to debt will remain above 12% on an ongoing basis and that adjusted debt to capital will remain near 60%. The stable outlook on PSE reflects reasonable and timely rate relief related to resource additions and changes in power costs. Factors that could lead to a negative outlook on both entities include commodity cost disallowances, excessive power cost deferrals that stretch liquidity, regulatory lag or insufficiency, or a disproportionate reliance on debt financing to meet its capital needs. Consideration of a positive rating outlook is unlikely at this time.

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Puget Energy Inc. Corporate Credit Rating	BB+/Stable/--	BBB-/Watch Neg/--

Upgraded; CreditWatch/Outlook Action

	To	From
Puget Sound Energy Inc. Corporate Credit Rating	BBB/Stable/A-2	BBB-/Watch Neg/A-3
Commercial Paper Local Currency	A-2	A-3/Watch Neg

Washington Natural Gas Co. Corporate Credit Rating	BBB/Stable/--	BBB-/Watch Neg/--
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Puget Sound Energy Capital Trust I Preferred Stock (1 issue)	BB+	BB/Watch Neg
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Puget Sound Energy Inc. Senior Secured (18 issues)	A-	BBB+/Watch Neg
Senior Unsecured (2 issues)	BBB	BBB-/Watch Neg
Junior Subordinated (1 issue)	BB+	BB/Watch Neg
Preferred Stock (2 issues)	BB+	BB/Watch Neg
Commercial Paper (1 issue)	A-2	A-3/Watch Neg

Upgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
Puget Sound Power & Light Co. Corporate Credit Rating	BBB/Stable--	BBB-/Watch Neg/--

Research Update: Puget Sound Energy Inc.'s Corp Credit Rtg Raised To 'BBB'; Puget Energy Inc.'s Corp Credit Rtg Lowered To 'BB+'

Upgraded; CreditWatch/Outlook Action

	To	From
Puget Sound Energy Inc.		
Senior Secured		
US\$300 mil 7.02% 1st mtg bnd ser A due 12/01/2027	A-	BBB+/Watch Neg
Recovery Rating	1+	1+
US\$200 mil 6.74% sr med-term nts due 06/15/2018	A-	BBB+/Watch Neg
Recovery Rating	1+	1+
US\$150 mil 6.46% fallaway 1st mtg bnd due 03/09/2009	A-	BBB+/Watch Neg
Recovery Rating	1+	1+
US\$100 mil 7% fallaway 1st mtg bnd ser B due 03/09/2029	A-	BBB+/Watch Neg
Recovery Rating	1+	1+
US\$225 mil 7.96% 1st mtg bnd due 02/22/2010	A-	BBB+/Watch Neg
Recovery Rating	1+	1+
US\$260 mil 7.69% 1st mtg bnd ser C due 02/01/2011	A-	BBB+/Watch Neg
Recovery Rating	1+	1+
US\$250 mil 5.483% 1st mtg bnd due 06/01/2035	A-	BBB+/Watch Neg
Recovery Rating	1+	1+
US\$150 mil 5.197% sr nts 1st mtg bnd due 10/01/2015	A-	BBB+/Watch Neg
Recovery Rating	1+	1+
US\$250 mil 6.724% fallaway sr nts 1st mtg bnd due 06/15/2036	A-	BBB+/Watch Neg
Recovery Rating	1+	1+
US\$300 mil 6.274% fallaway 1st mtg bnd due 03/15/2037	A-	BBB+/Watch Neg
Recovery Rating	1+	1+

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STANDARD
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RATINGS DIRECT

March 27, 2009

Summary:

Puget Sound Energy Inc.

Outlook

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Table Of Contents

Outlook
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Puget Sound Energy Inc.

Summary:

STANDARD
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RATINGS DIRECT

Summary:

Puget Sound Energy Inc.

Credit Rating: BBB/Stable/A-2

Rationale

The 'BBB' corporate credit rating on Puget Sound Energy Inc. (PSE) primarily reflects the risk profile of its integrated electric and gas utility operations, and the 'BB+' corporate credit rating on Puget Energy Inc. (Puget) primarily reflects the consolidated financial measures that are weaker due to additional debt leverage and disadvantaged by insulating provisions, following Puget's acquisition by an investor consortium that closed on Feb. 6, 2009. However, the relationship between these entities and lack of other operating units constrains the degree of separation between the two credit ratings.

Standard & Poor's Ratings Services views the package of commitments entered into by the company prior to the close of the merger, including the placement an independent director on the board of directors of the utility company, dividend restrictions based on minimum equity, financial tests, and credit ratings, as providing a degree of insulation to the utility company. In addition, the utility company's stand-alone financial metrics are expected to improve post-transaction as some debt is repaid and, on a forward basis, the capital structure is expected to be managed to a credit-supportive level. The corporate credit rating on Puget reflects the additional transaction debt and our expectation that the amount of priority debt, including all operating company debt and credit facilities, in addition to the insulation of the utility company, is a disadvantage to creditors of Puget.

The business risk profile is 'excellent', reflecting the combined electric and gas utility business of PSE, which is subject to regulation by the Washington Utilities and Transportation Commission (WUTC). The regulatory environment in Washington and how the company manages its relationship with the WUTC are key drivers of credit quality, especially in light of PSE's high capital needs and commodity price exposure. PSE's cost recovery mechanisms support credit quality. The company has flexibility in implementing rate changes through its power cost adjustment (PCA), but the threshold it must meet to true up under-collected rates is high and deferred costs are not automatically collected. Each year, uncollected costs are subject to defined sharing bands, allowing the company to defer certain portions for collection from customers. However, the PCA mechanism does not trigger a rate increase until a minimum deferral balance is reached. Puget is also able to update rates for changes in power costs by filing a power-cost-only rate case (PCORC), which gives it the flexibility to file for changes in variable and fixed costs whenever there is a projected deferral balance of \$30 million or more. The PCORC functions as a "mini" rate case that takes about five months and is especially useful for new plant additions or contracts. The use of this mechanism has allowed the company to keep deferral balances low and better match actual costs with collected costs. The holding company has no additional operating units or business activities, and thus carries the same business profile.

Puget's financial risk profile is 'aggressive' under Standard & Poor's corporate risk matrix. Financial measures have historically been adequate for the rating and are expected to weaken going forward due to the net addition of approximately \$850 million of acquisition debt. Adjusted funds from operations (FFO) to interest coverage was slightly over 4x, while FFO to average total debt was at about 17% for the year ended Dec. 31, 2008. However, these year-end financial positions do not reflect the increased debt at Puget upon the completion of its acquisition.

Summary: Puget Sound Energy Inc.

which closed in February. Due to the additional debt at the holding company, we expect consolidated post-transaction credit metrics to run at no less than 3x and 12%, respectively. Adjusted debt leverage -- including debt adjustments for operating leases, purchased power, and hybrid equity -- is expected to rise to slightly above 60%. Dividends to Puget could be restricted, under conditions of financial weakness at PSE. In addition, PSE must maintain investment-grade credit ratings and a minimum equity level, which may also restrict the dividend, pursuant to the company's commitments approved by state regulators.

PSE's financial risk profile is also categorized as 'aggressive' but it will reflect more robust financials metrics post-transaction due to the exclusion of holding company debt and the repayment of some utility debts. Adjusted EFO to interest coverage is expected to average above 4x, while EFO to average total debt is expected to average above 20%. Adjusted debt leverage is expected to be balanced at 50%. Capital requirements are very high at PSE, with capital expenditures of \$3.5 billion planned for 2009 through 2011 driven by infrastructure replacement, renewable standards, and other new resource requirements. Ongoing periodic external debt and equity funds are expected to supplement internal cash flows to finance this growth.

Short-term credit factors

PSE's short-term rating is 'A-2'. Overall liquidity at PSE is adequate. PSE has three committed unsecured revolving credit facilities that provide, in aggregate, \$1.15 billion in short-term borrowing capability. These new facilities include a \$400 million credit agreement for working capital needs, a \$400 million credit facility for funding capital expenditures, and a \$350 million facility to support other working capital and energy hedging activities. At the close of the merger on Feb. 6, 2009, PSE had borrowed \$70 million on the \$400 million working capital facility and had a \$30 million letter of credit outstanding under the \$350 million facility. In addition to the credit agreements, PSE had a \$6.6 million letter of credit through a bank in support of a long-term transmission contract. These facilities mature in 2014.

Effective with the close of the merger, Puget has a \$1.225 billion five-year term loan and a \$1 billion credit facility for funding capital expenditures. As of Feb. 6, 2009, the term loan was fully drawn at \$1.225 billion and \$258 million was outstanding under the \$1 billion facility. These facilities also mature in 2014.

Liquidity requirements will remain high at PSE due to a high level of planned capital spending and potential collateral requirements related to the company's electric and gas supply arrangements. Debt maturities are manageable, with about \$158 million due in 2009 and \$232 million due in 2010. We expect PSE to internally fund at least 40% of capital expenditures in order to maintain a stable capital structure.

Outlook

The stable outlook on Puget reflects our expectation that it will be able to refinance term loans and credit facilities that come due in five years and that financial risks are prudently managed such that they remain within our 'aggressive' financial category -- that consolidated adjusted EFO to debt is expected to remain above 12% on an ongoing basis and adjusted debt to capital near 60%. The stable outlook on PSE reflects reasonable and timely rate relief related to resource additions and changes in power costs. Factors that could lead to a negative outlook on both entities include commodity cost disallowances, excessive power cost deferrals that stretch liquidity, regulatory lag or insufficiency, or a disproportionate reliance on debt financing to meet the companies' capital needs. Consideration of a positive rating outlook is unlikely at this time.

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