

PUGET SOUND ENERGY

MARKET-TO-BOOK RATIO ANALYSIS

<u>COMPANY</u>	$k = R.O.E.(1-b)/(M/B) + g$ [2008]	<u>MARKET-TO-BOOK</u> <u>COST OF EQUITY</u>
CV	k= 08.0% (1- 0.4065)/ 1.42 + 4.82% =	8.17%
FE	k= 14.0% (1- 0.4767)/ 2.27 + 6.50% =	9.73%
NU	k= 09.0% (1- 0.5389)/ 1.33 + 6.24% =	9.37%
AEE	k= 10.0% (1- 0.2185)/ 1.34 + 4.00% =	9.85%
AEP	k= 11.0% (1- 0.4357)/ 1.71 + 6.23% =	9.86%
CNL	k= 08.0% (1- 0.3077)/ 1.50 + 6.33% =	10.03%
EDE	k= 07.0% (1- -0.0240)/ 1.33 + 4.50% =	9.88%
ETR	k= 14.0% (1- 0.5393)/ 2.61 + 7.38% =	9.85%
HE	k= 06.5% (1- -0.3778)/ 1.67 + 3.60% =	8.97%
PNM	k= 05.5% (1- 0.3111)/ 0.64 + 3.10% =	8.97%
PNW	k= 08.5% (1- 0.2857)/ 1.04 + 3.52% =	9.34%
FSD	k= 07.5% (1- 0.3750)/ 1.38 + 5.33% =	8.72%
UNS	k= 08.0% (1- 0.4375)/ 1.38 + 4.84% =	8.11%
XEL	k= 09.0% (1- 0.3259)/ 1.39 + 4.53% =	<u>8.88%</u>
	AVERAGE	9.27%
	STANDARD DEVIATION	0.56%
	AVERAGE W/O PUGET	9.31%

Note: Equity returns and retention ratios based on Value Line current year projections.

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MARKET-TO-BOOK RATIO ANALYSIS

<u>COMPANY</u>	$k = R.O.E.(1-b)/(M/B) + g$ [2010-2013]	<u>MARKET-TO-BOOK</u> <u>COST OF EQUITY</u>
CV	k= 07.5% (1- 0.4424)/ 1.42 + 4.82%	= 7.77%
FE	k= 14.0% (1- 0.4545)/ 2.27 + 6.50%	= 9.87%
NU	k= 08.5% (1- 0.5708)/ 1.33 + 6.24%	= 8.99%
AEE	k= 09.0% (1- 0.2529)/ 1.34 + 4.00%	= 9.03%
AEP	k= 12.5% (1- 0.4500)/ 1.71 + 6.23%	= 10.25%
CNL	k= 10.5% (1- 0.3500)/ 1.50 + 6.33%	= 10.89%
EDE	k= 10.5% (1- 0.2286)/ 1.33 + 4.50%	= 10.58%
ETR	k= 14.0% (1- 0.5256)/ 2.61 + 7.38%	= 9.93%
HE	k= 11.0% (1- 0.1733)/ 1.67 + 3.60%	= 9.05%
PNM	k= 07.0% (1- 0.4108)/ 0.64 + 3.10%	= 9.49%
PNW	k= 08.0% (1- 0.2271)/ 1.04 + 3.52%	= 9.44%
PSD	k= 09.0% (1- 0.4000)/ 1.38 + 5.33%	= 9.24%
UNS	k= 08.5% (1- 0.4000)/ 1.38 + 4.84%	= 8.55%
XEL	k= 10.0% (1- 0.3714)/ 1.39 + 4.53%	= <u>9.04%</u>
	AVERAGE	9.44%
	STANDARD DEVIATION	0.87%
	AVERAGE W/O PUGET	9.45%

Note: Equity returns and retention ratios based on Value Line three- to five-year projections.