**EXHIBIT NO. ___(DEG-13)**
**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,**<br><br>**Complainant,**<br><br>**v.**<br><br>**PUGET SOUND ENERGY, INC.,**<br><br>**Respondent.** | **Docket No. UE-11____**<br>**Docket No. UG-11____** |

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

**JUNE 13, 2011**

STANDARD
&POOR'S

# Standard & Poor's Research

February 24, 2011

**Summary:**
# Puget Sound Energy Inc.

**Primary Credit Analyst:**
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850484 | 300642892

**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 "excellent" business risk profile and "aggressive" financial risk profile of its steady integrated electric and gas utility operations. Parent Puget Energy Inc. (Puget) is rated two notches below the utility at 'BB+', reflecting consolidated financial measures that are weaker than PSE's due to additional debt leverage, and the disadvantage of insulating provisions pledged at the utility operating company that may limit dividends. Standard & Poor's Ratings Services views all the financial obligations of Puget as being disadvantaged relative to PSE debts and credit facilities. However, the relationship between these entities and a lack of other operating units constrains the degree of differentiation between the two credit ratings.

We view the package of regulatory commitments that the companies entered into during the merger settlement as providing a degree of insulation to PSE. The package includes the placement of independent directors on the utility's board of directors and dividend restrictions based on a 44% minimum equity level, a 3x EBITDA interest coverage test, and investment-grade ratings on PSE. Despite these minimums related to settlement commitments, a downgrade could occur if Puget does not manage the financial profile in a manner that supports investment-grade credit metrics on a consolidated basis.

The business risk profile of PSE is "excellent," reflecting combined electric and gas utility operations focused in the Puget Sound region of Washington State. PSE is subject to regulation by the Washington Utilities and Transportation Commission. The company's management of its regulatory relationships in Washington is a key driver of credit quality, especially in light of PSE's relatively high capital needs and commodity price exposure. PSE's cost recovery mechanisms support credit quality. PSE passes all increases and decreases in the cost of natural gas supply on to customers through the purchased gas adjustment mechanism. The company also has flexibility in implementing rate changes through its power cost adjustment (PCA) mechanism, 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. PSE 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, combined with frequent general rate case filings, has allowed the company to keep deferral balances low and better match actual costs with cash collected.

PSE's consolidated financial risk profile is "aggressive" under Standard & Poor's corporate risk matrix. Consolidated adjusted funds from operations (FFO) to total debt has decreased to 10.3%, excluding reclassified derivative contracts, for the 12 months ended Sept. 30, 2010, but normalized metrics are higher due to the impact of deferred taxes. Adjusted debt to debt and equity -- including debt adjustments for operating leases, purchased power, and hybrid equity -- was 60% as of Sept. 30, 2010. Financial weakness at PSE could restrict its dividends to Puget, pursuant to the company's commitments approved by state regulators, or limit the availability of credit facilities. We expect adjusted FFO to total debt to average no less 12%, and we expect no further elevation in debt leverage, beyond 60%, for PSE to retain the current ratings. PSE's adjusted FFO to average total debt was 16% for the 12 months ended Sept. 30, 2010, and adjusted debt to capital was 56%.

Capital requirements are high at PSE, with infrastructure replacement, renewable portfolio standards, and other new resource requirements driving capital expenditures of $1.741 billion planned for 2011-2012. We expect ongoing periodic external financing and funds from the Puget to supplement internal cash flows to finance this growth. PSE will need to internally fund significant portions of capital expenditures to maintain a stable capital structure at both the utility and the consolidated entity; higher funding levels may be required. PSE needs to carefully manage capital plans, expenses, and dividends to avoid excessive debt usage, which could jeopardize the financial profile.

## Short-term credit factors

The short-term rating on PSE is 'A-2'. Puget and PSE's consolidated liquidity is "strong" under our corporate liquidity methodology, which categorizes liquidity under five standard descriptors. Projected sources of liquidity (mainly operating cash flow and available bank lines) exceed projected uses (mainly necessary capital expenditures, debt maturities, and common dividends) by more than 2x for the upcoming 12 months. Puget's credit agreement contains financial covenants that may limit its availability. PSE has three committed unsecured revolving credit facilities that provide, in aggregate, $1.15 billion in short-term borrowing capability. These 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. As of Sept. 30, 2010, PSE had $89.6 million drawn on the working capital facility, no borrowings under the capital expenditure facility, and $5.7 million on the hedging facility. These facilities mature February 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 at PSE. As of Sept. 30, 2010, the term loan was fully drawn at $1.225 billion and $258 million was outstanding under the capital expenditures facility. These facilities also mature February 2014, except for $450 million of the term loan that was refinanced and matures in 2020.

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.

## Recovery analysis

We rate PSE's first mortgage bonds (FMB) 'A-', two notches higher than the issuer credit rating, with a recovery rating of '1+.' We assign recovery ratings to FMBs issued by U.S. utilities, and this can result in issue ratings being notched above the corporate credit rating (CCR) on a utility, depending on the CCR category and the extent of the collateral coverage. The investment-grade FMB recovery methodology is based on the ample historical record of nearly 100% recovery for secured-bond holders in utility bankruptcies and our view that the factors that supported those recoveries (small size of the creditor class and the durable value of utility rate-based assets during and after a reorganization, given the essential service provided and the high replacement cost) will persist. Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, and the regulatory limitations on bond issuance when assigning issue ratings to utility FMBs. FMB ratings can exceed a utility CCR by as much as one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories. (See "Criteria: Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds," published Sept. 6, 2007, on RatingsDirect on the Global Credit Portal.) PSE's collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating of 'A-', two notches above the CCR.

## Outlook

The stable outlook on the PSE ratings reflects our expectation that the company will be able to refinance term loans and credit facilities well in advance of the 2014 expiration and that Puget will prudently manage financial risks such that it maintains consolidated credit metrics that are within our "aggressive" financial category on a consolidated basis, including consolidated adjusted FFO to debt of more than 12% and adjusted debt to debt and equity of no more than 60%. The stable outlook also reflects reasonable and timely rate relief related to resource additions and changes in power costs at PSE, as well as our expectation that PSE will internally fund significant capital expenditures. We could lower the PSE rating if Puget increases consolidated adjusted debt leverage to more than 60% due to excessive debt financing, if PSE's adjusted FFO to debt trends below 16%, if it is unable to fully recover investment costs due to cost disallowances, or if the ownership consortium collects larger dividends that directly result in weaker consolidated credit metrics, including adjusted leverage of more than 60%. We could raise the rating if Puget is able to sustain significantly higher credit metrics on a consolidated basis, specifically adjusted FFO to debt above 15%. However, positive ratings momentum is unlikely at this time.

STANDARD
&POOR'S

# Standard & Poor's Research

February 24, 2011

# Puget Energy Inc.

**Primary Credit Analyst:**
Tony Bettinelli, San Francisco (1) 415-371-5067; antonio_bettinelli@standardandpoors.com

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# Puget Energy Inc.

## Major Rating Factors

| Corporate Credit Rating |
| --- |
| BB+/Stable/-- |

**Strengths:**

- Regulated integrated electric and natural gas utility operations that provide relatively stable cash flows;
- Generally supportive regulatory framework with a power cost adjustment (PCA) mechanism and purchased gas adjustment mechanisms, although the PCA mechanism contains deadbands;
- A power-cost-only rate case procedure that functions as a limited-scope rate case for resource additions and other power costs, thus reducing rate lag; and
- The absence of material unregulated businesses.

**Weaknesses:**

- Aggressive financial strategy, reflecting the additional debt leverage added at the holding company;
- Significant capital expenditure requirements -- driven by infrastructure replacement, renewable portfolio standards, and other new resource requirements -- that increase rate lag;
- Reliance on external debt capital to finance capital plans beyond the company's internal cash funding ability; and
- Moderate price and commodity risk related to a significant reliance on hydroelectric and gas-fired resources, as well as market purchases.

## Rationale

The 'BB+' corporate credit rating on Puget Energy Inc. (Puget) primarily reflects the "excellent" business risk profile and "aggressive" financial risk profile of its steady integrated electric and gas utility operations at 'BBB' rated Puget Sound Energy Inc. (PSE), consolidated financial measures that are weaker than PSE's due to additional debt leverage at the holding company, and the disadvantage of insulating provisions pledged at the utility operating company that may limit dividends. Standard & Poor's Ratings Services views all holding company financial obligations as being disadvantaged relative to operating company debts and credit facilities. However, the relationship between these entities and a lack of other operating units constrains the degree of differentiation between the two credit ratings.

We view the package of regulatory commitments that the companies entered into during the merger settlement as providing a degree of insulation to the utility. The package includes the placement of independent directors on the utility's board of directors and dividend restrictions based on a 44% minimum equity level, a 3x EBITDA interest coverage test, and investment-grade ratings on PSE. Despite these minimums related to settlement commitments, a downgrade could occur if the company does not manage the financial profile in a manner that supports investment-grade credit metrics on a consolidated basis.

The business risk profile of Puget is "excellent," primarily reflecting PSE's combined electric and gas utility business focused in the Puget Sound region of Washington State. PSE is subject to regulation by the Washington Utilities and Transportation Commission. The company's management of its regulatory relationships in Washington is a key driver of credit quality, especially in light of PSE's relatively high capital needs and commodity price exposure. PSE's cost recovery mechanisms support credit quality. PSE passes all increases and decreases in the cost of natural gas supply on to customers through the purchased gas adjustment mechanism. The company also has flexibility in implementing rate changes through its power cost adjustment (PCA) mechanism, 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. PSE 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, combined with frequent general rate case filings, has allowed the company to keep deferral balances low and better match actual costs with cash collected.

Puget's consolidated financial risk profile is "aggressive" under Standard & Poor's corporate risk matrix. Consolidated adjusted funds from operations (FFO) to total debt has decreased to 10.3%, excluding reclassified derivative contracts, for the 12 months ended Sept. 30, 2010, but normalized metrics are higher due to the impact of deferred taxes. Adjusted debt to debt and equity -- including debt adjustments for operating leases, purchased power, and hybrid equity -- was 60% as of Sept. 30, 2010. Financial weakness at PSE could restrict its dividends to Puget, pursuant to the company's commitments approved by state regulators, or limit the availability of credit facilities. We expect adjusted FFO to total debt to average no less 12%, and we expect no further elevation in debt leverage, beyond 60%, for Puget to retain the current ratings.

Capital requirements are very high at PSE, with infrastructure replacement, renewable portfolio standards, and other new resource requirements driving capital expenditures of $1.741 billion planned for 2011-2012. We expect ongoing periodic external financing and funds from Puget to supplement internal cash flows to finance this growth. PSE will need to internally fund significant portions of capital expenditures to maintain a stable capital structure at both the utility and the consolidated entity; higher funding levels may be required. PSE needs to carefully manage capital plans, expenses, and dividends to avoid excessive debt usage, which could jeopardize the financial profile.

## Liquidity

Puget consolidated liquidity is "strong" under our corporate liquidity methodology, which categorizes liquidity under five standard descriptors. Projected sources of liquidity (mainly operating cash flow and available bank lines) exceed projected uses (mainly necessary capital expenditures, debt maturities, and common dividends) by more than 2x for the upcoming 12 months. Puget's credit agreement contains financial covenants that may limit its availability. PSE has three committed unsecured revolving credit facilities that provide, in aggregate, $1.15 billion in short-term borrowing capability. These 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. As of Sept. 30, 2010, PSE had $89.6 million drawn on the working capital facility, no borrowings under the capital expenditure facility, and $5.7 million the hedging facility. These facilities mature February 2014.

Effective with the close of the merger, Puget had a $1.225 billion five-year term loan and a $1 billion credit facility for funding capital expenditures at PSE. As of Sept. 30, 2010, the term loan was fully drawn at $1.225 billion and $258 million was outstanding under the capital expenditures facility. These facilities also mature February 2014, except for $450 million of the term loan that was refinanced and matures in 2020.

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.

### Recovery analysis

Puget's term loans are not notched from our 'BB+' issuer credit rating on the company, based on our speculative-grade recovery criteria and our expectation of meaningful (50%-70%) recovery. Please refer to our recovery report to be published on RatingsDirect on the Global Credit Portal.

## Outlook

The stable outlook on the Puget ratings reflects our expectation that the company will be able to refinance term loans and credit facilities well in advance of the 2014 expiration and that Puget will prudently manage financial risks such that consolidated credit metrics remain within our "aggressive" financial category on a consolidated basis, including consolidated adjusted FFO to debt of more than 12% and adjusted debt to debt and equity of no more than 60%. The stable outlook also reflects reasonable and timely rate relief related to resource additions and changes in power costs at PSE, as well as our expectation that PSE will internally fund significant capital expenditures. We could lower the rating if the Puget increases adjusted debt leverage to more than 60% due to excessive debt financing, if PSE is unable to fully recover investment costs due to cost disallowances, or if the ownership consortium collects larger dividends that directly result in weaker consolidated credit metrics, including adjusted leverage of more than 60%. We could raise the rating if Puget is able to sustain significantly higher credit metrics on a consolidated basis, specifically adjusted FFO to debt of more than 15%. However, positive ratings momentum is unlikely at this time.

**Table 1.**

**Puget Energy Inc. -- Peer Comparison***

| | Puget Energy Inc. | Avista Corp. | Portland General Electric Co. | NorthWestern Corp. | IDACORP Inc. |
|---|---|---|---|---|---|
| Rating as of Feb. 24, 2011 | BB+/Stable/-- | BBB-/Positive/A-3 | BBB/Stable/A-2 | BBB/Stable/A-2 | BBB/Stable/A-2 |
| | --Average of past three fiscal years-- | | | | |
| **(Mil. $)** | | | | | |
| Revenues | 3,302.3 | 1,535.7 | 1,764.0 | 1,163.5 | 963.2 |
| Net income from cont. oper. | 175.5 | 66.4 | 109.0 | 72.8 | 101.7 |
| Funds from operations (FFO) | 657.7 | 233.3 | 326.5 | 212.5 | 201.3 |
| Capital expenditures | 856.9 | 216.7 | 511.4 | 177.1 | 257.4 |
| Cash and short-term investments | 54.2 | 23.0 | 38.0 | 7.3 | 23.3 |
| Debt | 4,044.0 | 1,302.9 | 1,875.2 | 1,079.9 | 1,708.1 |
| Preferred stock | 126.3 | 46.4 | 0.0 | 0.0 | 0.0 |
| Equity | 2,865.8 | 1,033.5 | 1,404.3 | 790.3 | 1,303.8 |
| Debt and equity | 6,909.8 | 2,336.5 | 3,279.5 | 1,870.2 | 3,011.9 |
| **Adjusted ratios** | | | | | |
| EBIT interest coverage (x) | 2.0 | 2.3 | 2.2 | 2.3 | 2.3 |
| FFO int. cov. (x) | 3.5 | 3.7 | 3.5 | 3.6 | 3.2 |
| FFO/debt (%) | 16.3 | 17.9 | 17.4 | 19.7 | 11.8 |

**Table 1.**

| Puget Energy Inc. -- Peer Comparison* (cont.) | | | | | |
|---|---|---|---|---|---|
| Discretionary cash flow/debt (%) | (9.5) | (1.9) | (14.4) | (2.8) | (8.1) |
| Net cash flow/capex (%) | 61.9 | 89.1 | 51.5 | 92.3 | 57.0 |
| Total debt/debt plus equity (%) | 58.5 | 55.8 | 57.2 | 57.7 | 56.7 |
| Return on common equity (%) | 6.2 | 6.1 | 6.3 | 8.2 | 7.3 |
| Common dividend payout ratio (unadj., %) | 68.3 | 56.7 | 59.6 | 67.3 | 53.8 |

*Fully adjusted (including postretirement obligations).

**Table 2.**

| Puget Energy Inc. -- Financial Summary* | | | | | |
|---|---|---|---|---|---|
| | --Fiscal year ended Dec. 31-- | | | | |
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Rating history | BB+/Stable/-- | BBB-/Watch Neg/-- | BBB-/Watch Neg/-- | BBB-/Stable/-- | BBB-/Stable/-- |
| **(Mil. $)** | | | | | |
| Revenues | 3,328.9 | 3,357.8 | 3,220.1 | 2,905.7 | 2,573.2 |
| Net income from continuing operations | 186.8 | 154.9 | 184.7 | 167.2 | 146.3 |
| Funds from operations (FFO) | 699.6 | 689.1 | 584.3 | 358.1 | 384.9 |
| Capital expenditures | 853.7 | 915.7 | 801.5 | 779.6 | 598.5 |
| Cash and short-term investments | 78.5 | 38.5 | 45.6 | 28.1 | 16.7 |
| Debt | 4,692.7 | 3,965.5 | 3,473.9 | 3,628.2 | 2,929.7 |
| Preferred stock | 125.0 | 126.9 | 126.9 | 20.8 | 120.8 |
| Equity | 3,548.5 | 2,400.1 | 2,648.8 | 2,136.8 | 2,109.8 |
| Debt and equity | 8,241.1 | 6,365.6 | 6,122.7 | 5,765.0 | 5,039.5 |
| **Adjusted ratios** | | | | | |
| EBIT interest coverage (x) | 2.1 | 2.0 | 2.0 | 2.1 | 2.0 |
| FFO int. cov. (x) | 3.2 | 4.2 | 3.3 | 2.6 | 2.8 |
| FFO/debt (%) | 14.9 | 17.4 | 16.8 | 9.9 | 13.1 |
| Discretionary cash flow/debt (%) | (9.1) | (11.2) | (8.1) | (17.3) | (14.9) |
| Net cash flow/capex (%) | 66.7 | 60.1 | 58.8 | 32.6 | 49.6 |
| Debt/debt and equity (%) | 56.9 | 62.3 | 56.7 | 62.9 | 58.1 |
| Return on common equity (%) | 5.9 | 5.8 | 7.2 | 7.2 | 7.3 |
| Common dividend payout ratio (unadj., %) | 64.9 | 83.7 | 58.7 | 62.4 | 60.2 |

*Fully adjusted (including postretirement obligations).

**Table 3.**

| Puget Energy Inc.--Quarterly Data* | | | | | |
|---|---|---|---|---|---|
| | September 2010 | June 2010 | March 2010 | December 2009 | September 2009 |
| **(Mil. $)** | | | | | |
| Revenues | 622.8 | 673.3 | 878.2 | 942.0 | 592.6 |
| Net income from continuing operations | (37.9) | 3.7 | (19.2) | 53.9 | 24.5 |
| Funds from operations (FFO) | 32.6 | 153.0 | 101.5 | 228.4 | 160.1 |
| Capital expenditures | 255.4 | 262.2 | 207.4 | 213.5 | 246.1 |
| Cash and short-term investments | 86.3 | 132.9 | 78.5 | 78.5 | 83.5 |

**Table 3.**

| Puget Energy Inc.--Quarterly Data* (cont.) | | | | | |
|---|---|---|---|---|---|
| Debt | 5,020.1 | 4,941.8 | 4,731.4 | 4,692.7 | 4,652.2 |
| Preferred stock | 125.0 | 125.0 | 125.0 | 125.0 | 125.0 |
| Equity | 3,348.5 | 3,398.5 | 3,463.3 | 3,548.5 | 3,449.8 |
| Debt and equity | 8,368.7 | 8,340.3 | 8,194.7 | 8,241.1 | 8,102.1 |
| **Adjusted ratios** | | | | | |
| EBIT interest coverage (x) | 1.0 | 1.3 | 1.5 | 2.1 | 2.1 |
| FFO int. cov. (x) | 2.4 | 2.8 | 2.7 | 3.2 | 3.4 |
| FFO/debt (%) | 10.3 | 12.7 | 12.1 | 14.9 | 14.2 |
| Discretionary cash flow/debt (%) | (8.8) | (9.8) | (7.7) | (9.1) | (16.5) |
| Net cash flow/capex (%) | 43.4 | 55.7 | 52.8 | 66.5 | 45.8 |
| Debt/debt and equity (%) | 60.0 | 59.3 | 57.7 | 56.9 | 57.4 |
| Return on common equity (%) | (0.8) | 1.2 | 2.5 | 5.9 | 5.6 |
| Common dividend payout ratio (unadj., %) | 23,304.0 | 167.0 | 103.9 | 64.9 | 83.1 |

*Fully adjusted (including postretirement obligations).

**Table 4.**

**Reconciliation Of Puget Energy Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)***

| | --Fiscal year ended Dec. 31, 2009-- | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Puget Energy Inc. reported amounts** | | | | | | | | | | |
| | Debt | Shareholders' equity | Operating income (before D&A) | Operating income (before D&A) | Operating income (after D&A) | Interest expense | Cash flow from operations | Cash flow from operations | Dividends paid | Capital expenditures |
| Reported | 4,377.7 | 3,423.5 | 956.5 | 956.5 | 557.3 | 273.8 | 543.9 | 543.9 | 121.2 | 862.9 |
| **Standard & Poor's adjustments** | | | | | | | | | | |
| Operating leases | 94.3 | -- | 12.6 | 6.9 | 6.9 | 6.9 | 5.8 | 5.8 | -- | -- |
| Intermediate hybrids reported as debt | (125.0) | 125.0 | -- | -- | -- | (8.7) | 8.7 | 8.7 | 8.7 | -- |
| Postretirement benefit obligations | 42.5 | -- | 1.0 | 1.0 | 1.0 | 1.0 | 5.7 | 5.7 | -- | -- |
| Accrued interest not included in reported debt | 52.5 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Capitalized interest | -- | -- | -- | -- | -- | 9.2 | (9.2) | (9.2) | -- | (9.2) |
| Power purchase agreements | 234.9 | -- | 19.9 | 19.9 | 16.6 | 16.6 | 3.4 | 3.4 | -- | -- |
| Asset retirement obligations | 15.7 | -- | 1.5 | 1.5 | 1.5 | 1.5 | (3.4) | (3.4) | -- | -- |
| Reclassification of nonoperating income (expenses) | -- | -- | -- | -- | 41.3 | -- | -- | -- | -- | -- |

**Table 4.**

| Reconciliation Of Puget Energy Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Reclassification of working-capital cash flow changes | -- | -- | -- | -- | -- | -- | -- | 144.7 | -- | -- |
| Total adjustments | 315.0 | 125.0 | 35.1 | 29.4 | 67.3 | 26.5 | 11.0 | 155.7 | 8.7 | (9.2) |

**Standard & Poor's adjusted amounts**

| | Debt | Equity | Operating income (before D&A) | EBITDA | EBIT | Interest expense | Cash flow from operations | Funds from operations | Dividends paid | Capital expenditures |
|---|---|---|---|---|---|---|---|---|---|---|
| Adjusted | 4,692.7 | 3,548.5 | 991.6 | 985.9 | 624.6 | 300.3 | 554.9 | 699.6 | 129.9 | 853.7 |

*Puget Energy Inc. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

| **Ratings Detail** (As Of February 24, 2011)* | |
|---|---|
| **Puget Energy Inc.** | |
| Corporate Credit Rating | BB+/Stable/-- |
| Senior Secured (3 Issues) | BB+ |
| **Corporate Credit Ratings History** | |
| 16-Jan-2009 | BB+/Stable/-- |
| 26-Oct-2007 | BBB-/Watch Neg/-- |
| 13-May-2005 | BBB-/Stable/-- |
| **Business Risk Profile** | Excellent |
| **Financial Risk Profile** | Aggressive |

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.