

Exhibit No. \_\_\_\_\_ (KLE-3)  
Dockets UE-111048/UG-111049  
Witness: Kenneth L. Elgin

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

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**DOCKET UE-111048  
DOCKET UG-111049  
(Consolidated)**

**EXHIBIT TO  
TESTIMONY OF**

**Kenneth L. Elgin**

**STAFF OF WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Standard & Poors S&P RatingsDirect  
Puget Sound Energy, Inc. November 28, 2011.*

**December 7, 2011**

All figures quoted in millions based on entities' current reporting currency

## Puget Sound Energy Inc. (BBB/Stable/A-2)

### Business Description\*

Puget Sound Energy, Inc. operates as a regulated electric and natural gas utility company in Washington. It primarily engages in the transmission, distribution, and generation of electricity, as well as distribution of natural gas. The company owns and operates coal, natural gas-fired, hydroelectric, wind-powered, and oil-fired generating facilities. As of December 31, 2009, it served approximately 1,075,400 electric customers consisting of 949,900 residential, 118,400 commercial, 3,700 industrial, and 3,400 other customers, as well as approximately 748,900 natural gas customers, including 691,900 residential, 54,300 commercial, 2,500 industrial, and 200 transportation customers. Puget Sound Energy, Inc. also had an aggregate net generating capacity of 2,962 megawatts. The company was incorporated in 1960 and is headquartered in Bellevue, Washington. Puget Sound Energy, Inc. is a subsidiary of Puget Energy, Inc.

### Major Rating Factors\*

#### 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.

#### Issuer Credit Measures (as of November 26, 2011)

S&P Issuer Credit Rating	Rating Date	Rating	CreditWatch/Outlook	CreditWatch/Outlook Date
Foreign Long-Term	16-Jan-2009	BBB	Stable	16-Jan-2009
Foreign Short-Term	16-Jan-2009	A-2		
Local Long-Term	16-Jan-2009	BBB	Stable	16-Jan-2009
Local Short-Term	16-Jan-2009	A-2		

#### Recent Credit Research (as of November 28, 2011)

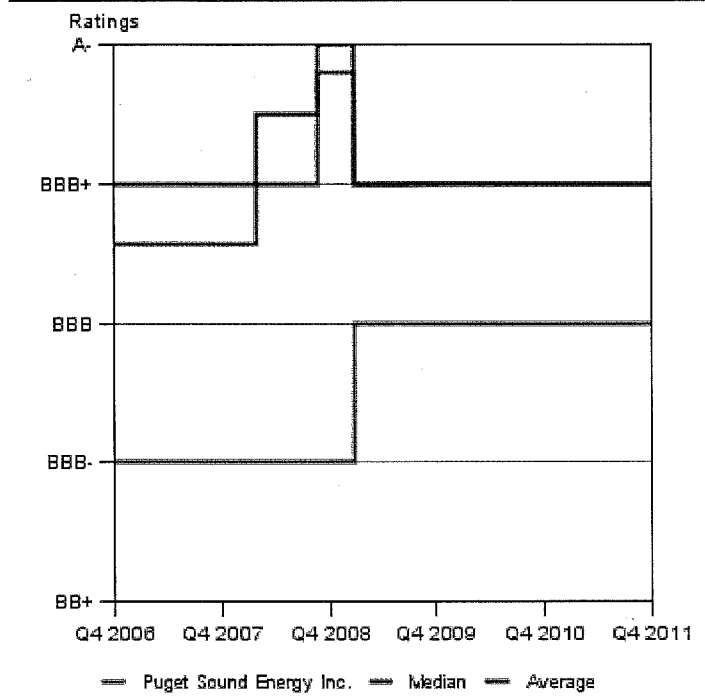
Date	Type	Description
04-2011	Oct-2011	Commentary Issuer Ranking: U.S. Regulated Electric Utilities, Strongest To Weakest
30-2011	Sep-2011	Commentary Industry Report Card: U.S. Regulated Electric Utilities Continue On Stable Trajectory
01-2011	Sep-2011	Commentary U.S. Corporate Borrowers May See A Balance Of Upgrades And Downgrades Through Year-End 2011
26-2011	Aug-2011	Summary Analysis Summary: Puget Sound Energy Inc.

<b>Puget Sound Energy Inc.</b>		<b>BBB/Stable/A-2</b>	<b>USD in Millions</b>	
Sub-sector: Utilities	Industry: Multi	*CDS: —	*CDS 90 day Hi/Low: —	*CDS-MDS: —
Rev: 3,323.68	EBITDA: 1,004.79	Debt/EBITDA: 3.83x	EBITDA Int Cov: 4.06x	
Analytical Contacts: S&P Primary Analyst - Tony Bettinelli, San Francisco (1 415-371-5067) & S&P Backup Analyst - Anne Selting, San Francisco (1 415-371-5067)				

**Recent Credit Research (as of November 28, 2011)**

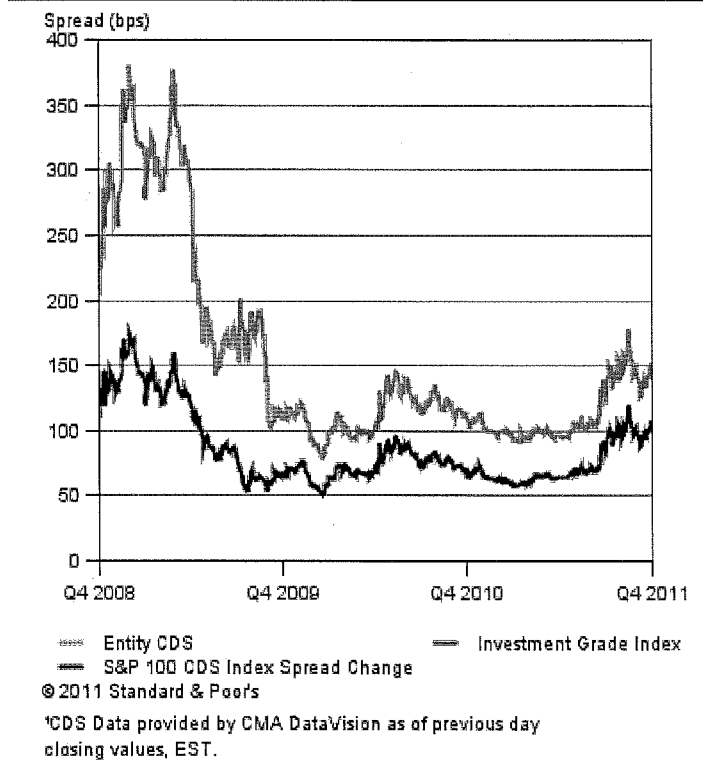
Date	Type	Description
26-2011	Aug- Summary Analysis	Summary: Puget Energy Inc.
24-2011	Aug- Commentary	CreditStats: Multi-Utilities--U.S.
05-2011	Jul- Commentary	Issuer Ranking: U.S. Regulated Electric Utilities, Strongest To Weakest
29-2011	Jun- Summary Analysis	Summary: Tenaska Washington Partners L.P.
29-2011	Jun- Full Analysis	Tenaska Washington Partners L.P.
02-2011	Jun- Research Update	Research Update: Outlook On Tenaska Washington Partners L.P. Revised To Positive On Decreased Default Risk, Sufficient Liquidity

**Foreign Long-Term Ratings History (Last 5 Years)**



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**Credit Default Swap History (Last 3 Years)**



\*CDS Data provided by CMA DataVision as of previous day closing values, EST.

**Peer Group: Ratings Comparison — Global Multi Companies — Updated As of November 26, 2011**

Rank	Issuers	ICR	ICR Date	Previous ICR	Previous ICR Date	CDS(bps)	MDS
1	NSTAR	A+/Watch Neg/A-1	18-Oct-2010	A+/Stable/A-1	17-May-2006		
2	Canadian Utilities Ltd.	A/Stable/A-1	07-Jan-2004	A+/Watch Neg/A-1	05-Mar-2003		
3	San Diego Gas & Electric Co.	A/Stable/A-1	02-Oct-2009	A/Negative/A-1	28-Jul-2008		

<b>Puget Sound Energy Inc.</b>		<b>BBB/Stable/A-2</b>	<b>USD in Millions</b>	
<b>Sub-sector:</b> Utilities	<b>Industry:</b> Multi	<b>CDS:</b> —	<b>CDS 90 day Hi/Lo:</b> —	<b>CDS-MDS:</b> —
<b>Rev:</b> 3,323.68	<b>EBITDA:</b> 1,004.79	<b>Debt/EBITDA:</b> 3.83x	<b>EBITDA Int Cov:</b> 4.06x	
<b>Analytical Contacts:</b> S&P Primary Analyst - Tony Bettinelli, San Francisco (1 415-371-5067) & S&P Backup Analyst - Anne Selting, San Francisco (1 415-371-5067)				

**Peer Group: Ratings Comparison — Global Multi Companies — Updated As of November 26, 2011**

Rank	Issuers	ICR	ICR Date	Previous ICR	Previous ICR Date	CDS(bps)	MDS
4	Vectren Corp.	A-/Stable/--	26-Jan-2005	A-/Negative/--	08-Jan-2003		
5	Alliant Energy Corp.	BBB+/Positive/A-2	23-Jul-2010	BBB+/Stable/A-2	05-Jan-2006		
6	New York State Electric & Gas Corp.	BBB+/Stable/NR	24-Mar-2010	BBB+/Stable/A-2	09-Apr-2009		
7	TECO Energy Inc.	BBB+/Stable/NR	27-May-2011	BBB/Positive/NR	16-Mar-2011	102.1	a-
8	Avista Corp.	BBB/Stable/A-2	02-Mar-2011	BBB-/Positive/A-3	10-Aug-2009		
9	Puget Sound Energy Inc.	BBB/Stable/A-2	16-Jan-2009	BBB-/Watch Neg/A-3	26-Oct-2007		
10	Ameren Illinois Co.	BBB-/Positive/A-3	22-Nov-2011	BBB-/Stable/A-3	03-Oct-2011		
11	Puget Energy Inc.	BB+/Stable/--	16-Jan-2009	BBB-/Watch Neg/--	26-Oct-2007		

**Peer Group: Financial Comparison — Global Multi Companies — Updated As of November 18, 2011**

Issuers	Profitability						Leverage	Debt Servicing	
	Revenue	EBITDA	Cash Flow From Ops.	CAPEX	FOCF	Op. Inc./Rev. (%)	Debt/EBITDA (x)	EBITDA Int. Cov. (x)	FOCF/Debt (%)
TECO Energy Inc. (30-Sep-2011)*	3,368.20	983.48	798.76	409.80	388.96	29.16	3.53	4.36	11.21
Alliant Energy Corp. (30-Sep-2011)*	3,617.60	926.58	910.87	844.37	66.50	25.72	3.90	4.47	1.84
San Diego Gas & Electric Co. (30-Jun-2011)*	3,152.00	1,120.03	1,035.36	1,383.95	(348.59)	35.63	3.57	5.13	(8.71)
Puget Energy Inc. (30-Sep-2011)*	3,297.94	1,089.01	784.42	1,090.57	(306.15)	33.15	5.00	2.88	(5.62)
Canadian Utilities Ltd. (30-Sep-2011)*	2,760.85	1,177.01	894.77	989.79	(95.02)	41.15	3.59	4.54	(2.07)
Puget Sound Energy Inc. (30-Jun-2011)*	3,323.68	1,004.79	874.43	1,114.49	(240.06)	30.36	3.83	4.06	(6.24)
Ameren Illinois Co. (30-Jun-2011)*	4,000.00	916.42	796.43	425.34	371.09	22.93	1.82	4.54	22.29
NSTAR (30-Sep-2011)*	2,855.81	843.27	916.09	424.09	492.00	29.64	3.48	6.40	16.75
Vectren Corp. (30-Sep-2011)*	2,261.90	557.38	366.50	307.79	58.71	26.55	3.69	5.06	2.86
New York State Electric & Gas Corp. (30-Jun-2011)*	1,765.36	413.46	353.83	233.02	120.81	23.42	2.76	6.15	10.60
Avista Corp. (30-Sep-2011)*	1,538.46	365.99	277.13	244.99	32.13	23.65	3.77	4.75	2.33
<b>Peer Group Average</b>	<b>2,903.80</b>	<b>854.31</b>	<b>728.05</b>	<b>678.93</b>	<b>49.13</b>	<b>29.21</b>	<b>3.54</b>	<b>4.76</b>	<b>4.11</b>

\* LTM as of

All figures quoted in millions USD, based on the issuers base currency.

<b>Puget Sound Energy Inc.</b>		<b>BBB/Stable/A-2</b>	<b>USD in Millions</b>		
<b>Sub-sector:</b> Utilities	<b>Industry:</b> Multi	<b>1CDS:</b> —	<b>1CDS 90 day Hi/Lo:</b> —		<b>1CDS-MDS:</b> —
<b>Rev:</b> 3,323.68	<b>EBITDA:</b> 1,004.79	<b>Debt/EBITDA:</b> 3.83x	<b>EBITDA Int Cov:</b> 4.06x		
<b>Analytical Contacts:</b> S&P Primary Analyst - Tony Bettinelli, San Francisco (1 415-371-5067) & S&P Backup Analyst - Anne Selting, San Francisco (1 415-371-5067)					

**Peer Group: CreditStats Direct Comparison — Global Multi Companies — Updated As of November 18, 2011**

	2010		2009		2008		2007		2006	
	2010	vs Peers	2009	vs Peers	2008	vs Peers	2007	vs Peers	2006	vs Peers
Revenue	3,122.22	2,735.94	3,328.50	2,525.43	3,357.77	2,680.38	3,220.15	2,591.71	2,905.69	2,501.35
EBITDA	729.72	783.75	824.88	692.14	787.16	628.01	835.52	647.57	791.28	622.62
Cash Flow From Operations	630.97	582.24	740.71	548.84	579.53	418.81	641.14	472.72	428.86	370.86
CAPEX	990.47	613.12	861.94	602.68	924.34	574.68	838.88	479.64	815.86	466.99
Free Operating Cash Flow	(359.50)	(30.88)	(121.24)	(53.84)	(344.81)	(155.87)	(197.73)	(6.91)	(387.00)	(96.13)
Annual Revenue Growth (%)	(6.20)	22.97	(0.87)	(7.88)	4.27	5.37	10.82	2.25	12.92	6.80
Debt/EBITDA (x)	5.54	3.91	4.32	4.01	5.12	4.34	4.18	4.07	4.57	3.98
Operating Income (BefD&A)/Revenue (%)	23.51	28.31	24.98	26.11	23.72	21.91	26.21	24.00	27.53	24.07
EBITDA/Interest (x)	3.00	4.80	3.98	4.77	3.93	4.71	3.73	4.62	4.26	4.51
FOCF/Debt (%)	(10.15)	1.42	(4.38)	0.69	(9.97)	(6.13)	(6.62)	(0.78)	(18.36)	(4.73)

## 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 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 it projects a 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 Sound Energy Inc.		BBB/Stable/A-2	USD in Millions	
Sub-sector: Utilities	Industry: Multi	'CDS: —	'CDS 90 day Hi/Lo: —	'CDS-MDS: —
Rev: 3,323.68	EBITDA: 1,004.79	Debt/EBITDA: 3.83x	EBITDA Int Cov: 4.06x	
Analytical Contacts: S&P Primary Analyst - <u>Tony Bettinelli</u> , San Francisco (1 415-371-5067) & S&P Backup Analyst - <u>Anne Selting</u> , San Francisco (1 415-371-5067)				

PSE's consolidated financial risk profile is aggressive under Standard & Poor's corporate risk matrix. Consolidated adjusted funds from operations (FFO) to total debt was 12.3%, excluding reclassified derivative contracts, for the 12 months ended June 30, 2011, bolstered by cooler weather and higher rates at the utility. Adjusted debt to debt and equity -- including debt adjustments for operating leases, purchased power, and hybrid equity -- was 60% as of June 30, 2011. A weakening of the financial profile 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 due to financial covenants. 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 19.5% for the 12 months ended June 30, 2011, and adjusted debt to capital was 53%.

Capital requirements are very high at PSE, with infrastructure replacement, renewable portfolio standards, and other new resource requirements driving planned capital expenditures of \$1.053 billion in 2011 and \$737 million in 2012. We anticipate ongoing periodic external financing at Puget and PSE to supplement the gap between internal cash and capital expenditures, to maintain a stable capital structure. PSE needs to carefully manage capital plans, expenses, and dividends to avoid excessive debt usage to maintain the financial profile through the current period of heavy capital spending.

### Liquidity

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.

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 June 30, 2011, PSE had only a \$12.5 million letter of credit on the working capital facility, and nothing drawn or outstanding under the capital expenditure facility or 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. In June, Puget issued \$500 million of senior secured notes due 2021, using the proceeds to repay a portion of the term loan. Prior to this, Puget issued \$450 million due 2020 to refinance term loan balances. Only \$298 million remains outstanding. Puget also uses a \$1 billion credit facility for funding capital expenditures at PSE. As of June 30, 2011, \$258 million was outstanding under the capital expenditure facility. The outstanding term loan balance and the capital expenditure facility mature February 2014. Puget's credit agreement contains financial covenants that can limit its availability.

### 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

<b>Puget Sound Energy Inc.</b>		<b>BBB/Stable/A-2</b>	<b>USD in Millions</b>	
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<b>Rev:</b> 3,323.68	<b>EBITDA:</b> 1,004.79	<b>Debt/EBITDA:</b> 3.83x	<b>EBITDA Int Cov:</b> 4.06x	
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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.

### Adjusted Income statement as of August 25, 2011

	Annual 31- Dec- 2010 USD	Annual 31- Dec- 2009 USD	Annual 31- Dec- 2008 USD	Annual 31- Dec- 2007 USD	Annual 31- Dec- 2006 USD
Sales	3,122.22	3,328.50	3,357.77	3,220.15	2,905.69
Other operating revenues	—	—	—	—	0.00
<b>Revenues, pre-adjusted</b>	<b>3,122.22</b>	<b>3,328.50</b>	<b>3,357.77</b>	<b>3,220.15</b>	<b>2,905.69</b>
Less: Captive finance revenues	0.00	0.00	0.00	0.00	0.00
Plus: Revenues, consolidating (deconsolidating)	—	—	—	—	—
Less: Nonrecourse interest	0.00	0.00	0.00	0.00	0.00
Less: Securitized interest	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of nonrecourse debt	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of securitized debt	0.00	0.00	0.00	0.00	0.00
Plus: Revenues - Finance/Interest Income	—	—	—	—	—
Plus: Revenues - Profit on disposals	—	—	—	—	—
Plus: Revenues - Derivatives	—	—	—	—	—
Plus: Revenues (ad hoc)	—	—	—	—	—
<b>Revenues, adjusted</b>	<b>3,122.22</b>	<b>3,328.50</b>	<b>3,357.77</b>	<b>3,220.15</b>	<b>2,905.69</b>
Cost of goods sold	1,669.93	1,716.85	1,820.38	1,745.98	1,574.80
SG&A	—	—	—	—	0.00
R&D	—	—	—	—	0.00
Raw materials, supplies, and merchandise	—	—	—	—	0.00
Change in stocks	0.00	0.00	0.00	0.00	0.00
Capitalized costs	—	—	—	—	—
Staff expense, total	—	—	—	—	0.00

<b>Puget Sound Energy Inc.</b>		<b>BBB/Stable/A-2</b>	<b>USD in Millions</b>	
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**Adjusted Income statement as of August 25, 2011**

	Annual 31- Dec- 2010 USD	Annual 31- Dec- 2009 USD	Annual 31- Dec- 2008 USD	Annual 31- Dec- 2007 USD	Annual 31- Dec- 2006 USD
Taxes other than income	292.52	303.36	297.20	288.49	255.71
Operating expense, other	497.86	501.93	474.03	416.11	355.80
Income (expense) of unconsolidated companies	0.00	0.00	0.00	0.00	0.00
Special item gains/(losses)-disposals, restructuring, FX, asset sales	0.00	0.00	0.00	0.00	0.00
<b>Operating expenses (bef. D&amp;A), total, pre-adjusted</b>	<b>2,460.31</b>	<b>2,522.14</b>	<b>2,591.61</b>	<b>2,450.59</b>	<b>2,186.32</b>
<b>Operating income (bef. D&amp;A), pre-adjusted</b>	<b>661.91</b>	<b>806.36</b>	<b>766.16</b>	<b>769.56</b>	<b>719.38</b>
Plus: Trade receivables sold	—	—	—	—	—
Plus: OLA rent	10.84	12.64	15.20	14.38	13.26
Less: Captive finance revenues	0.00	0.00	0.00	0.00	0.00
Plus: Captive finance operating expense	0.00	0.00	0.00	0.00	0.00
Plus: Revenues, consolidating (deconsolidating)	—	—	—	—	—
Less: Expenses, consolidating (deconsolidating)	0.00	0.00	0.00	0.00	0.00
Less: Nonrecourse interest	0.00	0.00	0.00	0.00	0.00
Less: Securitized interest	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of nonrecourse debt	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of securitized debt	0.00	0.00	0.00	0.00	0.00
Plus: ARO finance costs	1.25	1.54	1.37	1.12	0.00
Plus: PPA depreciation	49.00	3.37	8.60	38.18	40.00
Plus: PPA interest expense	15.55	14.38	15.01	25.57	31.21
Less: Capitalized development costs	0.00	0.00	0.00	0.00	0.00
Less: Infrastructure renewal costs	0.00	0.00	0.00	0.00	0.00
Plus: Capitalized Interest (EBITDA transfer from inventory)	—	—	—	—	—
Plus: Pension & other postretirement expense	(4.55)	(6.89)	(9.92)	(4.94)	(4.00)
Plus: Revenues - Finance/Interest Income	—	—	—	—	—
Plus: Revenues - Profit on disposals	—	—	—	—	—
Plus: Revenues - Derivatives	—	—	—	—	—
Plus: Revenues (ad hoc)	—	—	—	—	—
Plus: EBITDA - Income (expense) of unconsolidated companies	—	—	—	—	—



<b>Puget Sound Energy Inc.</b>		<b>BBB/Stable/A-2</b>	<b>USD in Millions</b>	
<b>Sub-sector:</b> Utilities	<b>Industry:</b> Multi	<b>1CDS:</b> —	<b>1CDS 90 day Hi/Lo:</b> —	<b>1CDS-MDS:</b> —
<b>Rev:</b> 3,323.68	<b>EBITDA:</b> 1,004.79	<b>Debt/EBITDA:</b> 3.83x	<b>EBITDA Int Cov:</b> 4.06x	
<b>Analytical Contacts:</b> S&P Primary Analyst - Tony Bettinelli, San Francisco (1 415-371-5067) & S&P Backup Analyst - Anne Selting, San Francisco (1 415-371-5067)				

**Adjusted Income statement as of August 25, 2011**

	Annual 31- Dec- 2010 USD	Annual 31- Dec- 2009 USD	Annual 31- Dec- 2008 USD	Annual 31- Dec- 2007 USD	Annual 31- Dec- 2006 USD
Plus: EBITDA - Gain/(Loss) on disposals of PP&E	—	—	—	—	—
Plus: EBITDA - Foreign Exchange gain/(loss)	—	—	—	—	—
Plus: EBITDA - Restructuring costs	—	—	—	—	—
Plus: EBITDA - Derivatives	—	—	—	—	—
Plus: EBITDA - Settlement (litigation/insurance) costs	—	—	—	—	—
Plus: EBITDA - Valuation gains/(losses)	—	—	—	—	—
Plus: EBITDA - Business Divestments	—	—	—	—	—
Plus: EBITDA - Inventory	—	—	—	—	—
Plus: EBITDA - Other income/(expense)	—	—	—	—	—
Plus: Operating expenses (ad hoc)	—	—	—	—	—
<b>Operating income (bef. D&amp;A), pension adjusted</b>	<b>733.99</b>	<b>831.39</b>	<b>796.42</b>	<b>843.86</b>	<b>799.83</b>
<b>D&amp;A, pre-adjusted</b>	<b>454.32</b>	<b>399.32</b>	<b>373.78</b>	<b>319.18</b>	<b>294.66</b>
Impairment charges/(reversals)	—	—	—	—	—
Asset valuation gains/(losses)	0.00	0.00	0.00	0.00	0.00
<b>D&amp;A, Impairment &amp; Valuation changes, pre-adjusted</b>	<b>454.32</b>	<b>399.32</b>	<b>373.78</b>	<b>319.18</b>	<b>294.66</b>
Plus: OLA depreciation	4.27	6.51	9.25	8.34	8.56
Less: Captive Finance depreciation	0.00	0.00	0.00	0.00	0.00
Plus: Depreciation, consolidating (deconsolidating)	—	—	—	—	—
Less: Amortized portion of nonrecourse debt	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of securitized debt	0.00	0.00	0.00	0.00	0.00
Plus: PPA depreciation	49.00	3.37	8.60	38.18	40.00
Less: Amortized development costs	0.00	0.00	0.00	0.00	0.00
Less: Infrastructure renewal costs	0.00	0.00	0.00	0.00	0.00
Plus: D&A - Asset Valuation gains/(losses)	—	—	—	—	—
Plus: D&A - Impairment charges/(reversals)	—	—	—	—	—
Plus: D&A - Reverse Goodwill amortisation	—	—	—	—	—
Plus: D&A (ad hoc)	—	—	—	—	—
<b>D&amp;A, adjusted</b>	<b>507.59</b>	<b>409.20</b>	<b>391.63</b>	<b>365.69</b>	<b>343.22</b>

<b>Puget Sound Energy Inc.</b>		<b>BBB/Stable/A-2</b>	<b>USD in Millions</b>	
<b>Sub-sector:</b> Utilities	<b>Industry:</b> Multi	<b>1CDS:</b> —	<b>1CDS 90 day Hi/Lo:</b> —	<b>1CDS-MDS:</b> —
<b>Rev:</b> 3,323.68	<b>EBITDA:</b> 1,004.79	<b>Debt/EBITDA:</b> 3.83x	<b>EBITDA Int Cov:</b> 4.06x	
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**Adjusted Income statement as of August 25, 2011**

	Annual 31- Dec- 2010 USD	Annual 31- Dec- 2009 USD	Annual 31- Dec- 2008 USD	Annual 31- Dec- 2007 USD	Annual 31- Dec- 2006 USD
<b>Operating income (after D&amp;A), adjusted</b>	<b>226.41</b>	<b>422.20</b>	<b>404.79</b>	<b>478.17</b>	<b>456.62</b>
Non-operating income (expense), total	39.48	46.29	26.02	21.43	19.61
<b>EBIT, pre-adjusted</b>	<b>247.07</b>	<b>453.33</b>	<b>418.41</b>	<b>471.81</b>	<b>444.32</b>
Plus: EBIT - Finance/Interest income	—	—	—	—	—
Plus: EBIT - Income (expense) of unconsolidated companies	—	—	—	—	—
Plus: EBIT (ad hoc)	—	—	—	—	—
Less: Captive Finance investment income	0.00	0.00	0.00	0.00	0.00
Plus: Non-operating income/(expense), consolidating (deconsolidating)	—	—	—	—	—
Plus: Transfer pmt. (to) from captive fin. co.	0.00	0.00	0.00	0.00	0.00
<b>EBIT, adjusted</b>	<b>265.89</b>	<b>468.49</b>	<b>430.81</b>	<b>499.60</b>	<b>476.22</b>
<b>Interest expense, pre-adjusted</b>	<b>220.85</b>	<b>202.53</b>	<b>194.79</b>	<b>206.51</b>	<b>168.98</b>
Plus: Capitalized interest	14.16	9.22	8.61	12.61	15.87
Plus: OLA interest expense	6.57	6.13	5.94	6.04	4.70
Plus: Interest from receivables sold	0.00	0.00	0.00	0.00	0.00
Plus: receivables sold interest adjustment	—	—	—	—	—
Less: Captive finance interest	0.00	0.00	0.00	0.00	0.00
Plus: Interest expense, consolidating (deconsolidating)	—	—	—	—	—
Plus: PPA interest expense	15.55	14.38	15.01	25.57	31.21
Plus: ARO finance costs	1.25	1.54	1.37	1.12	0.00
Less: Nonrecourse interest	0.00	0.00	0.00	0.00	0.00
Less: Securitized interest	0.00	0.00	0.00	0.00	0.00
Plus: Debt-like hybrid pmts. reported as dividends	—	—	—	—	0.00
Less: Equity-like hybrid pmts. reported as interest	0.00	0.00	0.00	0.00	0.00
Less: 50% of intermediate-equity hybrid pmts. reported as interest expense	(8.72)	(4.35)	(4.35)	(4.36)	0.00
Plus: 50% of intermediate-equity hybrid pmts. reported as dividends	0.00	0.00	0.00	0.00	0.00
Plus: Pension & other postretirement expense, normalized data	0.00	0.00	0.00	0.00	0.00
Plus: Interest expense - Derivatives	—	—	—	—	—

<b>Puget Sound Energy Inc.</b>		<b>BBB/Stable/A-2</b>	<b>USD in Millions</b>	
<b>Sub-sector:</b> Utilities	<b>Industry:</b> Multi	<b>1CDS:</b> —	<b>1CDS 90 day Hi/Lo:</b> —	<b>1CDS-MDS:</b> —
<b>Rev:</b> 3,323.68	<b>EBITDA:</b> 1,004.79	<b>Debt/EBITDA:</b> 3.83x	<b>EBITDA Int Cov:</b> 4.06x	
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### Adjusted Income statement as of August 25, 2011

	Annual 31- Dec- 2010 USD	Annual 31- Dec- 2009 USD	Annual 31- Dec- 2008 USD	Annual 31- Dec- 2007 USD	Annual 31- Dec- 2006 USD
Plus: Interest expense - Shareholder loan	—	—	—	—	—
Plus: Interest expense (ad hoc)	—	—	—	—	—
<b>Interest expense, adjusted (pensions normalized)</b>	<b>249.66</b>	<b>229.43</b>	<b>221.37</b>	<b>247.48</b>	<b>220.76</b>
<b>EBITDA, pre-adjusted</b>	<b>661.91</b>	<b>806.36</b>	<b>766.16</b>	<b>769.56</b>	<b>719.38</b>
Plus: Trade Receivables sold	—	—	—	—	—
Plus: OLA interest expense	6.57	6.13	5.94	6.04	4.70
Less: Captive finance revenues	0.00	0.00	0.00	0.00	0.00
Plus: Captive finance operating expense	0.00	0.00	0.00	0.00	0.00
Plus: Revenues, consolidating (deconsolidating)	—	—	—	—	—
Less: Expenses, consolidating (deconsolidating)	0.00	0.00	0.00	0.00	0.00
Less: Nonrecourse interest	0.00	0.00	0.00	0.00	0.00
Less: Securitized interest	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of nonrecourse debt	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of securitized debt	0.00	0.00	0.00	0.00	0.00
Plus: ARO finance costs	1.25	1.54	1.37	1.12	0.00
Plus: PPA depreciation	49.00	3.37	8.60	38.18	40.00
Plus: PPA interest expense	15.55	14.38	15.01	25.57	31.21
Less: Capitalized development costs	0.00	0.00	0.00	0.00	0.00
Less: Infrastructure renewal costs	0.00	0.00	0.00	0.00	0.00
Plus: Capitalized Interest (EBITDA transfer from inventory)	—	—	—	—	—
Plus: Exploration costs	—	—	—	—	0.00
Plus: Dividends received from equity investments	—	—	—	—	—
Plus: Pension & other postretirement expense	(4.55)	(6.89)	(9.92)	(4.94)	(4.00)
Plus: Stock compensation expense	—	—	0.00	0.00	0.00
Plus: Revenues - Finance/Interest Income	—	—	—	—	—
Plus: Revenues - Profit on disposals	—	—	—	—	—
Plus: Revenues - Derivatives	—	—	—	—	—
Plus: Revenues (ad hoc)	—	—	—	—	—
Plus: EBITDA - Income (expense) of unconsolidated companies	—	—	—	—	—

<b>Puget Sound Energy Inc.</b>		<b>BBB/Stable/A-2</b>	<b>USD in Millions</b>		
<b>Sub-sector:</b> Utilities	<b>Industry:</b> Multi	<b>1CDS:</b> —	<b>1CDS 90 day Hi/Lo:</b> —	<b>1CDS-MDS:</b> —	
<b>Rev:</b> 3,323.68	<b>EBITDA:</b> 1,004.79	<b>Debt/EBITDA:</b> 3.83x	<b>EBITDA Int Cov:</b> 4.06x		
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**Adjusted Income statement as of August 25, 2011**

	Annual 31- Dec- 2010 USD	Annual 31- Dec- 2009 USD	Annual 31- Dec- 2008 USD	Annual 31- Dec- 2007 USD	Annual 31- Dec- 2006 USD
Plus: EBITDA - Gain/(Loss) on disposals of PP&E	—	—	—	—	—
Plus: EBITDA - Foreign Exchange gain/(loss)	—	—	—	—	—
Plus: EBITDA - Restructuring costs	—	—	—	—	—
Plus: EBITDA - Derivatives	—	—	—	—	—
Plus: EBITDA - Settlement (litigation/insurance) costs	—	—	—	—	—
Plus: EBITDA - Valuation gains/(losses)	—	—	—	—	—
Plus: EBITDA - Business Divestments	—	—	—	—	—
Plus: EBITDA - Inventory	—	—	—	—	—
Plus: EBITDA - Other income/(expense)	—	—	—	—	—
Plus: Operating expenses (ad hoc)	—	—	—	—	—
<b>EBITDA, adjusted</b>	<b>729.72</b>	<b>824.88</b>	<b>787.16</b>	<b>835.52</b>	<b>791.28</b>

\*Full Analysis: Puget Sound Energy Inc., published 24-Feb-2011

†Summary Analysis: Puget Sound Energy Inc., published 26-Aug-2011

Header information displayed is for the most recent data available with S&P Adjusted LTM financials.

‡CDS Data provided by [CMA DataVision](#) as of previous day closing values, EST.

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