

FINANCING DISCUSSION
APPROVAL TO ISSUE SENIOR SECURED NOTES April 29, 2015

Background

PSE currently has the following callable bonds maturing in the next 9 months:

- 1. \$150m, 5.197% Sr. Sec. note, maturing Oct 2015
- 2. \$250m, 6.75% Sr. Sec. note, maturing Jan 2016

Both notes carry typical make-whole provisions which require a premium payment to bondholders in the event the notes are called early. With interest rates at or near historical lows, and considering we are close enough to maturity, we have an opportunistic window where the economics of calling the bonds early and thereby reducing interest expense is sufficient enough to offset the make-whole premium on an NPV basis, assuming rates will rise between now and the maturity dates. Management requests approval to refinance both notes early and issue up to \$425 million of senior secured notes. Such notes will be issued under the existing shelf registration statement that became effective on January 24, 2014.

Use of Proceeds

The proceeds of the new senior note issue will be used to refinance the 2015 and 2016 maturities including the make-whole premium.

Considerations

Restrictive Covenants: As of December 31, 2014, PSE had property to support an additional \$2.0 billion and \$367.0 million of additional indebtedness under its electric and gas mortgage indentures, respectively. PSE would issue the notes under its senior note indenture utilizing electric property.

Credit Ratings: PSE's senior secured notes are rated A- and A2 by S&P and Moody's, respectively.

Timing: [REDACTED]

Make-Whole Breakeven Analysis: [REDACTED]

[REDACTED]

Indicative Fees: [REDACTED]

Syndicate Structure: [REDACTED]

Financing Plans

[REDACTED]

Indicative Terms & Pricing

[REDACTED]

Requested Action

[REDACTED]