

**EXHIBIT NO. ___(DEG-11)
DOCKET NO. UE-072300/UG-072301
2007 PSE GENERAL RATE CASE
WITNESS: DONALD E. GAINES**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-072300
Docket No. UG-072301**

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

JULY 3, 2008

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-072300 and UG-072301
Puget Sound Energy, Inc.'s
2007 General Rate Case**

PUBLIC COUNSEL DATA REQUEST NO. 024

“CONFIDENTIAL” Table of Contents

DR NO.	“CONFIDENTIAL” Material
024	Attachment A in Public Counsel Data Request No. 024 is CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-072300 / UG-072301 and per WAC 480-07-160

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-072300 and UG-072301
Puget Sound Energy, Inc.'s
2007 General Rate Case**

PUBLIC COUNSEL DATA REQUEST NO. 024

PUBLIC COUNSEL DATA REQUEST NO. 024:

Re: Testimony of Donald Gaines, page 8-9

Please provide support from the rating agencies that “junior subordinated notes” receive 50% equity credit for 10 years.

First Supplemental Response:

Puget Sound Energy, Inc. (“PSE”) previously provided support for the “junior subordinated notes” 50% equity credit from Moody’s Investor Service, which was provided in PSE’s Response to Public Counsel Data Request No. 024.

Attached as Attachment A to PSE’s First Supplemental Response to Public Counsel Data Request No. 024, please find support for the 50% equity credit afforded to this security from Standard & Poor’s.

Attachment A to PSE’s First Supplemental Response to Public Counsel Data Request No. 024 is CONFIDENTIAL per Protective Order in WUTC Docket Nos. UE-072300 and UG-072301 and WAC 480-07-160.

**ATTACHMENT A to PSE's 1st
Supplemental Response to
PUBLIC COUNSEL Data Request No. 024**

Gaines, DonExhibit No. ___(DEG-11)
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From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, April 15, 2008 4:42 PM
To: Gaines, Don
Subject: RE: PSE \$250mm Junior Subordinated Notes (Hybrid)
Attachments: Puget Energy Inc. 2007 Annual Reconciliation.xls

Yes, specifically they are treated as 50% debt in our adjusted financial ratios, based on our current criteria. I've attached a copy of our consolidated reported to adjusted reconciliation table outlining the impact.

Regards,
Tony

From: Gaines, Don [mailto:don.gaines@pse.com]
Sent: Tuesday, April 15, 2008 4:26 PM
To: antonio_bettinelli@sandp.com
Subject: PSE \$250mm Junior Subordinated Notes (Hybrid)

Tony:

I just wanted to confirm, our \$250mm hybrid issue is classified as having "intermediate equity credit" and thus is considered to have 50% equity content for credit ratings purposes, correct?

Don Gaines

Vice President Finance & Treasurer

Puget Sound Energy

425-462-3870 (work)

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4/15/2008

Table 3.
Reconciliation Of Puget Energy Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$)*

--Fiscal year ended Dec. 31, 2007--

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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	3,118.8	2,523.8	768.4	768.4	449.2	205.2	564.2	564.2	108.4	780.7
Standard & Poor's adjustments										
Operating leases	97.9	--	14.4	6.0	6.0	6.0	8.4	8.4	--	33.4
Intermediate hybrids reported as debt	(125.0)	125.0	--	--	--	(4.4)	4.4	4.4	4.4	--
Postretirement benefit obligations	--	--	(4.9)	(4.9)	(4.9)	--	1.4	1.4	--	--
Capitalized interest	--	--	--	--	--	12.6	(12.6)	(12.6)	--	(12.6)
Power purchase agreements	362.9	--	63.8	63.8	25.6	25.6	38.2	38.2	--	--
Asset retirement obligations	19.2	--	1.1	1.1	1.1	1.1	(0.8)	(0.8)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	21.4	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	(48.1)	--	--
Other	--	--	--	--	--	--	29.3	29.3	--	--
Total adjustments	355.0	125.0	74.3	65.9	49.2	41.0	68.2	20.1	4.4	20.8
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	3,473.9	2,648.8	842.7	834.3	498.4	246.2	632.4	584.3	112.8	801.5

*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.