

**Exhibit No. DCP-3
Dockets UE-090704 and UG-090705
Witness: David C. Parcell**

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

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET UE-090704

DOCKET UG-090705

EXHIBIT TO TESTIMONY OF

DAVID C. PARCELL

**ON BEHALF OF
STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

PSE, Inc. – Total Cost of Capital

**November 17, 2009
Revised December 11, 2009**

PUGET SOUND ENERGY, INC.
TOTAL COST OF CAPITAL

Item	Percent 1/	Cost	Weighted Cost
Short-Term Debt	3.95%	2.47%	0.10%
Long-Term Debt	51.05%	6.48%	3.31%
Common Equity	45.00%	10.00%	4.50%
Total	100.00%		7.91%

Derived as follows:

Short-Term Debt	\$285,015	3.95%	From Exhibit No.____(DEC-10C) Page 1 of 9.
Long-Term Debt	\$3,678,534	51.05%	Balance of capital to sum to \$7,206,452.
Common Equity	\$3,242,903	45.00%	45% times \$7,206,452
Total Capital	\$7,206,452	100.00%	From Exhibit No.____(DEG-10C), Page 1 of 9.

**Puget Sound Energy
Cost of LT Debt
For The 12 Months Ended March 31, 2011
REFLECTING ADJUSTMENTS PROPOSED BY COMMISSION STAFF**

1	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)	
2	Bond	Principal in 000's	Interest Rate	Issue Date	Maturity Date	Net Proceeds Per \$100	Cost Rate (If)	Annual Charge	M-10	A-10	M-10	J-10	J-10	A-10	S-10	O-10	N-10	D-10	J-11	F-11	M-11	Avg Amt Out- standing (in 000's)	
6	MTN-B	\$150,000	6.460%	Mar-99	Mar-09	99.26	6.56%															\$000	
7	MTN-C	\$3,000	6.810%	Dec-95	Dec-09	99.28	6.69%																\$000
8	MTN-C	\$5,000	6.620%	Dec-95	Dec-09	99.28	6.70%																\$000
9	MTN-B	\$225,000	7.980%	Feb-00	Feb-10	99.23	8.07%																\$3,208
10	MTN-C	\$7,000	7.120%	Sep-95	Sep-10	99.85	7.25%	232,522	7.0	7.0	7.0	7.0	7.0	7.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	\$227,500	
11	MTN-C	\$280,000	7.690%	Nov-00	Feb-11	99.28	7.79%	17,723,683	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0	\$2,000,000
12	MTN-B	\$3,000	6.830%	Aug-93	Aug-13	99.81	6.94%	208,216	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	\$3,000
13	MTN-B	\$10,000	6.900%	Sep-93	Oct-13	98.82	7.01%	701,037	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	\$10,000
14	MTN-C	\$10,000	7.350%	Sep-95	Sep-15	99.84	7.46%	746,219	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	\$10,000
15	MTN-C	\$2,000	7.360%	Sep-95	Sep-15	99.84	7.47%	149,442	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	\$2,000
16	SN	\$150,000	5.197%	Oct-05	Oct-15	99.19	5.30%	7,983,003	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	\$150,000
17	SN	\$250,000	6.750%	Jan-09	Jan-16	99.28	6.88%	17,203,058	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	\$250,000
18	MTN-A	\$200,000	6.740%	Jun-88	Jun-18	99.99	6.83%	13,667,659	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	\$200,000
19	FMB	\$25,000	9.570%	Sep-90	Sep-20	99.40	9.63%	2,407,910	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	\$25,000
20	MTN-C	\$15,000	7.150%	Dec-95	Dec-25	99.21	7.21%	1,062,180	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	\$15,000
21	MTN-C	\$2,000	7.200%	Dec-95	Dec-25	99.21	7.26%	145,298	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	\$2,000
22	MTN-A	\$300,000	7.020%	Dec-97	Dec-27	99.99	7.10%	21,305,080	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	\$300,000
23	MTN-B	\$100,000	7.000%	Mar-99	Mar-29	99.04	7.08%	7,077,339	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	\$100,000
24	PCB	\$23,400	5.100%	Mar-03	Mar-31	95.55	5.85%	1,323,222	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	\$23,400
25	PCB	\$138,460	5.000%	Mar-03	Mar-31	95.55	5.84%	7,672,158	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	\$138,460
26	SN	\$250,000	5.463%	May-05	Jun-35	84.89	6.65%	16,691,015	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	\$250,000
27	SN	\$250,000	6.724%	Jun-06	Jun-36	107.52	6.17%	15,425,986	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	\$250,000
28	SN	\$300,000	6.274%	Sep-06	Mar-37	98.81	6.36%	19,088,422	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	\$300,000
29	JrSubN	\$250,000	6.974%	Jun-07	Jun-17	98.23	7.23%	18,065,222	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	\$250,000
30																							
31	New Bond	\$350,000	5.757%	Sep-09	Sep-39	99.00	5.83%	20,405,000	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	\$350,000
32	New Bond	\$400,000	5.757%	Mar-10	Mar-20	99.00	5.89%	23,560,000	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	\$400,000
33	New Bond	\$375,000	5.757%	Sep-10	Sep-17	99.00	5.83%	12,045,313	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	\$375,000
34	LT Debt	\$215,841	5.757%			100.00	5.76%	12,425,966	215.8	215.8	215.8	215.8	215.8	215.8	215.8	215.8	215.8	215.8	215.8	215.8	215.8	215.8	\$215,841
35	Differential																						
36								1,113,977															
37	Total LT Debt Balances and W. Avg Cost Rate						6.48%	238,388,925	3511.7	3511.7	3511.7	3511.7	3511.7	3511.7	3511.7	3511.7	3511.7	3511.7	3511.7	3511.7	3511.7	3511.7	\$3,678,534

(i) Net proceeds are face amount less underwriter's fees and issuance expenses.
 (ii) See schedule of Reactivated Debt.
 (iii) Cost Rate for each bond is the yield to maturity based on net proceeds.
 (iv) For total long term debt, the cost rate is the total annual charge including the annual charge on reacquired debt divided by the average outstanding balance for the period.

Source: This exhibit was developed by modifying Exhibit DEG-10C, Page 5, to reflect Staff's proposed changes in the cost of debt for the two 2010 New Bond issues and to reflect the impact of changing the common equity ratio from 48 percent to 45 percent.