

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
Complainant, )  
v. )  
PUGET SOUND ENERGY, INC., )  
Respondent. )  
\_\_\_\_\_ )

Docket Nos. UE-111048/UG-111049  
(consolidated)

**EXHIBIT NO.\_\_(MPG-21)**

**STANDARD & POOR’S CREDIT METRICS – 9.50% ROE**

December 7, 2011

# Puget Sound Energy

## Standard & Poor's Credit Metrics (9.50% Return on Equity)

<u>Line</u>	<u>Description</u>	Retail	S&P Benchmark <sup>1/2</sup>			<u>Reference</u> (5)
		<u>Cost of Service</u> <u>Amount (000)</u> (1)	<u>Intermediate</u> (2)	<u>Significant</u> (3)	<u>Aggressive</u> (4)	
1	Rate Base	\$ 6,563,062				Exhibit Nos.____(MJS-7) and (JSH-7).
2	Weighted Common Return	4.37%				Page 2, Line 3, Col. 3.
3	Pre-Tax Rate of Return	10.41%				Page 2, Line 4, Col. 4.
4	Income to Common	\$ 286,806				Line 1 x Line 2.
5	EBIT	\$ 683,116				Line 1 x Line 3.
6	Depreciation & Amortization	\$ 345,595				Exhibit Nos.____(MJS-3) and (JSH-3).
7	Imputed Amortization	\$ 9,900				Ex. No.____(MPG-20) Page 4, Line 9, Col 1.
8	Deferred Income Taxes & ITC	\$ (35,504)				Exhibit Nos.____(MJS-3) and (JSH-3).
9	Funds from Operations (FFO)	\$ 606,797				Sum of Lines 4, and 6 to 8.
10	Imputed Interest Expense	\$ 20,500				Ex. No.____(MPG-20) Page 4, Line 8, Col 1.
11	EBITDA	\$ 1,059,111				Sum of Lines 5 through 7 and Line 10.
12	Total Debt Ratio	56%	35% - 45%	45% - 50%	50% - 60%	Ex. No.____(MPG-20) Page 3, Line 4, Col. 1.
13	Debt to EBITDA	3.5x	2.0x - 3.0x	3.0x - 4.0x	4.0x - 5.0x	(Line 1 x Line 12) / Line 11.
14	FFO to Total Debt	16%	30% - 45%	20% - 30%	12% - 20%	Line 9 / (Line 1 x Line 12).

Sources:

<sup>1</sup> Standard & Poor's: "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," May 27, 2009.

<sup>2</sup> S&P RatingsDirect: "U.S. Regulated Electric Utilities, Strongest to Weakest," October 4, 2011.

Note:

Based on the May 2009 S&P metrics, Puget Sound Energy Inc. has an "Excellent" business profile and an "Aggressive" financial profile.

# Puget Sound Energy

## Standard & Poor's Credit Metrics (Pre-Tax Rate of Return)

<u>Line</u>	<u>Description</u>	<u>Weight</u> (1)	<u>Cost</u> (2)	<u>Weighted</u> <u>Cost</u> (3)	<u>Pre-Tax</u> <u>Weighted</u> <u>Cost</u> (4)
1	Long-Term Debt	50.00%	6.37%	3.19%	3.19%
2	Short-Term Debt	4.00%	4.62%	0.18%	0.18%
3	Common Equity	<u>46.00%</u>	<b>9.50%</b>	<u>4.37%</u>	<u>7.04%</u>
4	<b>Total</b>	<b>100.00%</b>		<b>7.74%</b>	<b>10.41%</b>
5	Tax Conversion Factor*				1.6106

Sources:

Exhibit No.\_\_\_\_(MPG-3).

\* Exhibit Nos.\_\_\_\_(MJS-7) and (JSH-7).