

**EXHIBIT NO. DEG-19
DOCKET NOS. UE-090704/UG-090705
2009 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.

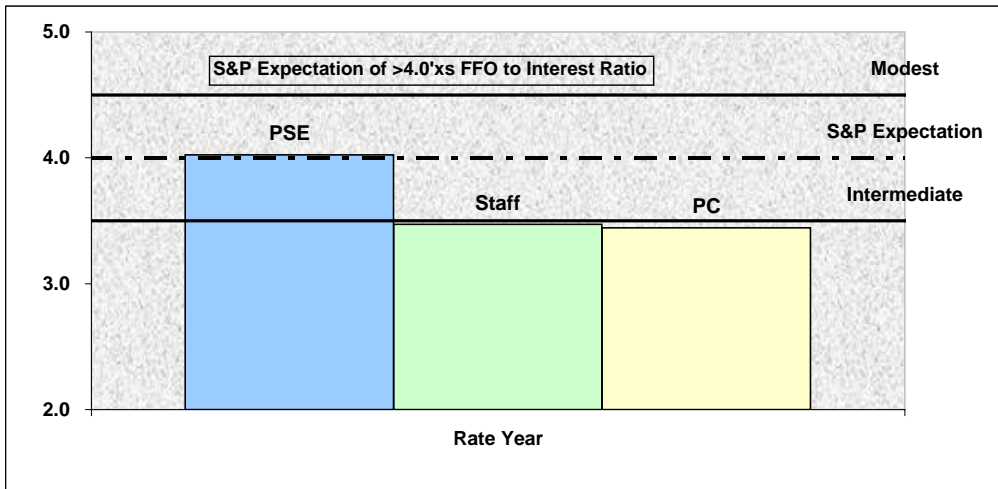
**Docket No. UE-090704
Docket No. UG-090705**

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

DECEMBER 17, 2009

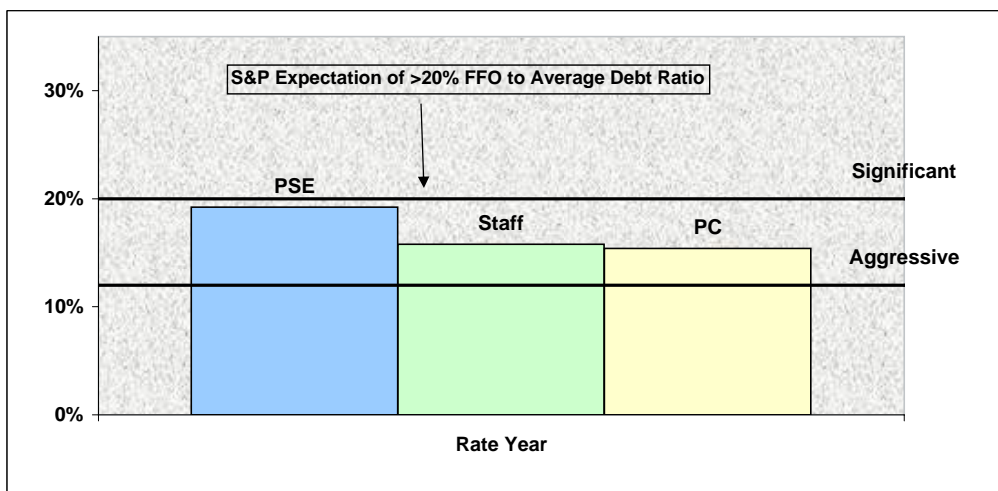
FFO to Interest

(Higher is Better)



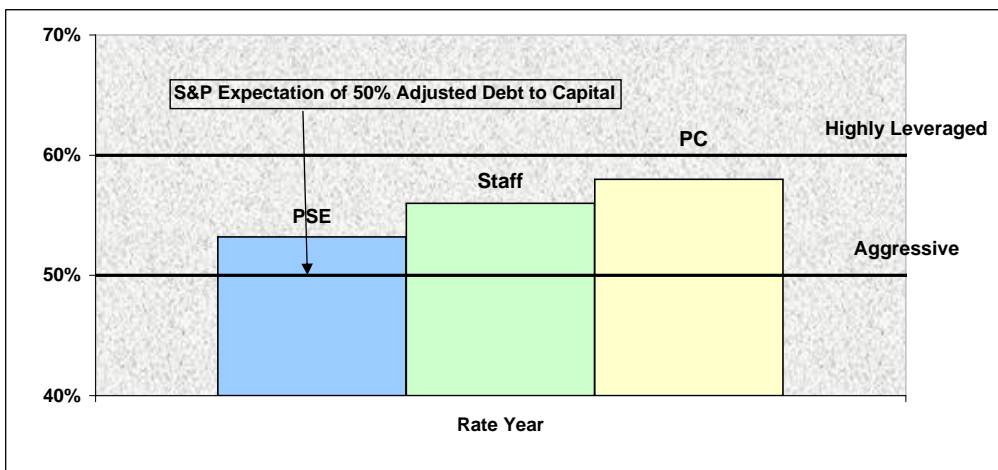
FFO to Average Debt

(Higher is Better)



Debt to Capital

(Lower is Better)



Rate Year Rating Agency Ratios

	<u>PSE</u>	<u>Staff</u>	<u>PC</u>
PSE			
FFO to Interest	4.0	3.5	3.4
"Intermediate" Range:	3.5-4.5	3.5-4.5	3.5-4.5
<i>FFO Cushion</i>	\$126	(\$7)	(\$15)
FFO to Debt	19.2%	15.8%	15.4%
"Significant" Range:	20% - 30%	20% - 30%	20% - 30%
"Aggressive" Range:	12% - 20%	12% - 20%	12% - 20%
<i>FFO Cushion</i>	\$273	\$150	\$139
Debt to Capital	53.2%	56.0%	58.0%
"Significant" Range:	45% - 50%	45% - 50%	45% - 50%
"Aggressive" Range:	50% - 60%	50% - 60%	50% - 60%
<i>Debt Cushion</i>	\$505	\$297	\$149
Debt to EBITDA	3.8	4.6	4.7
"Significant" Range:	3 - 4	3 - 4	3 - 4
"Aggressive" Range:	4 - 5	4 - 5	4 - 5
<i>EBITDA Cushion</i>	\$232	\$74	\$44

PSE Rate Year Rating Agency Ratios
(\$ in millions)

Debt to Capitalization Ratio Calculation:		<u>PSE</u>	<u>Staff</u>	<u>PC</u>
1	Short Term Debt (end-of-period)	\$418	\$389	\$351
2	Long-Term Debt (end-of-period)	3,154	3,404	3,579
3	Hybrid Debt (end-of-period)	125	125	125
4	Total Debt (end-of-period)	\$3,697	\$3,917	\$4,055
5	Hybrid Equity (end-of-period)	\$125	\$125	\$125
6	Common Equity (end-of-period)	3,350	3,150	2,995
7	Total Equity (end-of-period)	\$3,475	\$3,275	\$3,120
8	Total Capitalization (end-of-period)	\$7,172	\$7,193	\$7,175
9	Debt to Capitalization Ratio (line 4 / 9)	51.5%	54.5%	56.5%
10	Imputed Debt	\$253	\$253	\$253
11	Total Debt w/Imputed Debt	\$3,950	\$4,170	\$4,307
12	Total Capitalization w/Imputed Debt	\$7,425	\$7,445	\$7,428
13	Debt to Capitalization Ratio w/Imputed Debt (line 12 / 13)	53.2%	56.0%	58.0%
	Debt Cushion	\$505	\$297	\$149
Funds From Operations Calculation:		<u>PSE</u>	<u>Staff</u>	<u>PC</u>
14	Net Income	\$190	\$102	\$74
15	Depreciation and Amortization	478	473	505
16	DFIT	20	15	14
17	AFUDC - Equity and WUTC	(36)	(33)	(32)
18	Changes in Current Assets/Liab (Working Capital)	55	40	27
19	All Other	33	30	31
20	Net Cash Flow from Ops	\$741	\$628	\$620
21	Less Change in Working Capital	(\$55)	(\$40)	(\$27)
1	Debt AFUDC	(16)	(16)	(16)
22	Funds From Operations	\$669	\$572	\$577
FFO to Debt Ratio Calculation:		<u>2011</u>	<u>2011</u>	<u>2011</u>
23	Imputed Depreciation	\$57	\$57	\$57
24	FFO	669	572	577
25	FFO w/Imputed Depreciation	\$726	\$629	\$633
26	Avg Short Term Debt	\$187	\$197	\$265
27	Avg Long-Term Debt	3,213	3,411	3,474
28	Avg Hybrid Debt	125	125	125
29	Imputed Debt	253	253	253
30	Average Total Debt w/Imputed Debt	\$3,778	\$3,986	\$4,117
31	FFO to Debt Ratio (line 27 / 32)	19.2%	15.8%	15.4%
	FFO Cushion	\$273	\$150	\$139

PSE Rate Year Rating Agency Ratios
(\$ in millions)

	<u>PSE</u>	<u>Staff</u>	<u>PC</u>
FFO to Interest Ratio Calculation:	2011	2011	2011
32 Short- & Long-Term Interest	\$232	\$246	\$251
33 Implied Interest	17	17	17
34 less 50% Hybrid Interest	(9)	(9)	(9)
35 Total Interest w/Imputed Interest	\$240	\$254	\$259
36 FFO	\$669	\$572	\$577
37 Imputed Depreciation	57	57	57
38 Total Interest w/Imputed Interest less 50% Hybrid Interest	240	254	259
39 FFO + Interest w/Imputed Depreciation	\$966	\$883	\$893
40 FFO to Interest Ratio (line 41 / 37)	4.0	3.5	3.4
FFO Cushion	\$126	(\$7)	(\$15)
Debt to EBITDA Ratio Calculation:	2011	2011	2011
32 Avg Short Term Debt	\$187	\$197	\$265
33 Avg Long-Term Debt	3,213	3,411	3,474
34 Avg Hybrid Debt	125	125	125
35 Imputed Debt	253	253	253
36 Average Total Debt w/Imputed Debt	\$3,778	\$3,986	\$4,117
37 Net Income	\$190	\$102	\$74
38 Interest Expense (incl. AFUDC Debt)	226	241	246
39 Income Taxes (ABL)	84	42	29
40 Depreciation & Amortization	373	368	399
41 Conservation amortization	97	97	97
42 Other Income	(44)	(41)	(40)
43 Imputed Depreciation and Interest	62	62	62
44 EBITDA	\$988	\$871	\$867
45 Debt to EBITDA Ratio Calculation (line 38 / 47)	3.8	4.6	4.7
EBITDA Cushion	\$232	\$74	\$44
Cash Flow to Total Capital Calculation:			
46 Cash Flow from Operations	\$741	\$628	\$620
47 Capital Expenditures	1,024	1,024	1,024
48 Conservation Expenditures	98	98	98
49 Total Capital	\$1,121	\$1,121	\$1,121
50 Cash Flow to Total Capital Ratio (line 48 / 51)	66%	56%	55%
S&P Outlook	40%	40%	40%

Imputed Debt

(in millions)

	2009	2010	2011
Mid-C	\$14	\$48	\$48
NUGs	42	148	149
Other	15	57	9
Future Contracts	0	0	0
Total Capacity Payments	\$71	\$253	\$206
<i>Risk Factor</i>	30%	30%	30%
Mid-C	\$4	\$14	\$15
NUGs	13	44	45
Other	4	17	3
Future Contracts	0	0	0
Total Risk Factored Payments	\$21	\$76	\$62
Discount Rate	6.7%	6.7%	6.7%
Mid-C	\$107	\$110	\$103
NUGs	129	125	89
Other	30	27	12
Future Contracts	0	0	0
Total NPV of Risk Factored Payments	\$266	\$262	\$204
Imputed Debt	\$266	\$262	\$204
Imputed Interest	\$18	\$18	\$14
Imputed Depreciation	\$3	\$58	\$48
