CREDIT FACILITY DISCUSSION
Approval to refinance credit facilities **August 3, 2017**

Introduction

Puget Energy's ("PE") and Puget Sound Energy's ("PSE") (together the "Companies") current credit facilities expire in April 2018 and April 2019, respectively. Conditions in the credit market enable the Companies to enter into new replacement 5-year revolving credit facilities on terms close to those contained in our existing facilities.

Background

PE presently has an $800 million bank facility put in place in February 2012. PSE currently has a $1.0 billion bank facility put in place in February 2013. The PSE facility consists of two tranches, a $650 million liquidity facility and a $350 million hedging facility. Both facilities originally had 5 year tenors. In April 2014, both the PE and PSE facilities were amended and the maturity dates were extended by 1 year to 2018 and 2019.

New Credit Facilities

Recently, several of the Companies' top banks have presented information indicating that current conditions in the bank credit market are reasonably favorable and will enable PE and PSE to replace their existing agreements with new 5 year facilities on terms, conditions and pricing very similar to the current facilities. Alternatively, both existing facilities have extension options that would allow the Companies to request 1 year extensions of the maturity dates. However, management does not believe this is the best option because banks do not have to participate in the extension and may opt out of the facility at the current maturity date resulting in an uncontrolled downsizing of the facilities. We have received feedback, from our pre-transaction due diligence, that certain banks will likely downsize their commitments and others may decide to leave the facility altogether. The latter are tier 1 banks whose "league table" performance does not warrant meaningful allocation of the companies' capital market business, i.e., participation in debt issuance transitions to enhance their returns. This is an emergent trend. Our due diligence continues but at present, we believe our downsizing risk is in the $300-400 million range. Offsetting this downsizing risk is our ability to ask the remaining tier 1 banks to upsize their participation in the face of over $2 billion of debt issuance transactions over the next 5 years, of which approximately $1.8 billion are refinancings. We have received indications that this will be possible but the upside is limited. This pipeline of return enhancing business will go far to convince bank credit committees to upsize their participation.

Management believes the best course of action is to proceed with replacing the existing agreements with new 5 year agreements. Proceeding with a one year extension pressures liquidity risk that leaves management without recourse. By locking in new 5 year agreements at this time, the Companies, have opportunity to (1) avoid the liquidity risk associated with extension, (2) avoid volatility in pricing & commitments associated with future bank capital reserve requirements dictated by the Basel agreements and (3) avoid negative impacts from the credit rating agencies if renewal was delayed until closer to PE's maturity in spring of next year.

Management intends to consolidate the $350 million hedging facility and the $650 million liquidity facility into a single $1.0 billion liquidity/working capital facility as directed by the WUTC as part of the decoupling settlement. This is also helpful to our supporting bank group from an administrative perspective.

Management plans to have the new facilities in place by late September or early October.

Requested Action by the Board of Directors

Management requests that the Board of Directors approve resolutions allowing the Companies to enter into new 5-year revolving credit facilities totaling up to $1.8 billion on terms, conditions and pricing similar to those contained in the existing facilities. Management also requests that the Board of Directors delegate final approval of pricing, terms and conditions to the securities pricing committee.