

EXHIBIT NO. _____ (JMR-8HC)
DOCKET NO. UE-04____/UG-04____
2004 PSE GENERAL RATE CASE
WITNESS: JULIA M. RYAN

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-04____
Docket No. UG-04____

**SEVENTH EXHIBIT TO PREFILED DIRECT TESTIMONY
OF JULIA M. RYAN (HIGHLY CONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.**

Redacted Version

APRIL 5, 2004

PUGET SOUND ENERGY
Physical Credit Limits Extended to PSE by Counterparty
Gas Credit Increase

Redacted Version

Estimated Increase in Credit if PSE debt rating is *increased* 1 notch

	Current Credit Extended to PSE	Estimated Increase in Credit	Estimated Total Credit Extended to PSE	%
1 Counterparties that Responded to Survey				
2 XXXXXXXX	\$500,000	\$200,000	\$700,000	40%
3 XXXXXXXXXXXXXXXX	\$800,000	\$200,000	\$1,000,000	25%
4 XXXXX	\$880,000	\$272,800	\$1,152,800	31%
5 XXXXXXXXXXXXXXXXXXXX	\$3,000,000	\$3,000,000	\$6,000,000	100%
6 XXXXXXXXXXXXXXXXXXXX	\$3,200,000	\$800,000	\$4,000,000	25%
7 XXXXXXXXXXXXXXXX	\$5,000,000	\$5,000,000	\$10,000,000	100%
8 XXXXXXXXXXXXXXXX	\$10,000,000	\$5,000,000	\$15,000,000	50%
9 XXXXXXXXXXXXXXXX	\$10,000,000	\$5,000,000	\$15,000,000	50%
10 XXXXXXXXXXXXXXXX	\$12,400,000	\$3,100,000	\$15,500,000	25%
11	Subtotal	\$45,780,000	\$22,572,800	\$68,352,800
12			Average Percent Increase	49.31%
13				
14 Counterparties Contacted but not Prepared to Respond to Survey				
15 XXXXXXXX	\$250,000			
16 XXXXXXXXXXXXXXXX	\$375,000			
17 XXXXXXXX	\$375,000			
18 XXXXXXXXXXXXXXXX	\$900,000			
19 XXXXXXXXXXXXXXXX	\$930,000			
20 XXXXXXXX	\$930,000			
21 XXXXXXXXXXXXXXXX	\$1,000,000			
22 XXXXXXXX	\$1,000,000			
23 XXXXXXXXXXXXXXXX	\$1,000,000			
24 XXXXXXXX	\$1,000,000			
25 XXXXXXXX	\$1,600,000			
26 XXXXXXXXXXXXXXXX	\$2,000,000			
27 XXXXXXXXXXXXXXXX	\$2,000,000			
28 XXXXXXXXXXXXXXXX	\$2,500,000			
29 XXXXXXXXXXXXXXXX	\$3,000,000			
30 XXXXXXXX	\$3,300,000			
31 XXXXXXXX	\$3,300,000			
32 XXXXXXXXXXXXXXXX	\$3,400,000			
33 XXXXXXXX	\$3,500,000			
34 XXXXXXXX	\$3,700,000			
35 XXXXXXXXXXXXXXXX	\$5,000,000			
36 XXXXX	\$5,000,000			
37 XXXXXXXXXXXXXXXX	\$5,000,000			
38 XXXX	\$7,000,000			
39 XXXXXXXXXXXXXXXX	\$7,470,000			
40 XXXXXXXX	\$10,000,000			
41 XXXXXXXXXXXXXXXX	\$14,000,000			
42 XXXXXXXX	\$15,000,000			
43	Subtotal	\$104,530,000		\$104,530,000
44	Implied 49.31% Increase on Subtotal	\$51,543,743	\$51,543,743	49.31%
45	Total	\$150,310,000	\$74,116,543	\$224,426,543

Survey question:

How much credit would you extend to PSE with a one notch upgrade in debt ratings?

PUGET SOUND ENERGY
Physical Credit Limits Extended to PSE by Counterparty
Gas Credit Decrease

Redacted Version

Estimated Decrease in Credit if PSE debt rating is
decreased 1 notch

Counterparties that Responded to Survey	Current Credit Extended to PSE	Estimated Decrease in Credit	Estimated Total Credit Extended to PSE	% Decrease
1				
2	XXXXXXX	\$500,000	(\$500,000)	\$0 (100%)
3	XXXXXXXXXXXX	\$930,000	(\$465,000)	\$465,000 (50%)
4	XXXX	\$930,000	(\$465,000)	\$465,000 (50%)
5	XXXXXXXXXXXXXXXX	\$880,000	(\$440,000)	\$440,000 (50%)
6	XXXXXXX	\$2,000,000	(\$2,000,000)	\$0 (100%)
7	XXXXXXXXXXXXXXXX	\$5,000,000	(\$3,000,000)	\$2,000,000 (60%)
8	Subtotal	\$10,240,000	(\$6,870,000)	\$3,370,000
9			Average Percent Increase	(67.09%)
10				
11	Counterparties Contacted but not Prepared to Respond to Survey			
12	XXXXXXX	\$250,000		
13	XXXXXXXXXXXXXXXX	\$375,000		
14	XXXXXXXXXXXXXXXX	\$375,000		
15	XXXXXXXXXXXXXXXXXXXX	\$800,000		
16	XXXXXXXXXXXX	\$900,000		
17	XXXXXXXXXXXXXXXX	\$1,000,000		
18	XXXXXXX	\$1,000,000		
18	XXXXXX	\$1,000,000		
19	XXXXXXXXXXXX	\$1,000,000		
20	XXXXXXXXXXXXXXXXXXXX	\$1,600,000		
21	XXXXXXXXXXXX	\$2,000,000		
22	XXXXXXX	\$2,500,000		
23	XXXXXXXXXXXXXXXXXXXX	\$3,000,000		
24	XXXXXXXXXXXX	\$3,000,000		
25	XXXXXXX	\$3,200,000		
26	XXXXXX	\$3,300,000		
27	XXXXXXXXXXXXXXXX	\$3,300,000		
28	XXXXXXXXXXXXXXXXXXXX	\$3,400,000		
29	XXXXXXXXXXXX	\$3,500,000		
30	XXX	\$3,700,000		
31	XXXXXXXXXXXXXXXX	\$5,000,000		
32	XXXXXXX	\$5,000,000		
33	XXXXXXXXXXXXXXXXXXXX	\$5,000,000		
34	XXXXXXXXXXXX	\$7,000,000		
35	XXXXXXX	\$7,470,000		
36	XXXXXXXXXXXXXXXX	\$10,000,000		
37	XXXXXXX	\$10,000,000		
38	XXXXXXXXXXXXXXXX	\$10,000,000		
39	XXXXXXXXXXXX	\$12,400,000		
40	XXXX	\$14,000,000		
41	XXXXXXXXXXXXXXXXXXXX	\$15,000,000		
42	Subtotal	\$140,070,000		\$140,070,000
43	Implied 67.09% Increase on Subtotal		(\$93,972,963)	(\$93,972,963) (67.09%)
44	Total	\$150,310,000	(\$100,842,963)	\$49,467,037

Survey question:

How much credit would you extend to PSE with a one notch downgrade in debt ratings?

PUGET SOUND ENERGY
Physical Credit Limits Extended to PSE by Counterparty
Power Credit Increase

Redacted Version

Estimated Increase in Credit if PSE debt rating is
increased 1 notch

	Current Credit Extended to PSE	Estimated Increase in Credit	Estimated Total Credit Extended to PSE	% Increase
1 Counterparties that Responded to Survey				
2	XXXXXXXXXX	\$467,882	\$93,576	561,458 20%
3	XXXXXXXXXXXXXX	\$500,000	\$1,500,000	\$2,000,000 300%
4	XXXXXX	\$500,000	\$500,000	\$1,000,000 100%
5	XXXXXXXXXXXXXX	\$1,000,000	\$500,000	\$1,500,000 50%
6	XXXXXXXXXXXXXXXXXXXXXX	\$2,000,000	\$3,000,000	\$5,000,000 150%
7	XXXXXXXXXX	\$3,200,000	\$800,000	\$4,000,000 25%
8	XXXXXXXXXXXXXX	\$4,400,000	\$1,100,000	\$5,500,000 25%
9	XXXXXX	\$4,500,000	\$1,800,000	\$6,300,000 40%
10	XXXXXXXXXXXXXXXXXXXXXX	\$5,000,000	\$10,000,000	\$15,000,000 200%
11	XXXXXXXXXXXXXX	\$5,000,000	\$1,000,000	\$6,000,000 20%
12	XXXXXX	\$7,280,000	\$2,256,800	\$9,536,800 31%
13	Subtotal	\$33,847,882	\$22,550,376	\$56,398,258
14			Average Percent Increase	66.62%
15				
16 Counterparties Contacted but not Prepared to Respond to Survey				
17	XXXXXXXXXXXXXX	\$100,000		
18	XXXXXXXXXXXXXX	\$250,000		
19	XXXXXX	\$375,000		
20	XXXXXXXXXXXXXXXXXXXXXX	\$375,000		
21	XXXXXXXXXXXXXX	\$500,000		
22	XXXXXX	\$1,140,000		
23	XXXXXXXXXXXXXXXXXXXXXX	\$1,200,000		
24	XXXXXXXXXX	\$1,500,000		
25	XXXXXXXXXXXXXXXXXXXXXX	\$1,500,000		
26	XXXXXXXXXX	\$2,000,000		
27	XXXXXXXXXXXXXX	\$2,000,000		
28	XXXXXX	\$2,000,000		
29	XXXXXXXXXX	\$2,000,000		
30	XXXX	\$2,000,000		
31	XXXXXXXXXXXXXX	\$3,000,000		
32	XXXX	\$3,500,000		
33	XXXXXXXXXXXXXXXXXXXXXX	\$4,000,000		
34	XXXXXXXXXX	\$4,000,000		
35	XXXXXXXXXXXXXX	\$4,000,000		
36	XXX	\$5,000,000		
37	XXXXXXXXXXXXXXXXXXXXXX	\$5,000,000		
38	XXXXXXXXXX	\$5,000,000		
39	XXXXXXXXXXXXXXXXXXXXXX	\$5,826,000		
40	XXXXXX	\$6,000,000		
41	XXXXXXXXXXXXXX	\$6,300,000		
42	XXXXXXXXXX	\$6,500,000		
43	XXXXXX	\$7,000,000		
44	XXXXXXXXXXXXXXXXXXXXXX	\$7,470,000		
45	XXXXXXXXXXXXXX	\$11,000,000		
46	XXXXXXXXXXXXXXXXXXXXXX	\$15,000,000		
47	Subtotal	\$115,536,000		\$115,536,000
48	Implied 66.62% Increase on Subtotal		\$76,970,083	\$76,970,083 66.62%
49	Total	\$149,383,882	\$99,520,460	\$248,904,342

Survey question:
How much credit would you extend to PSE with a one notch upgrade in debt ratings?

PUGET SOUND ENERGY
Physical Credit Limits Extended to PSE by Counterparty
Power Credit Decrease

Redacted Version

Estimated Decrease in Credit if PSE debt rating is decreased 1 notch

	Current Credit Extended to	Estimated Decrease in Credit	Estimated Total Credit Extended to PSE	% Decrease
1 Counterparties that Responded to Survey	PSE			
2 XXXXXXXXX	\$500,000	(\$500,000)	\$0	(100%)
3 XXXXXXXXXXXXXXXXX	\$500,000	(\$500,000)	\$0	(100%)
4 XXXXX	\$1,000,000	(\$1,000,000)	\$0	(100%)
5 XXXXXXXXXXXXXXXXXXXXX	\$1,140,000	(\$570,000)	\$570,000	(50%)
6 XXXXXXXXXXXXX	\$2,000,000	(\$400,000)	\$1,600,000	(20%)
6 XXXXXXXXXXXXX	\$3,500,000	(\$1,500,000)	\$2,000,000	(43%)
7 XXXXXXXXX	\$4,500,000	(\$4,500,000)	\$0	(100%)
8 XXXXXXXXX	\$5,000,000	(\$3,000,000)	\$2,000,000	(60%)
9 XXXXXXXXXXXXXXXXX	\$5,000,000	(\$5,000,000)	\$0	(100%)
10 XXXXXXXXXXXXXXXXXXXXXXXXX	\$6,000,000	(\$6,000,000)	\$0	(100%)
11 XXXXXXXXX	\$7,280,000	(\$3,640,000)	\$3,640,000	(50%)
12	Subtotal	\$36,420,000	(\$26,610,000)	\$9,810,000
13			Average Percent Decrease	(73.06%)
14				
15 Counterparties Contacted but not Prepared to Respond to Survey				
16 XXXXXXXXX	\$100,000			
17 XXXXXXXXXXXXXXXXX	\$250,000			
18 XXXXXXXXX	\$375,000			
19 XXXXXXXXXXXXXXXXX	\$375,000			
20 XXXXXXXXXXXXXXXXXXXXXXXXX	\$467,882			
21 XXXXXXXXX	\$500,000			
22 XXXXXXXXXXXXXXXXXXXXXXXXX	\$1,200,000			
23 XXXXXXXXX	\$1,500,000			
24 XXXXXXXXXXXXXXXXX	\$1,500,000			
25 XXXXXXXXX	\$2,000,000			
26 XXXXXXXXXXXXXXXXXXXXXXXXX	\$2,000,000			
27 XXXXXXXXX	\$2,000,000			
28 XXXX	\$2,000,000			
29 XXXXXXXXX	\$2,000,000			
30 XXXXXXXXXXXXXXXXX	\$3,000,000			
32 XXXX	\$3,200,000			
33 XXXXXXXXXXXXXXXXXXXXXXXXX	\$4,000,000			
34 XXXXXXXXXXXXXXXXXXXXXXXXX	\$4,000,000			
35 XXXXXXXXX	\$4,000,000			
36 XXXXXXXXX	\$4,400,000			
37 XXXXXXXXX	\$5,000,000			
38 XXXXXXXXXXXXXXXXXXXXXXXXX	\$5,000,000			
39 XXXXXXXXXXXXXXXXXXXXXXXXX	\$5,000,000			
40 XXXXXXXXXXXXXXXXX	\$5,826,000			
41 XXXXXXXXXXXXXXXXXXXXXXXXX	\$6,300,000			
43 XXXXXXXXX	\$6,500,000			
44 XXXXXXXXXXXXXXXXXXXXXXXXX	\$7,000,000			
44 XXXXX	\$7,470,000			
45 XXXXXXXXXXXXXXXXXXXXXXXXX	\$11,000,000			
46 XXXXXXXXXXXXXXXXX	\$15,000,000			
47	Subtotal	\$112,963,882		\$112,963,882
48	Implied 73.06% Increase on Subtotal	(\$82,531,412)	(\$82,531,412)	(73.06%)
49	Total	\$149,383,882	(\$109,141,412)	\$40,242,470

Survey question:
How much credit would you extend to PSE with a one notch downgrade in debt ratings?

PUGET SOUND ENERGY

**Financial Credit Limits Extended to PSE by Counterparty
Electric & Gas Transactions**

Redacted Version

Company Name	Current Credit Extended to PSE	Increase in Credit if PSE debt rating is <i>increased</i> 1 notch			Decrease in Credit if PSE debt rating is <i>decreased</i> 1 notch		
		Increase in Credit	Total Credit Extended to PSE	% Increase	Decrease in Credit	Total Credit Extended to PSE	% Decrease
1 XXXXXXXXX	\$5,000,000	\$5,000,000	\$10,000,000	100%	(\$5,000,000)	\$0	(100%)
2 XXXXXXXXXXXXXXXX	\$5,000,000	\$5,000,000	\$10,000,000	100%	(\$2,500,000)	\$2,500,000	(50%)
3 XXXXX	\$5,000,000	\$0	\$5,000,000	0%	(\$5,000,000)	\$0	(40%)
4 XXXXXXXXXXXXXXXX	\$7,000,000	\$3,000,000	\$10,000,000	43%	(\$7,000,000)	\$0	(100%)
5 XXXXXXXXX	\$10,000,000	\$5,000,000	\$15,000,000	50%	\$0	\$10,000,000	0%
6 XXXXXXXXXXXXXXXX	\$10,000,000	\$5,000,000	\$15,000,000	50%	(\$2,000,000)	\$8,000,000	(20%)
7 XXXXXXXX	\$15,000,000	\$0	\$15,000,000	0%	\$0	\$15,000,000	0%
8 XXXXXXXXXXXXXXXX	\$15,000,000	\$0	\$15,000,000	0%	(\$10,000,000)	\$5,000,000	(67%)
9 Total Credit Limit	\$72,000,000	\$23,000,000	\$95,000,000		(\$31,500,000)	\$40,500,000	
10		Average Percent Increase		32%	Average Percent Decrease		(44%)

Survey questions:

How much credit would you extend to PSE with a one notch upgrade in debt ratings?

How much credit would you extend to PSE with a one notch downgrade in debt ratings?