

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case**

PUBLIC COUNSEL DATA REQUEST NO. 555

PUBLIC COUNSEL DATA REQUEST NO. 555:

Reference Mr. Gaines rebuttal testimony, Exhibit No. DEG-11T, p. 27.

- a. What were PSE's FFO/debt, FFO/interest and debt leverage ratios at the end of 2008? Please provide support for your response and calculations for each parameter, including all assumptions regarding off-balance-sheet obligations.
- b. Did S&P lower PSE's bond rating in 2008? If so, please provide supporting documentation of any such action by S&P.

Response:

- a. As of December 31, 2008, Puget Sound Energy, Inc.'s ("PSE") FFO to Average Debt and FFO to Interest ratios were 18.3% ⁽¹⁾ and 4.0 ⁽¹⁾ times, respectively. Its Debt to Capital was 62.1% ⁽¹⁾. Please note that these ratios reflect a temporarily higher debt level than what would otherwise be expected because a portion this debt was expected to be repaid from either the equity contribution from the Investor Consortium, if the merger were approved, or the proceeds from a public common stock offering, if the merger were not approved. Attached as Attachment A to PSE Response to Public Counsel Data Request No. 555, please find the ratio calculations.
- b. No, PSE's bond ratings were not lowered in 2008; however, the ratings were put on negative watch pending review of the terms and conditions of the merger approved in WUTC Docket No. U-072375. Standard & Poor's ("S&P") rating actions are announced in its reports. All 2008 S&P reports of PSE were provided in PSE's Response to Public Counsel Data Request No. 057. The "negatives" on PSE's credit ratings were removed and its ratings were upgraded as a result of the merger in early 2009.

Note (1): Ratios prepared on a rating agency basis; 1) 50% of hybrid security is treated as debt and 50% as equity, 2) includes \$351 million of imputed debt related to purchased power.

Attachment A

Rating Agency Ratio **2008 PSE****PSE**

FFO to Interest	4.0
------------------------	------------

"Intermediate" Range: 3.5-4.5

FFO to Debt	18.3%
--------------------	--------------

"Significant" Range: 20% - 30%

"Aggressive" Range: 12% - 20%

Debt to Capital	62.1%
------------------------	--------------

"Significant" Range: 45% - 50%

"Aggressive" Range: 50% - 60%

PSE 2008 Year End Rating Agency Ratios
(\$ in millions)

Debt to Capitalization Ratio Calculation:		<u>PSE</u>
1	Short Term Debt (end-of-period)	\$991
2	Long-Term Debt (end-of-period)	2,429
3	Hybrid Debt (end-of-period)	125
4	Total Debt (end-of-period)	<u>\$3,545</u>
5	Hybrid Equity (end-of-period)	\$125
6	Common Equity (end-of-period)	2,251
7	Total Equity (end-of-period)	<u>\$2,376</u>
8	Total Capitalization (end-of-period)	\$5,921
9	Debt to Capitalization Ratio (line 4 / 9)	59.9%
10	Imputed Debt	\$351
11	Total Debt w/Imputed Debt	\$3,896
12	Total Capitalization w/Imputed Debt	\$6,272
13	Debt to Capitalization Ratio w/Imputed Debt (line 11 / 12)	62.1%
<hr/>		
14	Funds From Operations Calculation:	<u>PSE</u>
15	Net Income	\$163
16	Depreciation and Amortization	374
17	DFIT	78
18	AFUDC - Equity and WUTC	(11)
19	Changes in Current Assets/Liab (Working Capital)	(83)
20	All Other	25
21	Net Cash Flow from Ops	<u>\$546</u>
22	Less Change in Working Capital	\$83
23	Debt AFUDC	(9)
24	Funds From Operations	<u>\$621</u>
<hr/>		
FFO to Debt Ratio Calculation:		
25	Imputed Depreciation	\$43
26	FFO	621
27	FFO w/Imputed Depreciation	<u>\$663</u>
28	Avg Short Term Debt	\$634
29	Avg Long-Term Debt	2,519
30	Avg Hybrid Debt	125
31	Imputed Debt	351
32	Average Total Debt w/Imputed Debt	<u>\$3,629</u>
33	FFO to Debt Ratio (line 27 / 32)	18.3%
<hr/>		
FFO to Interest Ratio Calculation:		
34	Short- & Long-Term Interest	\$203
35	Implied Interest	24
36	less 50% Hybrid Interest	(9)
37	Total Interest w/Imputed Interest	<u>\$218</u>
38	FFO	\$621
39	Imputed Depreciation	43
40	Total Interest w/Imputed Interest less 50% Hybrid Interest	218
41	FFO + Interest w/Imputed Depreciation	<u>\$882</u>
42	FFO to Interest Ratio (line 41 / 37)	4.0

2008 Imputed Debt

(in millions)

	2008
Mid-C	\$52
NUGs	\$110
Other	\$47
Future Contracts	\$12
Total Capacity Payments	\$2,230
<i>Risk Factor</i>	<i>30%</i>
Mid-C	\$16
NUGs	33
Other	14
Future Contracts	4
Total Risk Factored Payments	\$66
Discount Rate	6.7%
Mid-C	\$119
NUGs	\$130
Other	\$49
Future Contracts	\$53
Total NPV of Risk Factored Payments	\$351
Imputed Debt	\$351
Imputed Interest	\$24
Imputed Depreciation	\$43