

DATE: October 12, 2017

TO: Securities Pricing Committee

FROM: Dan Doyle

RE: **Consent Resolution to Approve Final Terms of PE and PSE's Credit Facilities**

1. Background

As you know, at their August 2017 meetings the Boards of Puget Energy ("PE") and Puget Sound Energy ("PSE") approved the replacement of their respective companies' revolving credit facilities. The Boards delegated approval of the final pricing terms and conditions of these facilities to PSE's Asset Management Committee and to PE's Securities Pricing Committee.

These committees, at the meeting held on September 6, generally approved the pricing, terms and conditions negotiated by management, but asked management to return for formal approval once finalized. We are now at that point and aim to close the transaction on or about October 24, 2017. All pricing terms and conditions are consistent with our presentation on September 6, 2017.

We did elect to size the PSE facility at \$800 million rather than upsize with over subscriptions. It is my opinion that an \$800 million facility is sufficient for our purposes given our ability to request upsizing the facility to \$1.4 billion.

To facilitate your review, I have summarized below the final pricing, terms and conditions of the replacement facilities. Also, for reference purposes, I have attached the presentation materials provided to the Asset Management and Securities Pricing Committees at its September 6 meeting.

2. Summary of Final Pricing, Terms and Conditions

- Upfront and Arrangement fees have been reduced and pricing for commitment fees and loan margins is unchanged from current levels:

	<u>Upfront & Arrangement Fees</u>		<u>Commitment Fees & Loan Margins</u>	
	<u>Current</u>	<u>New</u>	<u>Current</u>	<u>New</u>
PE	5,568,750	2,553,750	27.5 bps & 175 bps	27.5 bps & 175 bps
PSE	3,456,500	2,728,750	17.5 bps & 125 bps	17.5 bps & 125 bps
	9,025,250	5,282,500		

- Combined facilities size of \$1.6 billion (\$800 million each for both PE and PSE).
- Accordion (expansion) options to upsize PE up to \$1.3 billion and PSE up to \$1.4 billion upon banks' approval (similar to current facilities' options)
- Both PE and PSE will have only one financial covenant - Debt/Capitalization ratio of 65%
- 5 year tenor for both PE and PSE, with maturity in October, 2022
- Swingline feature at PSE allowing borrowing on same day basis up to \$75 million (same as current facility)
- Elimination of swingline feature at PE, but best efforts same day borrowing still available
- Fifteen banks from current bank group will be participating. Three banks have been dropped.

3. Recommendation

Management recommends approval of the pricing, terms and conditions as outlined above. Attached are (i) resolutions approving these final terms and conditions and authorizing the companies to enter into the new credit agreements; and, (ii) the presentation provided to the Committee at the September 6 Joint ASM and SPC meeting, simply for your reference. If acceptable to you please indicate your approval by submitting your electronic signature via the Directors Desk platform no later than Thursday, October 19, 2017.