

March 2, 2005

Ms. Carole J. Washburn, Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

**Re: Securities Application –Liquidity Facility UE-040837**

Dear Ms. Washburn:

Enclosed for filing are an original and three copies of the Puget Sound Energy's ("PSE's") Request for an Order Establishing Compliance with RCW 80.08.040 with respect to the extension and increase in the size of its \$350 million credit agreement to \$500 million, while lowering the cost of the facility. Also enclosed, are Exhibits including the terms of the facility, Resolutions of the Board and a Proposed Order granting PSE's request.

Exhibits A and B are enclosed and have been marked confidential and are proprietary in nature. Accordingly, with regard to these items, the Company claims confidentiality and protection from inspection or copying under WAC 480-07-160. We further understand that, prior to any release of these materials, the Company will be notified in order to allow the Company to invoke any and all statutory procedures for securing a court order protecting the materials as proprietary and confidential.

As required by WAC 480-07-160, the Company identifies itself and its shareholders as the entities which might be directly affected by disclosure of the confidential information. Also, conforming with WAC 480-07-160, the confidential pages submitted herewith have been sealed in an envelope clearly marked "Confidential per WAC 480-07-160", and each page of the filing containing confidential information has been so marked.

The Company requests that this matter is reviewed and addressed at the March 16, 2005, WUTC open meeting.

Thank you for your assistance.

Very truly yours,

PUGET SOUND ENERGY

By   
Karl R. Karzmar  
Director Regulatory Relations

Enclosures  
cc: Simon J. ffitich

BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of the request of	)	Application
Puget Sound Energy, Inc.	)	
for an order establishing compliance	)	Docket No. UE-040837
<u>with Chapter 80.08 RCW</u>	)	

Puget Sound Energy, Inc. (hereinafter called "PSE" or "the Company") hereby requests the Washington Utilities and Transportation Commission to enter a written order establishing that the proposed extension and increase of its \$350 million credit agreement is in compliance with the requirements of Chapter 80.08 RCW.

**Background**

PSE presently has two liquidity facilities totaling \$500 million. These include a 3-year \$150 million accounts receivable securitization facility that expires on December 23, 2005 and a 3-year \$350 million bank credit facility that expires June 15, 2007.

While the company does not typically borrow using the bank credit agreement, the facility is used to back the issuance of commercial paper and can be used for letters of credit to support energy hedging activities.

**Proposed Extension and Increased Size of the Facility**

Conditions in the bank credit market have improved since 2004 when the existing facility was negotiated. PSE plans to take advantage of these favorable conditions to extend the term of the facility to five years (2010 expiration) and increase the size to \$500 million while, at the same time, reducing the costs of the facility. The receivables securitization facility will remain in place and its termination or extension will be addressed later in the year.

PSE's strategy of acquiring resources to meet its customer's core energy demands and to expand hedging activities of certain energy costs creates a need for a larger facility.

The Company is requesting an order establishing that the Facility is in compliance with RCW 80.08.

**Request for Order Establishing Compliance**

The following information is furnished in support of this application, in accordance with the requirements of RCW 80.08.040:

- 1) A Description of the Purposes for Which the Issuance is Made, Including a Certification By an Officer Authorized To Do So That the Proceeds From Any Such Securities Are For One Or More of the Purposes Allowed By Chapter 80.08 RCW.**

PSE will use the funds from the liquidity facility for one or more of the following purposes: a) construction, completion, extension, or improvement of its facilities or the acquisition of property, or b) improvement or maintenance of service, or c) payment of interest and/or stock dividends, or d) discharge or refunding of its obligations, or e) reimbursement of moneys actually expended from income or from the treasury of the PSE to the extent permitted by RCW 80.08.030, or f) for other corporate purposes permitted by law.

**2) A Description of the Proposed Issuance Including the Terms of Financing.**

The terms of the Facility are described in final form in the attached term sheet, which is provided as Exhibit A. Pursuant to WAC 480-07-160, the Company is requesting that Exhibit A, which is proprietary in nature, be afforded confidential treatment.

**3) Statement As To Why The Transaction Is In the Public Interest.**

The Company needs the Facility to provide working capital needs beyond those funded with internally generated funds. In addition, PSE's capital expenditure program may require a combination of internally generated cash and external financing. In order to reach and/or maintain PSE's capital structure goals, the Facility must be available to offset maturing or redeemable securities and to fund working capital needs and a portion of the PSE's capital expenditure program in a cost-effective manner. The proposed authority would allow PSE to better manage its cashflow, debt and capital in an efficient and cost-effective manner.

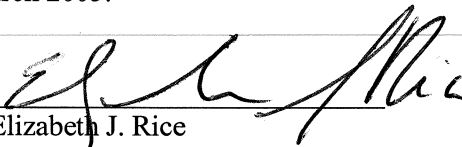
**4) Text of a Draft Order Granting PSE's Request for an Order, Including A Disk Containing the Proposed Language in a Format Acceptable to the Commission.**

See Exhibit C.

**CERTIFICATION**

The undersigned certifies under penalty of perjury under the laws of the State of Washington that she has read the foregoing and knows the contents thereof and that the same are true to the best of her own knowledge or belief.

Done at Bellevue, Washington this 2nd day of March 2005.

By:   
Elizabeth J. Rice  
Assistant Treasurer

**In the matter of the application of Puget Sound Energy For an Order Establishing Compliance with  
RCW 80.08.040, with Respect to its Proposal to enter into a liquidity facility**

**Exhibit A**

**Confidential per WAC 480-07-160**

Term Sheet

Pages 1-8

**REDACTED**

**SUMMARY OF TERMS AND CONDITIONS**

---

**TERM SHEET**  
February 2005

**REDACTED**

**REDACTED**

**REDACTED**

**REDACTED**



**REDACTED**

**REDACTED**

**REDACTED**

**REDACTED**

**In the matter of the application of Puget Sound Energy For an Order Establishing Compliance with  
RCW 80.08.040, with Respect to its Proposal to enter into a liquidity facility**

**Exhibit B**

**Confidential per WAC 480-07-160**

Finalized Board Resolutions

Pages 1-2

**REDACTED**

**PUGET SOUND ENERGY INC.  
CERTIFICATE OF SECRETARY**

**REDACTED**

**REDACTED**

**In the matter of the application of Puget Sound Energy For an Order Establishing Compliance with  
RCW 80.08.040, with Respect to its Proposal to enter into a liquidity facility**

**Exhibit C**

Proposed Order



EXHIBIT C

BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of )  
 ) DOCKET NO. UE-040837  
Puget Sound Energy, Inc., )  
 )  
Petitioner, )  
 ) ORDER ESTABLISHING  
For an Order Establishing ) COMPLIANCE WITH RCW  
Compliance with RCW 80.08.040, ) 80.08.040; APPLICATION TO  
with Respect to its Proposal to extend ) ENTER INTO A LIQUIDITY  
the term and increase the size of its ) FACILITY.  
\$350 million credit agreement, while )  
lowering the cost of the facility.

.....

BACKGROUND

- 1 On March [ ], 2005, Puget Sound Energy Inc. (PSE) filed the required statement of a planned securities issuance with the Washington Utilities and Transportation Commission (Commission). The Company requested an order affirming that the Company has complied with the requirements of RCW 80.08.040. In its application the Company proposes to extend the term and increase the size of its \$350 million credit agreement to \$500 million, while lowering the cost of the facility. The application is filed pursuant to Chapter 80.08 RCW and the requirements of WAC 480-146-290.
  
- 2 According to the application and supporting materials filed by the Company, it asserts the proceeds of the financing are for one or more of the purposes allowed by RCW 80.08.030.

**FINDINGS AND CONCLUSIONS**

- 3 (1) PSE is engaged in the business of providing electric and natural gas service within the state of Washington. As a public service company, it is subject to the jurisdiction of the Commission under the provisions of Chapter 80.08 RCW.
- 4 (2) As to form, the application herein meets the requirements of Chapter 80.08 RCW and the rules and regulations of the Commission adopted pursuant thereto *Chapter 480-146 WAC*.
- 5 (3) The Company's application in this Docket contains: (a) a certification by an authorized officer that the proceeds will be used for one or more purposes allowed by RCW 80.08.030; (b) a description of the proposed issuance, including the terms of financing, and (c) a statement as to why the proposed transaction[s] is[are] in the public interest.
- 6 (4) The proceeds from the proposed liquidity facility are to be used for one or more of the purposes set forth in RCW 80.08.030.

**ORDER**

- 7 (1) Puget Sound Energy, Inc. has complied with the requirements of RCW 80.08.040 with respect to the proposals set forth in its application to enter into the liquidity facility.
- 8 (2) The Company is directed to file a Report of Securities Issued as required by WAC 480-146-340. The Company is also directed to file verified copies of any agreement entered into in connection with any transaction pursuant to this Order. Finally, the Company shall file a verified

statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this Order.

- 9           (3)    This Order shall in no way affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.
- 10          (4)    This matter was brought before the Commission at its regularly scheduled open meeting on March [ ], 2005. The Commissioners, having determined this filing to meet the requirements of Chapter 80.08 RCW, directed the Secretary to enter this order.

DATED at Olympia, Washington, and effective this \_\_\_\_ day of March, 2005.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary