

**EXHIBIT NO. ___(DEG-6)
DOCKET NO. UE-07___/UG-07___
2007 PSE GENERAL RATE CASE
WITNESS: DONALD E. GAINES**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-07___
Docket No. UG-07___**

**FIFTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
DONALD E. GAINES
ON BEHALF OF PUGET SOUND ENERGY, INC.**

DECEMBER 3, 2007

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TEXT-Moody's release on Puget Energy

Mon Oct 29, 2007 5:33pm GMT

(The following statement was released by the rating agency)

Approximately \$3.6 billion of securities affected

Oct 29 - Moody's Investors Service today placed the Bal Issuer Rating of Puget Energy, Inc. (PSD.N: [Quote](#), [Profile](#), [Research](#)) (Puget Energy) on review for possible downgrade. Moody's also affirmed the long-term ratings of its regulated utility subsidiary, Puget Sound Energy, Inc. (PSE; Baa2 senior secured), and the utility's affiliated entity, Puget Sound Energy Capital Trust III ((P)Bal shelf for Trust Preferred Securities), and changed the rating outlook of PSE and its affiliate to stable from positive. Moody's also placed PSE's Prime-2 short-term rating for commercial paper under review for possible downgrade.

The rating action follows an announcement that a consortium of infrastructure investors led by Macquarie Infrastructure Partners has signed a merger agreement to purchase 100% of the equity of Puget Energy. The proposed transaction has an enterprise value of approximately \$7.4 billion, including the assumption of PSE's estimated \$2.6 billion of debt that is expected to be outstanding at the time of closing the transaction. The financing plan for the transaction includes approximately \$1 billion of incremental consolidated borrowings that we assume will be issued by Puget Energy and has the potential for a widening of the rating notching between Puget Energy and PSE. The review for possible downgrade of Puget Energy reflects our concern that the proposed transaction increases Puget Energy's business and financial risk profiles. These concerns are somewhat balanced by the scale of the investor consortium's proposed equity investment in the transaction (\$3.2 billion), as well as its reputation as a long-term infrastructure investor. The affirmation of PSE's long-term ratings is conditioned upon expectations that supportive regulatory treatment will continue despite the change in ownership. The review for possible downgrade of PSE's short-term rating for commercial paper and the revision of the outlook to stable from positive for PSE and its affiliates reflects high multi-year utility capital spending needs that may be a drain on liquidity as well as the expected weaker credit profile of the parent company, Puget Energy.

Our review for possible downgrade will consider the impact the proposed transaction is expected to have on Puget Energy's consolidated financial profile, the need for dividends from PSE to service parent company debt, any ring-fencing measures that may be introduced to insulate the credit profile of PSE, and any significant regulatory developments that occur during the potentially lengthy regulatory approval process. Furthermore, we will consider the requirements and proposed funding sources for PSE's significant multi-year capital expenditures.

Puget Sound Energy, Inc. is a combination electric and natural gas utility subsidiary of Puget Energy, Inc., a holding company. Both companies are headquartered in Bellevue, Washington.

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