Exhibit ___ (KLE-9)
Docket U-072375
Witness: Kenneth L. Elgin

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of PUGET HOLDINGS LLC AND PUGET SOUND ENERGY, INC., For an Order Authorizing Proposed Transaction	DOCKET U-072375

EXHIBIT TO TESTIMONY OF

Kenneth L. Elgin

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Standard & Poors Ratings Direct
Top 10 U.S. Electric Utility Credit Issues For 2008 And Beyond
(January 28, 2008)

and

Standard & Poors Ratings Direct Article
Industry Report Card: U.S. Electric Utility Faces Rising Costs,
But Credit Quality Should Hold
(December 19, 2007) (excerpted)

and

Standard & Poors Ratings Direct
Industry Report Card: U.S. Electric Utility Sector Continue to Benefit
From Strong Liquidity Amid Current Credit Crunch
(March 27, 2008) (excerpted)

STANDARD & POOR'S

RATINGSDIRECT®

January 28, 2008

Top 10 U.S. Electric Utility Credit Issues For 2008 And Beyond

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Table Of Contents

1. What To Do About Coal?

2. Customer Expectations For Reliability

3. Regulatory And Legislative Backlash

4. Use Of Renewable Resources

5. Transmission Buildout

6. Nuclear Renaissance

7. Importance Of Natural Gas

8. Rising Costs

9. Access To Capital Markets

10. Mergers, Acquisitions, And Divestitures

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Docket U-072375
Exhibit No. ___ (KLE-9)
Page 1

Top 10 U.S. Electric Utility Credit Issues For 2008 And Beyond

"Anything, everything, is possible."

One hundred years ago Thomas Edison used those words to describe the growth potential of electricity and the boundless future opportunities it afforded society. The U.S. electric power industry has reached a point where those same words--anything, everything, and possible--best illustrate future credit quality, ratings, and direction for the industry. Standard & Poor's Rating Services has identified 10 key issues that will likely define electric utility credit quality into the next decade.

1. What To Do About Coal?

The single biggest challenge regulated electric utilities will tackle is the discharge of carbon dioxide (CO2) into the air. Congress took a futile stab at the broader global warming issue in late 2007, but key credit impacting decisions concerning CO2 went unresolved. Three items that will have the biggest credit impact are integrated resource plans that reduce or eliminate the building of new coal-fired power plants, the need for carbon sequestration on existing coal units to meet newer, more exacting standards, and research and development for cleaner coal technologies. All are potentially large ticket items that electric utilities might have to confront.

It's likely that the new administration in Washington will try to make its mark on greenhouse gas sometime in 2009; until then federal action seems remote, although campaign rhetoric will be heated. Framing the 2009 dialogue will be energy independence, national security, and carbon-based fuels, such as coal and oil. Future legislation that crimps coal use and affects credit quality for electric utilities is possible, but not certain at the moment, given past stalemates on energy policy issues. Of course, this inertia is the worst of all outcomes for electric utility managements and those who invest in their fixed-income debt instruments.

Funding for reducing greenhouse gas emission will affect credit quality for coal plant operators. Preserving credit quality may be possible from carefully structured initiatives, such as a cap-and-trade mechanism, incentive returns, or a wires surcharge. A rider on customer bills for CO2 costs similar to monthly or quarterly fuel true-ups would also benefit cash flow and credit.

2. Customer Expectations For Reliability

Residential consumption in the U.S. has risen 8%, to 11,093 kilowatts (kWh) in 2006 versus 10,275 kWh in 1996, despite efficiency gains in appliances and other household items. With consumer fascination with electronic gadgetry continuing unabated, continuing to meet these needs in a green fashion that is credit neutral is clearly a challenge.

Several jurisdictions, notably California, have been promoting demand-side management through smart metering that have changed consumption patterns and help shave peaks.

Electric utility customers continue to demand greater reliability in an age when plasma televisions and high-tech items that consume copious amounts of electricity are the standard. Most residential customers are not yet concerned with what it takes to produce the electricity to power their home computer or washing machine--what

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Docket U-072375
Exhibit No. ___(KLE-9)
Page 2

they want is to just flick a switch. Education about the fixed and variable costs associated with on grid access in the 21st century may promote a spirit of sacrifice and conservation, especially if yearly double-digit rate increases come into vogue.

Maintaining reliability standards is likely to become harder to achieve through this decade as reserve margins are squeezed by intermittent power sources. This condition will be exacerbated if customer usage growth is not curbed or consumption patterns are not shifted from historical norms. Credit quality for electric utilities is very vulnerable to future declines in reliability, which would likely trigger an acute response from regulators in the form of lower returns.

3. Regulatory And Legislative Backlash

An environment of rising customer tariffs, coupled with a sluggish economy, portend a difficult regulatory environment in coming years. Add in the substantial costs associated with complying with CO2 reduction and other "green" initiatives, and regulators are facing the prospects of presiding over sizable rate increases annually. Recovering in a timely manner federally and/or state mandated compliance costs is paramount to preserving credit quality for regulated electric utilities.

The specter of price shocks caused vociferous push-back from state governments in Maryland and Illinois, unsettling credit quality for the incumbent utilities. Looming battles over transition rules in Ohio and Pennsylvania may not be as contentious, but there is risk that electric providers could be harmed. Effective price signals and clearly delineated electric bills that identify what the customer is paying may help quell customer unrest.

As Standard & Poor's has previously observed, the tenure and experience level of regulatory commissioners throughout the U.S. continues to wane. This may become more in focus into the next decade as legislative bodies, intervenors, and consumer advocates pressure state commissions about unpopular decisions. At some point the pendulum may swing away from electric utilities in the form of lower returns, cash deferrals, and exclusions, which all dampen credit quality.

4. Use Of Renewable Resources

More than one-half of U.S. states now have some sort of renewable energy goal or standard in place, with much of the generation coming from wind or solar. Interestingly, several states have ratcheted up their opening bids to totals of 25% to 30% of installed capacity in a short period of time. To meet the 2015 targets for renewable standards in place, 45 gigawatts (GW) of additional capacity is needed, nearly 3 times the installed wind capacity. The industry built a record 5 GW of wind generation in 2007; continuing that pace each year will be a daunting task that could strain balance sheets.

Additional capital spending will also be needed to effectively promote renewable usage. Utilities will have to increase reserve margins to offset the intermittent nature of renewable energy to maintain reliability and transmission capacity will need a boost to get the renewable output to customer load pockets. The dollars spent on peaking plants and transmission projects will be sizable, and timely recovery of these costs is critical to credit quality preservation.

A dispute between the Federal Energy Regulatory Commission (FERC) and Washington State over the regulating authority for offshore renewable facilities could stall the effort of developers to tap into tidal waves as a consistent

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Docket U-072375
Exhibit No. ___(KLE-9)
Page 3

source for renewable energy. Advances are being made in the areas of solar voltaic and wind-blade rotations, which can increase capacity factors. At current installed prices, renewable technologies are not economically viable without government subsidies that are slated to expire at the end of 2008 if not extended. Electric utility credit quality could be at risk if these incentives were to cease to exist at the same time additions to portfolios were required.

5. Transmission Buildout

We expect spending on transmission projects to keep a breakneck pace in coming years, with $10 billion or more likely being paid out every year through the end of the decade. Many of the transmission builds are work that's been re-energized by strong signals from FERC in the form of incentive returns. In addition, the future pipeline should remain brisk, as newly installed renewable electricity is moved from the production site to the end customer. Ample returns earned in a quick manner have buoyed credit metrics for many independent transmission operators.

In addition to encouragement from the FERC, system reliability has facilitated needed builds. Several large scale projects are slated for New England, Southern California, and a western connection for the PJM region. Several large interstate transmission builds have been announced, including the joint venture between American Electric Power Co. Inc. and Allegheny Energy Inc. for a 290-mile, extra-high-voltage line from West Virginia to Maryland at a projected cost of $1.8 billion

Costs for the projects should climb in coming years. Aesthetically pleasing transmission lines buried in Connecticut and contemplated in other states such as Michigan are 10 times as expensive as traditional overhead wiring. Also, local opposition to transmission sites contributes to build delays and cost overruns.

6. Nuclear Renaissance

Buoyed by provisions of the Energy Policy Act of 2005 and the search for less atmospherically intrusive forms of generating electricity, the industry is poised to begin building a nuclear plant in the U.S. after a 30-year lag. Momentum is rising as several regions of the U.S. have expressed interest in having plants sited, but challenges from environmental groups may grow as evidenced by recent relicensing protests in New York. In addition, several presidential candidates have either spoken against or are noncommittal toward new nuclear plants as part of the solution to U.S. energy needs.

Several companies, including Dominion Resources Inc., Duke Energy Corp., and NRG Energy Inc. have applied for combined construction and operating licensing. In the next couple of years, the financial exposure from this first step will likely be limited to the initial applications approvals, not concrete and steel in the ground. This gives the potential builders time to seek funding options, such as Department of Energy guarantees and off-balance-sheet project financing to preserve credit quality.

Given the enormous sums of money that a new nuclear unit will ultimately cost, transferring risk is important for capital preservation. Standard & Poor's believes that the current estimates of $3 billion to $3.5 billion for a standard size nuclear unit will likely climb in coming years. Several states have specified recovery mechanisms for nuclear costs during the construction cycle in advance of operations, including Florida, South Carolina, and Georgia.

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Docket U-072375
Exhibit No. ___(KLE-9)
Page 4

7. Importance Of Natural Gas

One of the tests electric utilities must cope with is managing commodity price risk, especially volatility in natural gas prices. Balancing this conservation with recovery of lost revenue is important for sustaining credit quality. Fuel-adjustment mechanisms that quickly reflect costs to the customer are also beneficial to cash flow and credit quality

Cost pressures from natural gas are not likely to recede in the near future. The denial of plans to build new coal plants in Florida, California, and Oklahoma, combined with the lengthy construction periods for new nuclear plants, leaves natural gas as the cleaner fossil-fuel alternative. With gas increasingly setting the price of electricity, demand for natural gas remains robust.

Building the infrastructure to transport natural gas has been slow. New producing basins in the Barnett Shale and Rockies gas fields are away from traditional pipeline connections, thus spurring the need for new capital to build new pipes. The massive Rockies Express Pipeline project to bring gas from the West to the East is close to completion for Phase 1. Better access for Rockies producers from this new interstate system should aid natural gas supply.

8. Rising Costs

Rising construction and raw material costs for items such as steel have continued on an upward trajectory. Prices for commodity fuels, such as coal and processed uranium, have also been on the upswing. Add in unabated rises in benefits costs for employees and a recipe for customer rate pressure and resistance is at hand.

A prolonged period of yearly double-digit operating and maintenance cost increases may pressure regulators to find areas for disallowance. To speed recovery and mitigate this risk to some extent, several state commissions are seeking proactive solutions. Several states, including California, Georgia, and Wisconsin, allow future test-years rather than historic ones in rate filings, and Florida preapproves certain capital expenditures. Conversely, actions that defer costs without a path to recover them will weaken balance sheets and, ultimately, credit quality.

The shortage of skilled labor and the rising average age of workers in the electric industry are a growing concern. In an environment that is becoming more technically demanding, finding, training and retaining plant personnel is going to be an ongoing challenge.

9. Access To Capital Markets

Notable capital programs planned in 2008 include American Electric Power's $3.8 billion, Duke Energy's $4.5 billion, Pacific Gas and Electric Co.'s $3.5 billion, and Southern Co.'s $4 billion. With a large plate of construction projects identified, electric utilities will need to be able to continue sourcing capital. Beginning in the fourth quarter of 2007, investors seeking to hold investment-grade debt began finding solace in electric utilities, diversifying away from financial institutions; a continuation of this trend bodes well for the industry's financing plans in coming years.

Based on spending programs, expected negative free-cash flow for the average electric utility, and significant volume of refinancing for existing issues, Standard & Poor's expects 2008 debt issuance for the regulated electric utility sector to climb above last year's $35 billion. Considering the state of the existing generation, distribution, and

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Docket U-072375
Exhibit No. ___(KLE-9)
Page 5

transmission infrastructure, many projects are going to go ahead regardless of whether a prolonged economic slowdown hits the U.S.

Electric utilities are well positioned on the liquidity front, with most extending their credit facilities well beyond the next three years. This helps eliminate exposure to a potential retrenchment by commercial banks on credit renewals and extensions, regardless of credit quality. Of course, a severe dislocation in the banking sector could cause restrictions in the access to and the amount of credit available despite the committed lines, which could crimp discretionary funding of some capital projects.

10. Mergers, Acquisitions, And Divestitures

Electric utility merger activity in the medium term is likely to remain strategic in nature. Several deals are currently pending, including Macquarie Infrastructure Partners' purchase of Puget Energy Inc., Great Plains Energy Inc. acquiring Aquila Inc., and Energy East Corp. being acquired by Iberdrola S.A.

Preserving credit quality has not been a primary consideration in most deals to date. However, ring-fencing measures and provisions that structurally restrict cash at the operating company may benefit existing ratings after transactions are completed. By establishing a bankruptcy-remote structure away from its parent, Texas Competitive Electric Holdings Co. LLC, ratings from Oncor Electric Delivery Co. LLC are at a higher stand-alone level. Of course, the strength of any provisions or restriction at the subsidiary level may harm the parent's credit quality because access to utility cash flow is restricted.

The sale of selective, nonstrategic assets is possible in coming years as companies seek to right-size their balance sheet and raise funds for potential capital investment. Current examples are Dominion trying to sell its gas distribution properties (after its deal with Equitable Resources Inc. collapsed), PNM Resources Inc. putting its local gas distribution system up for sale, and Entergy Inc.'s contemplated spin-off of its merchant nuclear holdings. How companies use the sale proceeds and the impact on overall business risk are the key rating determinants.

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Docket U-072375
Exhibit No. ___ (KLE-9)
Page 6

STANDARD & POOR'S

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December 19, 2007

Industry Report Card:

U.S. Electric Utility Industry Faces Rising Costs, But Credit Quality Should Hold

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Table Of Contents

Industry Credit Outlook

Issuer Review

Recent Rating Activity

Rating Trends

Selected Articles

Contact Information

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Docket U-072375
Exhibit No. ___(KLE-9)
Page 7

Industry Report Card:

U.S. Electric Utility Industry Faces Rising Costs, But Credit Quality Should Hold

Industry Credit Outlook

Standard & Poor's Ratings Services expects credit quality for the U.S. electric utility industry to withstand several challenges in 2008 as companies continue a protracted buildout of needed infrastructure. Rising costs for construction materials, fuel, and labor will continue to test the sector. Timely recovery of these outlays through regulatory support is important for continued credit stability.

Ratings for the sector have been steady, with upgrades slightly outnumbering downgrades by a count of 30 to 24 in 2007. Negative outlooks are outpacing positive outlooks by a narrow margin, excluding merger-related activity. Notable deals include the Great Plains Energy Inc./Black Hills Corp. /Aquila Inc. transactions, the proposed sale of Puget Sound Energy Inc. to a consortium of private investors, and Spanish utility Iberdrola S.A.'s bid for Energy East Corp.

Regulators' decisions concerning preapproval mechanisms for recovering plant construction costs and fuel costs continue to benefit companies' cash flow and have eliminated volatility and uncertainty. The expiration of the transition periods for restructuring in Ohio (2008) and Pennsylvania (2010) may cause some friction among state legislators, but not at levels previously seen in Illinois and Maryland.

The national and global debate over global warming will continue far beyond 2008. What the ultimate outcome will be is cloudy right now, but legislation addressing carbon emissions and other greenhouse gases is extremely probable in the near future. What is clear is that electric utilities' ability to recover environmentally mandated costs in authorized rates and consumers' willingness to pay them will determine the industry's future credit strength.

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Docket U-072375
Exhibit No. ___(KLE-9)
Page 8

Chart 1

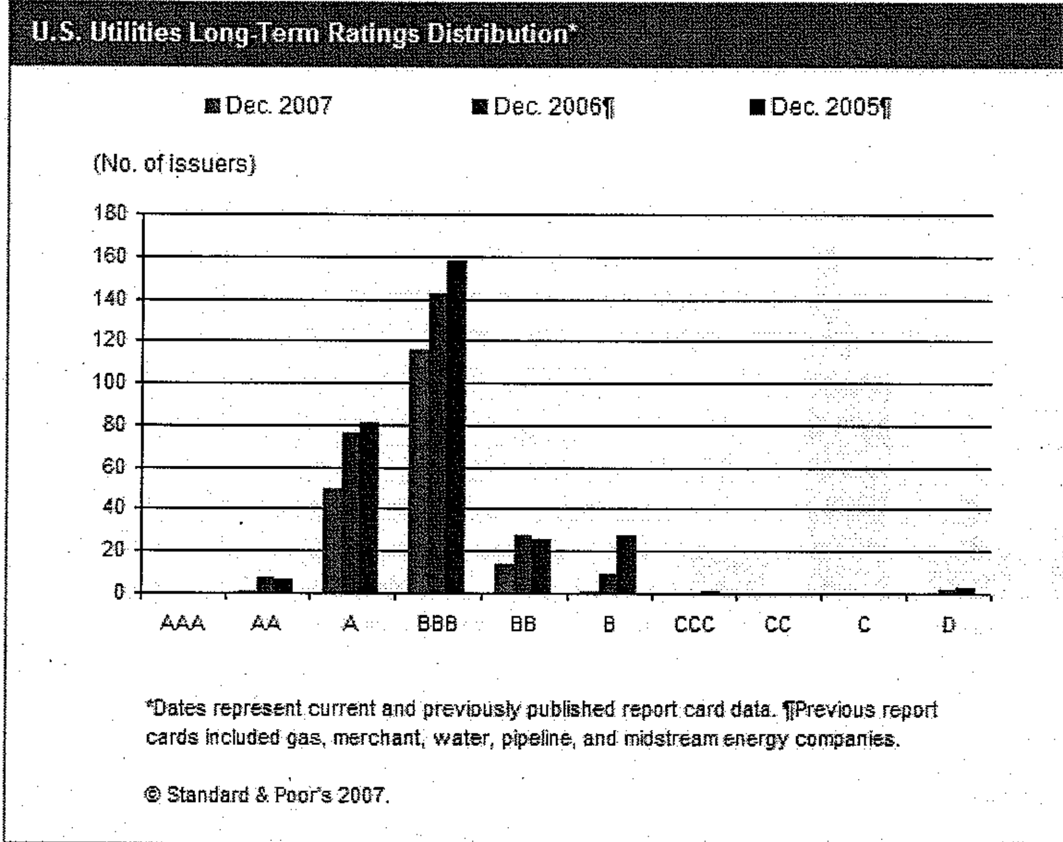

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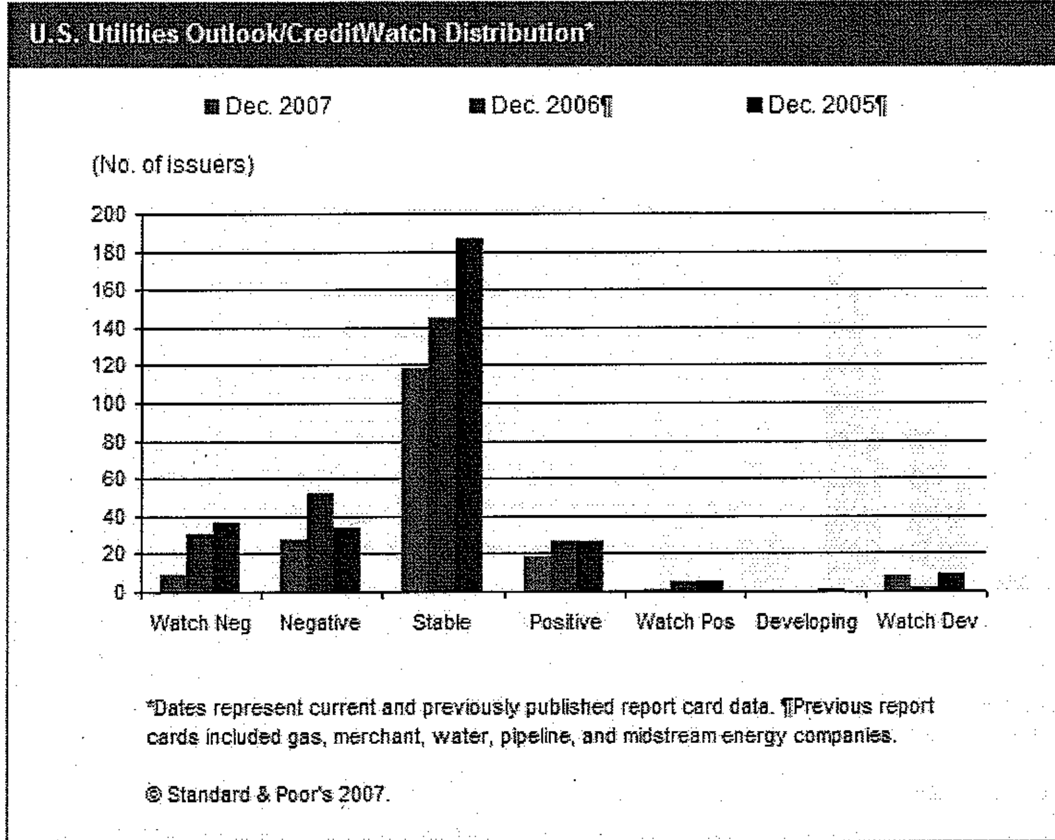
Chart 2



Issuer Review

Company/Rating*/Comments	Analyst
AEP Texas Central Co.(BBB/Stable/--) See American Electric Power Co. Inc.	Todd Shipman
AEP Texas North Co.(BBB/Stable/--) See American Electric Power Co. Inc.	Todd Shipman
Alabama Power Co.(A/Stable/A-1) See Southern Co.	Dimitri Nikas
Allegheny Energy Inc.(BBB-/Stable/A-3) We will monitor Allegheny's transmission construction program and the recently proposed POLR power-procurement plan that would be implemented in 2011 after the existing plan expires in 2010. There is no time limit within which the Pennsylvania PUC needs to issue a decision. Trailing 12-month cash flow financial measures are adequate for the aggressive financial risk profile. Adjusted FFO to total debt was 17.5% and FFO interest coverage was 3.8x, both as of Sept. 30, 2007. Adjusted debt leverage remains high for the aggressive profile, but net cash flow to capital spending exceeds 100%, indicating that FFO minus dividends exceeds capital spending for the 12 months ended Sept. 30, 2007. Free operating cash flow was $80 million for the same period.	Gerrit Jepsen
Allegheny Energy Supply Co. LLC(BBB-/Stable/--)	

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622467 | 300031546

Docket U-072375
Exhibit No. ___(KLE-9)
Page 10

Public Service Co. of New Hampshire(BBB/Stable/--) See Northeast Utilities	John Kennedy
Public Service Co. of New Mexico(BBB/Negative/A-3) See PNM Resources Inc.	Antonio Bettinelli
Public Service Co. of North Carolina Inc.(A-/Negative/A-2) See SCANA Corp.	Dimitri Nikas
Public Service Co. of Oklahoma(BBB/Stable/--) See American Electric Power Co. Inc.	Todd Shipman
Public Service Electric & Gas Co.(BBB/Stable/A-2) The ratings on the regulated utility PSE&G reflect the company's affiliation with Public Service Enterprise Group's nonregulated companies. PSE&G's cash flow contributes about 30% of the consolidated cash flow. On June 22, 2007, we revised the outlook to stable from negative because of meaningful improvement to the consolidated financial measures. For the 12 months ending Sept. 30, 2007, adjusted FFO to debt was 20% and FFO interest coverage was 5.1x. The company expects to retire additional debt in the first half of 2008 using available excess cash.	Gabe Grosberg
Puget Energy Inc.(BBB-/Watch Neg/--) Puget Energy's request to increase average electric rates by 9.5% and natural gas rates by 5.31% effective Nov. 1, 2008, would support credit quality, if approved, by allowing the utility to cover new investments and cost increases. The company also completed its planned private equity placement of about $300 million with Macquarie Infrastructure. Although this transaction will temporarily strengthen the balance sheet, Puget's consolidated credit measures post-transaction will be stretched. Regulatory support continues to be a decisive credit factor as Puget continues through a period of high capital expenditures. The company has several projects on the horizon, expected to exceed $2 billion over the next three years. The CreditWatch listing reflects the possibility that debt ratings for Puget Energy could be lowered dependent on the final outcome of regulatory approval proceedings. Adjusted FFO interest coverage and FFO to total debt for the 12 months ending Sept. 30, 2007, stood at 3.5x and 17.6%, respectively. Leverage remains weak for the rating at 61.5% adjusted debt to capital.	Antonio Bettinelli
Puget Sound Energy Inc.(BBB-/Watch Neg/A-3) See Puget Energy Inc.	Antonio Bettinelli
Rochester Gas & Electric Corp.(BBB+/Negative/A-2) See Energy East Corp.	John Kennedy
Rockland Electric Co.(A/Negative/--) See Consolidated Edison Inc.	John Kennedy
SCANA Corp.(A-/Negative/--) Standard & Poor's revised the outlook to negative to reflect the company's increasingly aggressive financial profile characterized by high debt leverage and expectations of a higher-than-expected capital spending program that will necessitate external financing. Although the recent rate case approval at SCE&G provides for an increase in electric revenues of about $76.9 million, the credit metrics may still remain under pressure mainly due to increased capital spending requirements. SCANA's credit profile continues to benefit from an attractive service territory, and a generally constructive regulatory environment, including recently enacted legislation that allows cost recovery for new base load generation. For the 12 months ended Sept. 30, 2007, debt as a percentage of total capitalization was high for the rating at about 57%, and FFO/debt was somewhat weak at about 17%. FFO interest coverage, however, was satisfactory at about 3.6x.	Dimitri Nikas
Sierra Pacific Power Co.(BB-/Positive/--) See Sierra Pacific Resources	Antonio Bettinelli
Sierra Pacific Resources(BB-/Positive/B-2) To mitigate permitting delays at the company's proposed 2,500 MW coal-fired Ely Energy Center (EEC) in eastern Nevada, Nevada Power plans to build a 500 MW natural gas-fired combined-cycle plant. Although this will allow the company to reduce its short power position,	Antonio Bettinelli

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Docket U-072375
Exhibit No. ___(KLE-9)
Page 11

Table 2

Recent Rating/Outlook/CreditWatch Actions*(cont.)				
Oncor Electric Delivery Co. LLC	BBB-/Watch Dev/--	BBB-/Watch Neg/--	Oct. 9, 2007	The rating on TXU is further negatively affected by the planned ring-fencing and legal provisions that the sponsors intend to structure around Oncor Electric Delivery Co. LLC, the company's regulated transmission and distribution subsidiary. We affirmed Oncor's rating at 'BBB-', but is also placed on CreditWatch with developing implications to reflect these intentions. All ratings for the TXU companies are subject to receipt and review of final transaction documentation and legal opinions.
Otter Tail Corp.	BBB+/Negative/--	BBB+/Stable/--	Sept. 13, 2007	On Sept. 13, 2007, we revised the outlook on Otter Tail to negative from stable to reflect continued growth of nonregulated businesses and the large capital spending program by Otter Tail Power Co., the company's electric utility division.
PECO Energy Co.	BBB+/Stable/A-2	BBB+/Watch Neg/A-2	Aug. 29, 2007	The rating affirmations reflect a new law in Illinois that enacts a multiparty agreement whereby Commonwealth Edison, the Ameren Illinois utilities, and certain unregulated electric generators will provide $1 billion in rate relief over four years to the state's electric customers. The positive outlook on the Illinois utilities reflects a concession package that is clearly a more positive credit outcome than the alternative of an electric rate freeze and rollback of rates to 2006 levels.
Pennsylvania Electric Co.	BBB/Negative/--	BBB/Stable/--	Oct. 18, 2007	See FirstEnergy Corp.
Pennsylvania Power Co.	BBB/Negative/--	BBB/Stable/--	Oct. 18, 2007	See FirstEnergy Corp.
Peoples Energy Corp.	A-/Stable/--	A-/Negative/A-2	Nov. 13, 2007	See Integrys Energy Group Inc.
Peoples Gas Light & Coke Co. (The)	A-/Stable/A-2	A-/Negative/A-2	Nov. 13, 2007	See Integrys Energy Group Inc.
Public Service Co. of Colorado	BBB+/Stable/A-2	BBB/Stable/A-2	Oct. 16, 2007	See Xcel Energy Inc.
Public Service Co. of North Carolina Inc.	A-/Negative/A-2	A-/Stable/A-2	Oct. 8, 2007	See SCANA Corp.
Puget Energy Inc.	BBB-/Watch Neg/--	BBB-/Stable/--	Oct. 26, 2007	The CreditWatch listing reflects the possibility that debt ratings for Puget Energy could be lowered depending on the final outcome of regulatory approval proceedings. Importantly, the company's credit profile has been improving, which provides financing flexibility to accommodate the proposed capital structure at the current rating level.
Puget Sound Energy Inc.	BBB-/Watch Neg/A-3	BBB-/Stable/A-3	Oct. 26, 2007	See Puget Energy Inc.
SCANA Corp.	A-/Negative/--	A-/Stable/--	Oct. 8, 2007	We revised the outlook to negative from stable to reflect the company's weaker financial profile, which is characterized by high debt leverage and expectations of higher-than-expected capital spending program to address environmental compliance, new generation, and customer growth needs. This capital spending is likely to necessitate external debt financing, which will further pressure SCANA's relatively weak consolidated financial profile.
South Carolina Electric & Gas Co.	A-/Negative/A-2	A-/Stable/A-2	Oct. 8, 2007	See SCANA Corp.
Southwestern Public Service Co.	BBB+/Stable/A-2	BBB/Stable/A-2	Oct. 16, 2007	See Xcel Energy Inc.

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Docket U-072375
Exhibit No. ___(KLE-9)
Page 12

STANDARD & POOR'S

RATINGSDIRECT®

March 27, 2008

Industry Report Card:

U.S. Electric Utility Sector Continues To Benefit From Strong Liquidity Amid Current Credit Crunch

Primary Credit Analyst:
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Table Of Contents

Industry Credit Outlook

Issuer Review

Quarterly Rating Activity

Rating Trends

Rating Trends

Contact Information

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638345 | 300031548

Docket U-072375
Exhibit No. ____ (KLE-9)
Page 13

Industry Report Card:

U.S. Electric Utility Sector Continues To Benefit From Strong Liquidity Amid Current Credit Crunch

(Editor's Note: In the article published earlier today, some of the ratings in Table 1 were misstated. A corrected version follows.)

Industry Credit Outlook

The U.S. electric utility industry withstood a turbulent first quarter of 2008. Strong liquidity positions for the sector as a whole enabled the companies to deal with the fallout from auction rate securities and insured deals in a credit-neutral manner. Debt issuance of nearly $10 billion in the quarter benefited from falling interest rates.

The significant dislocations in the credit markets, spurred in part from credit concerns of the monoline insurance companies, caused many companies to experience difficulties in performing successful auctions for auction rate securities, long-term debt securities whose interest rate is set on a short-term basis (mode) via an auction process, including 7-day, 28-day, and 31-day.

The effect has not been uniform across all issuers, with some issuers experiencing higher rates while others experiencing moderate increases in interest costs. Nevertheless, many companies have addressed or are addressing this issue in order to avoid a source of concern regarding their financial performance. Electric utility companies have remarketed these securities and implemented different maturities to avoid the need to conduct auctions.

The drumbeat for a push to more environmentally friendly means of generating electricity continues in 2008. Congress is considering bills that restrict carbon dioxide discharge and state Governors are calling for an "Energy Revolution." It appears that greenhouse gas restriction is certain, either this year or as part of the new administration's energy platform in 2009.

Passage of federal legislation that exerts increased costs onto electric utilities in order to meet reduced carbon discharge does not necessarily portend lower credit quality for the electric universe. The industry had success with smaller compliance spends associated with reducing sulfur dioxide, nitrogen oxide, and mercury discharge being phased in and clearly delineated on customer bills averting customer rate shock and preserving credit quality.

Another credit factor to monitor is the cost of Renewable Portfolio Standard (RPS) compliance and the impact of RPS in retail rates. Not all utilities will be able to achieve RPS requirements on the schedule required, which could lead to penalties for utilities.

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Docket U-072375
Exhibit No. ___(KLE-9)
Page 14

Puget Energy Inc.(BBB-/Watch Neg/--)
The company completed its planned private equity placement of about $300 million with Macquarie Infrastructure, which is awaiting regulatory approval to buy the company. Puget Energy's request to increase average electric rates by 9.5% and natural gas rates by 5.31% effective Nov. 1, 2008, would support credit quality, if approved, by allowing the utility to cover new investments and cost increases. Regulatory support continues to be a decisive credit factor as Puget continues through a period of high capital expenditures. The company has several projects on the horizon, expected to exceed $2 billion over the next three years. Adjusted FFO interest coverage and FFO to total debt for the 12 months ending Dec. 31, 2007, stood at 3.2x and 16.1%, respectively. Adjusted debt to capital was 56.6% at year end but is expected to rise above 60%, on a consolidated basis, if the merger is completed as proposed. — Antonio Bettinelli

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Puget Sound Energy Inc.(BBB-/Watch Neg/A-3)
See Puget Energy Inc. — Antonio Bettinelli

Rochester Gas & Electric Corp.(BBB+/Negative/--)
See Energy East Corp — John Kennedy

Rockland Electric Co.(A-/Stable/--)
See Consolidated Edison Inc. — John Kennedy

Savannah Electric & Power Co.(A/Stable/--)
See Southern Co. — Dimitri Nikas

SCANA Corp.(A-/Negative/--)
SCANA's negative outlook reflects the company's increasingly aggressive financial profile characterized by high debt leverage and expectations of a higher-than-expected capital spending program that will necessitate external financing. SCANA's credit profile continues to benefit from an attractive service territory, and a generally constructive regulatory environment, including recently enacted legislation that allows cost recovery for new base load generation. For the year ended Dec. 31, 2007, debt as a percentage of total capitalization was high for the rating at about 57%, and FFO/debt was moderate at about 20%. FFO interest coverage, however, was satisfactory at about 4.0x. — Dimitri Nikas

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Sierra Pacific Power Co.(BB-/Positive/--)
See Sierra Pacific Resources — Antonio Bettinelli

Sierra Pacific Resources(BB-/Positive/B-2)
Sierra Pacific Resources has continued to decrease adjusted debt leverage in its capital structure to 61% from 71% two years ago, and reduce its reliance on purchased power at Nevada Power to 37% of total system requirements in 2007 versus 61%. To mitigate permitting delays at the company's proposed 1,500 MW coal-fired Ely Energy Center (EEC) in eastern Nevada, Nevada Power plans to bring a 474 MW combined-cycle unit at the Harry Allen plant online by 2011. This will allow the company to continue to reduce its short power position but without EEC or alternative power sources, exposure to volatile natural gas will remain high. Substantial capital expenditures of $1.2 billion are expected for each of the next three years to meet infrastructure needs, although customer growth seems to be slowing along with the housing market in southern Nevada. For the 12 months ended Dec. 31, 2007, adjusted FFO coverage of interest and debt stood at 3.2x and 16.3%, respectively, boosted by a 5.7% general rate increase at Nevada Power that took effect June 1st and a $250 million amortization of previously deferred power costs. — Antonio Bettinelli

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South Carolina Electric & Gas Co.(A-/Negative/A-2)
See SCANA Corp. — Dimitri Nikas

Southern California Edison Co.(BBB+/Stable/A-2)
See Edison International — Anne Selting

Southern Co.(A/Stable/A-1)
Southern's credit profile continues to benefit from constructive regulatory frameworks for its operating companies, service territories with growing customer bases and attractive demographics and strong operations. During 2007, Georgia Power settled its rate case achieving a moderately supportive outcome to raise base rates by $100 million and recover $222 million in environmental compliance costs annually for the next three years. Deferred fuel balances have declined by about $250 million during 2007, benefiting cash flow, and should decline further over the next few years, assuming no material fuel cost increases. Capital spending needs will be significant over the next three years and total about $11 billion to address maintenance and growth prospects, as well as to meet increasingly stringent environmental compliance standards. About 40% of capital expenditures will be for environmental compliance, 30% for customer growth and the balance for system maintenance. In light of the significant capital spending, timely cost recovery will be important to help preserve the company's financial risk profile. — Dimitri Nikas

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Southern Connecticut Gas Co.(BBB+/Negative/--)
See Energy East Corp. — John Kennedy

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