Exhibit No. ___(MPG-6)
Docket No. U-072375
Witness: Michael P. Gorman

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	
Complainant,	)	
v.	)	**Docket No. U-072375**
PUGET SOUND ENERGY, INC.	)	
Respondent.	)	

EXHIBIT NO.___(MPG-6)

STANDARD & POOR'S

CORPORATE RATINGS CRITERIA 2006

June 18, 2008

STANDARD
&POOR'S

Corporate Ratings Criteria

2006

For the most complete and up-to-date ratings criteria, please visit
Standard & Poor's Web site at www.corporatecriteria.standardandpoors.com.

It Is, And How To Get It"). In the case of hybrid securities, the analysis is based on their features—not the accounting or the nomenclature. Pension and retiree health obligations are similar to debt in many respects. Their treatment is explained in "Postretirement Obligations."

Indeed, not all subtleties and complexities lend themselves to ratio analysis. Original-issue discount debt, such as zero coupon debt, is included at the accreted value. However, since there is no sinking fund provision, the debt increases with time, creating a moving target. (The need, eventually, to refinance this growing amount represents another risk.) In the case of convertible debt, it is somewhat presumptuous to predict whether and when conversion will occur, making it difficult to reflect the real risk profile in ratio form.

A company's asset mix is a critical determinant of the appropriate leverage for a given level of risk. Assets with stable cash flow or market values justify greater use of debt financing than those with clouded marketability. For example, grain or tobacco inventory would be viewed positively, compared with apparel or electronics inventory; transportation equipment is viewed more favorably than other equipment, given its suitability for use by other companies.

Accordingly, we believe it is critical to analyze each type of business and asset class in its own right. While FASB and IAS now require consolidation of nonhomogenous business units, we analyze each separately. This is the basis for our methodology for analyzing captive finance companies (*See "Finance Subsidiaries' Rating Link to the Parent"*).

Asset valuation

Knowing the true values to assign a company's assets is key to the analysis. Leverage as reported in the financial statements is meaningless if the assets' book values are materially undervalued or overvalued relative to economic value. Standard & Poor's considers the profitability of an asset as an appropriate basis for determining its economic value. Market values of a company's assets or independent asset appraisals can offer additional insights. However, there are shortcomings in these methods of valuation (just as there are with historical cost accounting) that prevent reliance on any single measure. Similarly, ratios using the market value of a company's equity in calculations of leverage are given limited weight as analytical tools. The stock market emphasizes growth prospects and has a short time horizon; it is influenced by changes in alternative investment opportunities and can be very volatile. A company's ability to service its debt is not affected directly by such factors.

The analytical challenge of which values to use is especially evident in the case of merged and acquired companies. Accounting standards allow the acquired company's assets and equity to be written up to reflect the acquisition price, but the revalued assets have the same earning power as before; they cannot support more debt just because a different number is used to record their value. Right after the transaction, the analysis can take these factors into account, but down the road the picture becomes muddied. We attempt to normalize for purchase accounting, but the ability to relate to pre-acquisition financial statements and to make comparisons with peer companies is limited.

Presence of a material goodwill account indicates the impact of acquisitions and purchase accounting on a company's equity base. Intangible assets are no less "valuable" than tangible ones. But comparisons are still distorted, because other companies cannot record their own valuable business intangibles, i.e., those that have been developed, rather than acquired. This alone requires some analytical adjustment when measuring leverage. In addition, analysts are entitled to be more skeptical about earning prospects that rely on turnaround strategies or "synergistic" mergers.

Off-balance-sheet financing

Analysis of liabilities is not limited to those shown on the company's balance sheet. Off-balance-sheet items factored into the leverage analysis include:

- Operating leases;
- Guarantees, debt of joint ventures, and unconsolidated subsidiaries;