

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-8)
STANDARD & POOR'S RATINGS DIRECT
RESEARCH UPDATE OCTOBER 26, 2007

June 18, 2008

**STANDARD
& POOR'S**

RATINGS DIRECT®

October 26, 2007

Research Update:

Puget Energy Inc.'s 'BBB-' Rating Placed On WatchNeg Following Announcement Of Proposed Sale

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Research Update:

Puget Energy Inc.'s 'BBB-' Rating Placed On WatchNeg Following Announcement Of Proposed Sale

Rationale

On Oct. 26, 2007, Standard & Poor's Ratings Services placed the ratings of holding company Puget Energy, Inc. ('BBB/--') and its electric and gas utility subsidiary Puget Sound Energy, Inc. ('BBB-/A-3') on CreditWatch with negative implications. The action follows the announcement that Puget Energy has agreed to sell itself to a consortium of private investors led by Macquarie Infrastructure Partners, an affiliate of Macquarie Bank Ltd. (A/Stable/A-1) for \$7.4 billion. The proposed transaction is to be financed with a significant amount of debt; the company has also announced a private equity placement of \$300 million with the consortium, which is not conditioned on the completion of the merger.

Bellevue, Wash.-based Puget had roughly \$3.2 billion of total debt outstanding as of June 30, 2007.

The CreditWatch listing reflects the possibility that debt ratings for Puget Energy could be lowered dependent 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. Still, Puget's consolidated credit measures post-transaction could be stretched if final terms are changed or regulatory requirements impact coverage metrics. We will update the CreditWatch status as the acquisition progresses.

Ratings List

| Ratings Affirmed; CreditWatch/Outlook | Action | To | From |
|---------------------------------------|--------|--------------------|-----------------|
| Puget Energy Inc. | | | |
| Corporate Credit Rating | | BBB-/Watch Neg/-- | BBB-/Stable/-- |
| Puget Sound Energy Inc. | | | |
| Corporate Credit Rating | | BBB-/Watch Neg/A-3 | BBB-/Stable/A-3 |
| Senior Secured | | | |
| Local Currency | | BBB+/Watch Neg | BBB+ |
| Junior Subordinated | | | |
| Local Currency | | BB/Watch Neg | BB |
| Preferred Stock | | | |
| Local Currency | | BB/Watch Neg | BB |
| Commercial Paper | | | |
| Local Currency | | A-3/Watch Neg | A-3 |

Research Update: Puget Energy Inc.'s 'BBB-' Rating Placed On WatchNeg Following Announcement Of Proposed Sale

| | | |
|--|-------------------|----------------|
| Washington Natural Gas Co. | | |
| Corporate Credit Rating | BBB-/Watch Neg/-- | BBB-/Stable/-- |
| Senior Secured | | |
| Local Currency | BBB+/Watch Neg | BBB+ |
| Ratings Affirmed; CreditWatch/Outlook Action; New Rating | To | From |
| Puget Sound Power & Light Co. | | |
| Corporate Credit Rating | BBB-/Watch Neg/-- | BBB-/Stable/NR |
| Ratings Affirmed;CreditWatch/Outlook Action | To | From |
| Puget Sound Energy Inc. | | |
| Senior Secured | | |
| US\$150 mil 5.197% sr nts 1st mtg bnd due 10/01/2015 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$300 mil 7.02% 1st mtg bnd ser A due 12/01/2027 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$200 mil 6.74% sr med-term nts due 06/15/2018 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$300 mil 6.274% fallaway 1st mtg bnd due 03/15/2037 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$250 mil 6.724% fallaway sr nts 1st mtg bnd due 06/15/2036 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$150 mil 6.46% fallaway 1st mtg bnd due 03/09/2009 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$100 mil 7% fallaway 1st mtg bnd ser B due 03/09/2029 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$225 mil 7.96% 1st mtg bnd due 02/22/2010 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$150 mil 3.36% 1st mtg bnd due 06/01/2008 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$260 mil 7.69% 1st mtg bnd ser C due 02/01/2011 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$25 mil 7.61% 1st mtg bnd ser B due 09/08/2008 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |
| US\$250 mil 5.483% 1st mtg bnd due 06/01/2035 | BBB+/Watch Neg | BBB+ |
| Recovery Rating | 1+ | 1+ |

Research Update: Puget Energy Inc.'s 'BBB-' Rating Placed On WatchNeg Following Announcement Of Proposed Sale

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

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