

**Exhibit No. \_\_\_\_ (DEG-1CT)**

**Revisions of July 19, 2004**

**REDACTED**

1 (ii) offset the imputed debt from its existing purchase power arrangements;  
2 (iii) enable the Company's resource acquisition program and energy hedging  
3 strategies; and (iv) provide services to customers on reasonable terms.

4 **Q. Does the Company plan to achieve the requested capital structure** ■  
5 ■?

6 A. Yes. PSE will achieve this capital structure as a result of debt maturities and  
7 retirements, retained earnings, additional equity issued to meet the requirements of  
8 the dividend reinvestment plan, and through sales of common stock.

9 **Q. How does the capital structure the Company is requesting compare to the**  
10 **capital structures approved in general rate proceeding across the country?**

11 A. Exhibit No. \_\_\_(DEG-4) contains summaries of rate orders since January 1, 2003.  
12 The average equity ratio approved for ratemaking purposes was 49.68%. This is  
13 nearly 500 basis points higher than the 45% equity ratio requested by the Company  
14 in this proceeding.

15 **Q. Are you proposing the same capital structure for gas and electric operations?**

16 A. Yes. PSE is an integrated gas and electric utility. The Company is not run with  
17 separate electric and gas divisions. The capital acquired to finance the Company is  
18 not split between gas and electric operations. The use of proceeds from such  
19 financing is not tied to any one type of energy. As a result, a single capital  
20 structure is appropriate.