

**PUGET SOUND ENERGY, INC.**

**MARKET-TO-BOOK RATIO ANALYSIS**

<u>COMPANY</u>	$k = R.O.E.(1-b)/(M/B) + g$ [2004]					=	<u>MARKET-TO-BOOK COST OF EQUITY</u>
CV	k= 09.0%	(1- 0.4424 )/	1.09	+	4.32%	=	8.91%
EAS	k= 07.5%	(1- 0.2000 )/	1.35	+	4.67%	=	9.13%
FE	k= 10.0%	(1- 0.4444 )/	1.49	+	5.24%	=	8.97%
PGN	k= 11.0%	(1- 0.3465 )/	1.34	+	4.09%	=	9.46%
CIN	k= 12.0%	(1- 0.2906 )/	1.79	+	4.79%	=	9.54%
CNL	k= 12.0%	(1- 0.2800 )/	1.66	+	4.83%	=	10.03%
EDE	k= 06.0%	(1- -0.4222 )/	1.36	+	4.14%	=	10.39%
ETR	k= 10.0%	(1- 0.5566 )/	1.44	+	5.75%	=	8.83%
GXP	k= 14.5%	(1- 0.2936 )/	1.89	+	5.20%	=	10.62%
HE	k= 09.0%	(1- 0.0815 )/	1.70	+	3.86%	=	8.73%
PNM	k= 07.5%	(1- 0.5333 )/	1.12	+	5.00%	=	8.11%
PNW	k= 08.0%	(1- 0.2962 )/	1.29	+	4.54%	=	8.89%
PSD	k= 07.5%	(1- 0.2000 )/	1.28	+	4.14%	=	<u>8.83%</u>
						AVERAGE	<b>9.26%</b>
						STANDARD DEVIATION	<b>0.72%</b>

Note: Equity returns and retention ratios based on Value Line current year projections.

**PUGET SOUND ENERGY, INC.**

**MARKET-TO-BOOK RATIO ANALYSIS**

<u>COMPANY</u>	$k = R.O.E.(1-b)/(M/B) + g$ [2007-2009]	<u>MARKET-TO-BOOK</u> <u>COST OF EQUITY</u>
CV	k= 09.5% (1- 0.4600 )/ 1.09 + 4.32%	9.01%
EAS	k= 08.5% (1- 0.3143 )/ 1.35 + 4.67%	9.00%
FE	k= 11.5% (1- 0.5500 )/ 1.49 + 5.24%	8.71%
PGN	k= 09.0% (1- 0.2188 )/ 1.34 + 4.09%	9.34%
CIN	k= 11.5% (1- 0.3200 )/ 1.79 + 4.79%	9.15%
CNL	k= 12.0% (1- 0.4000 )/ 1.66 + 4.83%	9.16%
EDE	k= 09.5% (1- 0.1467 )/ 1.36 + 4.14%	10.08%
ETR	k= 09.5% (1- 0.5355 )/ 1.44 + 5.75%	8.82%
GXP	k= 13.5% (1- 0.3455 )/ 1.89 + 5.20%	9.88%
HE	k= 10.5% (1- 0.2914 )/ 1.70 + 3.86%	8.24%
PNM	k= 07.0% (1- 0.5067 )/ 1.12 + 5.00%	8.07%
PNW	k= 10.0% (1- 0.4110 )/ 1.29 + 4.54%	9.09%
PSD	k= 09.0% (1- 0.3600 )/ 1.28 + 4.14%	<u>8.64%</u>
	AVERAGE	<b>9.01%</b>
	STANDARD DEVIATION	<b>0.56%</b>

Note: Equity returns and retention ratios based on Value Line three- to five-year projections.