

**PUGET SOUND ENERGY, INC.
OVERALL COST OF CAPITAL**

<u>Type of Capital</u>	<u>PERCENT</u>	<u>COST RATE</u>	<u>WT. AVG. COST RATE</u>
Common Equity	40.00%	9.75%	3.90%
Preferred Stock	0.05%	8.51%	0.00%
Preferred Securities	6.74%	8.60%	0.58%
Long-term Debt	48.86%	6.86%	3.35%
Short-term Debt	<u>4.36%</u>	<u>4.00%</u>	<u>0.17%</u>
TOTAL CAPITAL	100.00%		8.01%

PRE-TAX INEREST COVERAGE = 2.46X

*Assuming the Company experiences, prospectively, an income tax rate of 35%, the pre-tax overall return would be 10.11% [$8.01\% - (0.17\% + 3.82\% + 0.58\%) = 4.00\% \div (1 - 40\%) = 6.00\% + (0.17\% + 3.82\% + 0.58\%)$]. That pre-tax overall return, 10.11%, divided by the weighted cost of debt, indicates a pre-tax interest coverage of 2.46 times.