

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket No. UE-121373 – Centralia PPA  
Docket No. UE-121697 and Docket No. UG-121705 – Decoupling Mechanisms  
Docket No. UE-130137 and Docket No. UG-130138 – Expedited Rate Filing  
Puget Sound Energy, Inc.**

**BENCH REQUEST NO. 002**

**BENCH REQUEST NO. 002:**

Please provide an exhibit showing PSE's new debt costs following its recent pollution control bond issuances.

**Response:**

Puget Sound Energy, Inc. ("PSE") has two pollution control bonds totaling \$161.86 million. One issue (\$138.46 million) had a 5% interest rate, and other issue (\$23.4million) had a 5.1% interest rate. These bond issues became callable March 1, 2013. As interest rates have fallen since the issuance of these bonds in March 2003, PSE decided to refinance the bond issues and secure lower rates.

On May 16, 2013, PSE was able to secure a 3.9% interest rate on the \$138.46 million bond issue and an interest rate of 4.0% on the \$23.4 million bond issue. This refinance is the only change to long-term debt since the Commission's final order in Dockets UE-111048 and UG-111049 ("2011 GRC"). PSE proposes that the long-term cost of debt be modified in the weighted average cost of capital structure to reflect the lower interest realized from this refinancing in Docket Nos. UE-130137 and UG-130138, PSE's Expedited Rate Filing.

Attached as Attachment A to PSE's Response to Bench Request No. 002, please find a table with PSE's long-term debts costs within the rate year of the 2011 GRC, May 1, 2012 to April 30, 2013. Attachment A includes the higher interest rates for the Pollution Control Bonds, prior to the refinance. The total long-term debt cost as approved in the 2011 GRC Order was 6.22%.

Attached as Attachment B to PSE's Response to Bench Request No. 002, please find a table with PSE's long-term debts costs within the rate year of the 2011 GRC, May 1, 2012 to April 30, 2013, updated with the lower interest rates for the refinance of the Pollution Control Bonds on May 16, 2013. The revised long-term debt cost as a result of this refinance is 6.16%.

The Net Proceeds and Cost Rate, shown in columns F and G of Attachment B to PSE's Response to Bench Request No. 002, are based on estimated bond issuance costs and may vary slightly once final costs are accumulated. Any variances are not anticipated to change the overall weighted average cost of Long Term Debt from the 6.16% shown. The annual charge on reacquired debt on line 30 of Attachment B reflects a \$350,565 increase for the continued amortization of the retired bond issuance cost and its call premium. No other changes to Long Term Debt have occurred since the Commission's final order in PSE's 2011 GRC.

Attached as Attachment C to PSE's Response to Bench Request No. 002, please find a table depicting the change in the total weighted average cost of capital ("WACC") due to this one-time change in long-term debt costs as a result of this refinance. The WACC changes from 7.80% to 7.77%.

**ATTACHMENT A to PSE's Response to  
Bench Request No. 002**

Puget Sound Energy

Cost of LT Debt For the 12 Months Ended April 30, 2013 as Granted in 2011 GRC

1	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)		
2						Net																		
3		Principal	Interest	Issue	Maturity	Proceeds	Cost	Annual	Month-End Balances Rollforward				(\$ in millions)										Avg Amt	
4	Bond	in 000's	Rate	Date	Date	Per \$100	Rate (iii)	Charge	A-12	M-12	J-12	J-12	A-12	S-12	O-12	N-12	D-12	J-13	F-13	M-13	A-13	Out-standing		
5		4/30/2012				(i)																(In 000's)		
6	MTN-B	\$3,000	6.830%	Aug-93	Aug-13	98.81	6.94%	208,216	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	\$3,000	
7	MTN-B	\$10,000	6.900%	Sep-93	Oct-13	98.82	7.01%	701,037	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	\$10,000	
8	MTN-C	\$10,000	7.350%	Sep-95	Sep-15	98.84	7.46%	746,219	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	\$10,000	
9	MTN-C	\$2,000	7.360%	Sep-95	Sep-15	98.84	7.47%	149,442	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	\$2,000	
10	SN	\$150,000	5.197%	Oct-05	Oct-15	99.19	5.30%	7,953,003	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	\$150,000	
11	SN	\$250,000	6.750%	Jan-09	Jan-16	99.28	6.88%	17,203,058	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	\$250,000	
12	MTN-A	\$200,000	6.740%	Jun-98	Jun-18	98.99	6.83%	13,667,659	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	\$200,000	
13	MTN-C	\$15,000	7.150%	Dec-95	Dec-25	99.21	7.21%	1,082,180	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	\$15,000	
14	MTN-C	\$2,000	7.200%	Dec-95	Dec-25	99.21	7.26%	145,298	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	\$2,000	
15	MTN-A	\$300,000	7.020%	Dec-97	Dec-27	98.99	7.10%	21,305,080	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	\$300,000	
16	MTN-B	\$100,000	7.000%	Mar-99	Mar-29	99.04	7.08%	7,077,339	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	\$100,000	
17	PCB	\$23,400	5.100%	Mar-03	Mar-31	95.55	5.65%	1,323,222	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	\$23,400	
18	PCB	\$138,460	5.000%	Mar-03	Mar-31	95.55	5.54%	7,672,158	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	138.5	\$138,460	
19	SN	\$250,000	5.483%	May-05	Jun-35	84.89	6.65%	16,631,015	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	\$250,000	
20	SN	\$250,000	6.724%	Jun-06	Jun-36	107.52	6.17%	15,425,986	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	\$250,000	
21	SN	\$300,000	6.274%	Sep-06	Mar-37	98.81	6.36%	19,088,422	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	\$300,000	
22	SN	\$350,000	5.757%	Sep-09	Oct-39	98.98	5.83%	20,399,979	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	\$350,000	
23	SN	\$325,000	5.795%	Mar-10	Mar-40	98.96	5.87%	19,074,169	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0	\$325,000	
24	SN	\$250,000	5.764%	Jun-10	Jul-40	98.97	5.84%	14,592,146	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	\$250,000	
25	SN	\$300,000	5.638%	Mar-11	Apr-41	98.95	5.71%	17,134,719	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	\$300,000	
26	JrSubN	\$250,000	6.974%	Jun-07	Jun-17	98.23	7.23%	18,065,222	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	\$250,000	
27	SN	\$250,000	4.434%	Nov-11	Nov-41	98.96	4.50%	11,243,737	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	\$250,000	
28	SN	\$45,000	4.700%	Nov-11	Nov-51	98.50	4.78%	2,153,014	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	\$45,000	
29								Annual Charge on Reacquired Debt (ii)																
30	Total LT Debt Balances and W. Avg Cost Rate						(iv)	6.22%	234,628,383	3773.9	3773.9	3773.9	3773.9	3773.9	3773.9	3773.9	3773.9	3773.9	3773.9	3773.9	3773.9	3773.9	3773.9	\$3,773,860

(i) Net proceeds are face amount less underwriter's fees and issuance expenses.

(ii) See schedule of Reacquired Debt.

(iii) Cost Rate for each bond is the yield to maturity based on net proceeds.

(iv) For total long term debt, the cost rate is the total annual charge including reacquired debt divided by the average outstanding balance for the period.

**ATTACHMENT B to PSE's Response to  
Bench Request No. 002**

**Puget Sound Energy**  
**Cost of LT Debt For the 12 Months Ended April 30, 2013 with effect of refinanced PCB's**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000	1001	1002	1003	1004	1005	1006	1007	1008	1009	1010	1011	1012	1013	1014	1015	1016	1017	1018	1019	1020	1021	1022	1023	1024	1025	1026	1027	1028
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**ATTACHMENT C to PSE's Response to  
Bench Request No. 002**

PUGET SOUND ENERGY, INC.

Utility Capital Structure

Cost of Capital and Rate of Return

For Rate Year May 2012 through April 2013

	(A)	(B)	(C)	(D)	(E)
<b>Granted in 2011 General Rate Case</b>					
<u>Description</u>			<u>Ratio</u>	<u>Cost Rates</u>	<u>Cost of Capital</u>
Short Term Debt			4.00%	2.68%	0.11%
Long Term Debt			48.00%	6.22%	2.99%
Common Stock			<u>48.00%</u>	9.80%	<u>4.70%</u>
<b>Total and Rate of Return</b>			<b><u>100.00%</u></b>		<b><u>7.80%</u></b>
<b>Granted in 2011 General Rate Case with New PCB Costs</b>					
<u>Description</u>			<u>Ratio</u>	<u>Cost Rates</u>	<u>Cost of Capital</u>
Short Term Debt			4.00%	2.68%	0.11%
Long Term Debt			48.00%	6.16%	2.96%
Common Stock			<u>48.00%</u>	9.80%	<u>4.70%</u>
<b>Total and Rate of Return</b>			<b><u>100.00%</u></b>		<b><u>7.77%</u></b>
(a) - Average of Month-End Balances					