

ATTACHMENT A

One Page Summary Describing the Proposed Transaction

**Puget Sound Energy
Planned Senior Secured Notes Issuance
RCW 80.08.030 (1), (2) and (3) Compliance Filing**



CONFIDENTIAL
per WAC 480-07-160

REDACTED

FINANCING DISCUSSION

APPROVAL TO ISSUE SENIOR SECURED NOTES March 2, 2011

Request

Management requests approval to price up to \$300 million of senior secured notes. Such notes will be issued under the existing shelf registration statement that became effective on January 25, 2011.

Use of Proceeds

The proceeds of a senior note issue will be used primarily to restore cash used to redeem the 7.69% series \$260 million note that matured on February 1, 2011 and to repay short-term debt outstanding under the Company's capital expenditure credit facility.

Considerations

Credit Agreement: PSE's credit facilities place certain restrictions on additional indebtedness. In short, PSE may issue senior secured notes to repay maturing debt and to repay draws under the PSE capital expenditure facility. Debt issuance is limited to \$500 million of new notes per year plus any unused amounts under prior year's limits.

Restrictive Covenants: As of December 31, 2011, PSE had property to support an additional \$1.4 billion and \$168 million of additional indebtedness under its electric and gas mortgage indentures, respectively.

Credit Ratings: PSE's senior secured notes are rated A- and Baa1 by S&P and Moody's, respectively.

Timing: The year-end 2010 financial statements will be used as the basis for the note issue. PSE is currently expecting its 2010 Form 10-K to be approved on March 4 and filed shortly thereafter. The notes must be issued by May 2, 2011 for the \$260 million of the new issue to be considered a permitted refinancing under the terms of PSE's credit facilities.

Financing Plans

The Company's 2011 financing plan, in the form of a Sources and Uses of funds statement, is shown at right (see page 117 of 180 of the 2011 Business Plan)

Sources:

Internally Generated Funds
Investment from Parent (PE CapEx draws)
Long-term Financings:
 March senior note issue
 Fall senior note issue
Change in Short-term Debt & Cash
Total Sources

(\$ Millions)

2011



Uses:

Capital Expenditures
Conservation Expenditures
Dividends to Puget Energy
Debt Redemptions
Total Uses

2011



The 2011 financing plan included an assumed rate of % on the 30-year March issue.

Indicative Terms & Pricing

Based on recent indications from investment banks, the Company could issue 10-year or 30-year senior notes at coupons of approximately % and %, respectively.

| | <u>10-year</u> | <u>30-year</u> |
|----------------------|------------------------|------------------------|
| Treasury rate | <input type="text"/> % | <input type="text"/> % |
| Credit spread (area) | <input type="text"/> % | <input type="text"/> % |
| Coupon | <input type="text"/> % | <input type="text"/> % |

To allow for volatility in the market, the Company's request is to price 10-year or 30-year notes at coupons not to exceed % and %, respectively. The notes are expected to carry a standard market based make-whole provision.

The Company will likely issue at least \$275 million of notes. The Company would like the flexibility to increase the issue size to up to \$300 million if rates are favorable.

Requested Action

During the Asset Management Committee meeting on March 2, 2011, management will request approval to price up to \$300 million of 10-year or 30-year senior secured notes at coupons not to exceed % and %, respectively, within 30-days from the date of approval.

ATTACHMENT B

Resolutions of the Asset Management Committee Meeting

**Puget Sound Energy
Planned Senior Secured Notes Issuance
RCW 80.08.030 (1), (2) and (3) Compliance Filing**

AUTHORIZING PRICING, ISSUANCE AND SALE OF SENIOR NOTES

WHEREAS, on January 12, 2011, the Board of Directors of the Company authorized the issuance and sale, from time to time, by the Company of senior notes (the "*Senior Notes*"), which may be secured by first mortgage bonds of the Company, having maturities, interest rates and such other terms, including redemption provisions, redemption premiums and sinking fund payments, as specified officers of the Company may determine, subject to the approval of such terms by this Committee,

WHEREAS, on November 3, 2010, the Board of Directors approved the Company's Budget for the calendar year 2011 which contemplates the issuance of up to \$500 million of Senior Notes during 2011,

WHEREAS, management now requests approval for an issuance of up to \$300 million of Senior Notes, and

WHEREAS, this Committee desires to permit the Company to respond quickly to favorable conditions in the capital markets in connection with the proposed issuance of Senior Notes,

NOW, THEREFORE, BE IT

REDACTED

RESOLVED, that this Committee, authorizes the pricing, issuance and sale of up to \$300,000,000 in principal amount of the Senior Notes (in one or more tranches to be designated by interest rate and maturity date of such principal amounts) having maturities of, alternatively, (i) 30 years, bearing a stated coupon of not more than %, or (ii) 10 years, bearing a stated coupon of not more than %, and such other terms, including redemption provisions, redemption premiums and sinking fund payments, as the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, the Vice President Finance & Treasurer, Assistant Secretary and Assistant Treasurer (collectively, the "*Designated Officers*"), or any two of them, may determine, provided that the specific terms of the Senior Notes are determined within a period of time not to extend beyond thirty (30) calendar days from the date of this approval.

RESOLVED, FURTHER, that the Senior Notes shall be issued under the Indenture of the Company dated as of December 1, 1997 between the Company and U.S. Bank National Association, as trustee, and the Fourth Supplemental Indenture thereto, dated as of May 1, 2003 and authorized by the Board of Directors of the Company on April 16, 2003.

RESOLVED, FURTHER, that the first mortgage bonds of the Company issued to secure the Senior Notes shall be issued under the First Mortgage of the Company dated as of June 2, 1924 (the "*Electric Mortgage*") between the Company and U.S. Bank National Association, as trustee, and the Eighty-Fourth Supplemental Indenture to the Electric Mortgage, dated as of September 1, 2006,

RESOLVED, FURTHER, that the execution and delivery by the Designated Officers, or any of them, of such agreements, documents or instruments, including purchase, underwriting and/or distribution agreements, which the Designated Officers, or any of them, deem to be necessary or advisable in connection with the issuance and sale of the Senior Notes, in such forms the Designated Officers, or any of them, may deem necessary or advisable is hereby approved.

RESOLVED, FURTHER, that the Designated Officers, or any of them, are hereby authorized to use the proceeds from the sale of the Senior Notes in the manner described at this meeting and as set forth in the prospectus supplement relating to the offering and sale of the Senior Notes under the heading "Use of Proceeds."

General Authority

RESOLVED, FURTHER, that any and all actions taken by the Designated Officers of the Company, or any of them, including the execution and delivery in the name and on behalf of the Company of agreements or other instruments and agreements deemed by such officers to be necessary or advisable to effectuate the transactions contemplated by the foregoing resolutions, whether prior to or subsequent to this action by this Committee, are hereby authorized, approved and ratified, and the taking of any and all such actions and the performance of any and all such things in connection with the foregoing shall conclusively establish such officers' authority therefore from the Company and the approval and ratification thereof by this Committee.