



May 10, 2013

*Via Web Portal and Overnight Mail*

Mr. Steven V. King  
Acting Executive Director and Secretary  
Washington Utilities and Transportation Commission  
PO Box 47250  
Olympia, WA 98504-7250

**Re: Planned Securities Issuance – Pollution Control Bond Refinance**

Dear Mr. King:

Puget Sound Energy (the “Company” or “PSE”) furnishes the following information, in compliance with RCW 80.08.040, (1), (2) and (3), with respect to a planned refinance of its existing Pollution Control Bonds maturing in 2031. Puget Sound Energy has two series of pollution control bonds that were issued by the City of Forsyth (Rosebud County, Montana) in 2003. The bonds were originally issued to finance the Company’s proportional investment in the pollution control facilities at the Colstrip generating units in Colstrip, Montana.

Net proceeds from the planned issue will be used to redeem the outstanding series 2003A and 2003B pollution control bonds.

The following documents are attached in support of this filing:

Attachment A - One page summary describing the transaction

Attachment B - The resolutions of the Asset Management Committee authorizing the Company to price the notes within certain terms

Certain items contained in Attachments A and B have been marked confidential as they contain valuable commercially sensitive or material non-public information. Accordingly, with regard to the contents, the Company claims confidentiality and protection from inspection or copying under WAC 480-07-160. We further understand that, prior to any release of this material; the Company will be notified in order to allow it to invoke any and all statutory procedures for securing a court order protecting the materials as proprietary and confidential.

As required by WAC 480-07-160, the Company identifies itself, its ultimate owners and its customers as the entities that might be directly affected by disclosure of the confidential information. Also, conforming to WAC 480-07-160, the confidential pages submitted herewith have been sealed in an

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envelope clearly marked "Confidential per WAC 480-07-160", and each page of the filing containing confidential information has been so marked.

The transaction is in the public interest inasmuch as it allows the Company to access funds from the long-term debt capital markets and lower its overall cost of capital by refinancing at today's lower rates.

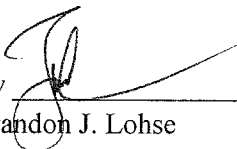
In view of the foregoing, and in accordance with WAC 480-90-242 (1)(a) and WAC 480-100-242 (1)(a), the undersigned hereby certifies that the proceeds from this securities issuance will be used for one or more of the purposes allowed by RCW 80.08.030 and that the information provided herein is true and correct to the best of his knowledge and belief, under penalties of perjury as set forth in the laws of the State of Washington.

**The Company, having provided herewith all information and statements required by subsections (1), (2), and (3) of RCW 80.08.040, does NOT request an order affirming that it has complied with such requirements as part of these planned securities transactions.**

Thank you for your assistance.

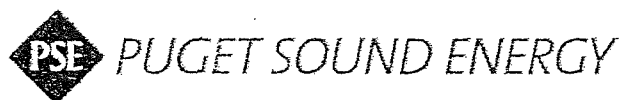
Sincerely,

PUGET SOUND ENERGY

By   
Brandon J. Lohse  
Treasurer

Attachments

cc: Simon ffitich



**POLLUTION CONTROL BONDS**

Request to refinance existing PCBs February 28, 2013

**Introduction**

The Board of Directors is being asked to approve resolutions allowing the company to refinance both of its existing pollution control bond series. This summary addresses the merits of refinancing the pollution control bonds providing the background for Board delegation of pricing approval to the Securities Pricing Committee.

**Background**

Puget Sound Energy has two series of pollution control bonds that were issued by the City of Forsyth (Rosebud County, Montana) in 2003. The bonds were originally issued to finance the Company's proportional investment in the pollution control facilities at the Colstrip generating units in Colstrip, Montana. These series are summarized below:

Series	Type	Coupon	Maturity	Principal \$(000)
2003A	Non-AMT	5.00%	3-1-31	\$138,460
2003B	AMT	5.10%	3-1-31	\$ 23,400
Total				\$161,860

The bonds are callable at a 1% premium on March, 1 2013 and are callable at par on March 1, 2014.

Interest on municipal bonds issued to finance certain pollution control facilities is exempt from federal income taxes. Of the two existing series, the 2003A series is not subject to alternative minimum taxes (AMT) for federal income tax purposes. Interest on series B is taxable under AMT calculations. Both of the bonds are secured by a pledge of mortgage bonds and, at the time of issuance, were insured to achieve an "AAA" credit rating, increase investor interest and to minimize interest expense.

**New Pollution Control Bond Indicative Terms**

While each of the existing series contains a small call premium, current market conditions enable the Company to refinance all of the series on more favorable terms. The Company is proposing to refinance the existing series of bonds as summarized below:

Series	Type	Potential Coupon	Final Maturity	Principal \$(000)
2013A	Non-AMT	3.65%	2031	\$138,460
2013B	AMT	4.05%	2031	\$23,400
Total				\$161,860

The indicative "Potential Coupon" shown above is based on market conditions as of February 11, 2013. The actual coupon on the new bonds will be determined when the bonds are priced. The "Potential Coupon" shown above assumes an underlying interest rate of 2.39% with credit spreads of 126 and 166 basis points for the Non-AMT and the AMT series, respectively. The bonds will not be insured and thus will likely receive a rating of "A-", PSE's current senior secured debt rating. Depending on market conditions the final coupons could be more or less than those shown above.

The final maturity of the bonds will likely remain in 2031. Extending the maturity beyond the existing date would require an engineering analysis as well as a public hearing which could invite administrative and/or legal challenges. The Company also expects that the bonds will contain a call feature exercisable in five or ten years from the date of issue.

The Company will continue to evaluate all options related to refinancing these bonds. Consideration will be given to both the taxable and tax-exempt markets as well as strategies such as refunding the smaller 2003B series by utilizing the Company's credit facilities.

**Savings from the Proposed Refinancing**

Based on the indicative terms shown above, expected issue costs and the premiums that must be paid to call the existing series, the present value of the savings from the refinancing is approximately \$26 million. The savings would be greater if the actual terms are more favorable than those shown above. Below is table showing the savings sensitivity to various discount rates.

Refi - Rate	NPV Analysis	
	\$138,460,000 Non-AMT	\$ 23,400,000 AMT
3.50%	26,089,340	5,220,722
3.65%	23,021,655	4,690,390
3.75%	21,016,578	4,343,719
4.05%	15,187,572	3,335,720
4.25%	11,451,482	2,689,495
4.50%	6,942,892	1,909,489
<b>Total Savings - based on recent indicatives</b>		<b>\$ 26,357,375</b>

**Requested Action by the Boards of Directors**

The Company is requesting that the Board of Directors of Puget Sound Energy approve resolutions allowing it to proceed with refinancing its existing pollution control bonds and delegating approval of specific terms and conditions to the Securities Pricing Committee.

**MINUTES OF THE  
TELEPHONIC ASSET MANAGEMENT COMMITTEE MEETING  
FOR PUGET SOUND ENERGY, INC.**

**MAY 1, 2013**

Pursuant to a notice duly given, a telephonic meeting of the Asset Management Committee for Puget Sound Energy, Inc. (PSE) was held on Wednesday, May 1, 2013, originating at PSE's Executive Offices beginning at 1 p.m.

**MEETING ATTENDANCE**

**Asset Management Committee**

Andrew Chapman	Macquarie Infrastructure and Real Assets, Inc.
Dan Fetter	Canada Pension Plan Investment Board
David MacMillan	Canada Pension Plan Investment Board
Kimberly Harris	Puget Sound Energy

**PSE Board**

Chris Trumpy	British Columbia Investment Management Corporation
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**Puget Holdings and PSE Management**

Durga Doraisamy	Director Budgeting and Corporate Secretary
Daniel Doyle	Senior Vice President and Chief Financial Officer
Donald Gaines	Vice President Finance and Treasurer
Brandon Lohse	Assistant Treasurer
Steve Secrist	Vice President, General Counsel and Chief Ethics and Compliance Officer
Mike Stranik	Controller and Principal Accounting Officer

**PSE Management**

Certain officer and director-level employees

**Investor Management**

Heidi Boyd	Macquarie Infrastructure & Real Assets, Inc.
Mark Fay	Macquarie Infrastructure & Real Assets, Inc.
Drew Murphy	Macquarie Infrastructure & Real Assets, Inc.
Dan Schechner	Macquarie Infrastructure & Real Assets, Inc.
Marie Perpeluk	Alberta Investment Management Corporation
Steve Turner	British Columbia Investment Management Corporation
Richard Dinneny	British Columbia Investment Management Corporation
Annie Harlow	Canada Pension Plan Investment Board

Ms. Harris presided and Ms. Doraisamy kept the records of the meeting.

CALL MEETING TO ORDER

Ms. Harris called the meeting to order and welcomed those present.

DASHBOARD AND RESULTS REPORT YEAR-TO-DATE MARCH 2013

Ms. Harris led a discussion describing PSE's key performance indicators for March 2013. A copy of her report is filed with the records of this meeting.

APPROVAL OF POLLUTION CONTROL BOND REFINANCING PLAN

Ms. Harris asked Mr. Lohse to report on the Company's Pollution Control Bond refinancing plan. Mr. Lohse reported the Company is requesting that the Asset Management Committee of PSE approve final pricing terms up to 4.25% on the non-AMT series A bonds and up to 4.50% on the AMT series B bonds, thereby allowing it to proceed with refinancing its existing pollution control bonds at lower current market rates.

After full discussion, the following resolutions were unanimously adopted by the Committee:

WHEREAS, on February 28, 2013, the Board of Directors of the Company authorized the Company to refinance certain Pollution Control Revenue Refunding Bonds (the "Prior PCBs") previously issued to finance pollution control equipment and facilities that are part of Colstrip Units 1, 2, 3 and 4;

WHEREAS, at the meeting of this Asset Management Committee, a plan to refinance the Prior PCBs was presented, which included, among other things, (a) the issuance of new Pollution Control Revenue Refunding Bonds (the "New PCBs"), (b) the issuance of senior notes of PSE, secured by first mortgage bonds of PSE, and (c) the entry into certain related agreements (the "Refinancing Plan");

WHEREAS, this Committee desires to permit the Company to respond quickly to favorable conditions in the capital markets in connection with the Refinancing Plan;

NOW, THEREFORE, BE IT:

RESOLVED, that this Committee hereby approves the Refinancing Plan on substantially the terms as presented at this meeting, together with such other changes thereto as the Chief Executive Officer and President, the Senior Vice President and Chief Financial Officer, the Treasurer, the Controller and Principal Accounting Officer and the Assistant Treasurer of the Company (hereinafter the "Designated Officers"), or any one of them, may deem necessary or desirable.

FURTHER RESOLVED, that this Committee hereby authorizes and approves the issuance by the City of Forsyth (Rosebud County, Montana) (the "City") of the New PCBs on substantially the terms presented at this meeting, subject to the pricing (coupon) parameters proposed at this meeting, together with such other changes thereto as the Designated Officers, or any one of them, may deem necessary or desirable, the proceeds received from the sale of which shall be loaned by the City to

the Company pursuant to a Loan Agreement between the Company and the City (the "Loan Agreement").

FURTHER RESOLVED, that this Committee hereby approves the provisions of the Indenture (the "Pollution Bond Indenture") between the City and Wells Fargo Bank, National Association (the "Pollution Bond Trustee") providing for the creation of the New PCBs on substantially the terms as presented at this meeting, including optional and extraordinary optional redemption, maturity dates and interest rates, subject to the pricing (coupon) parameters proposed at this meeting, together with such other changes thereto as the Designated Officers, or any one of them may deem necessary or advisable.

FURTHER RESOLVED, for the purpose of securing the Company's obligations under the Loan Agreement, the Designated Officers, or any one of them, are hereby authorized, directed and empowered to execute, or cause to be executed by a facsimile of their signatures, in the name and on behalf of the Company, to seal with its corporate seal (as necessary), and to deliver to U.S. Bank National Association (or its successor), as trustee (the "Senior Note Trustee"), for authentication and delivery to the Company, senior notes pursuant to the Indenture of the Company, dated as of December 1, 1997 (the "Senior Note Indenture") and a Fourth Supplemental Indenture to the Senior Note Indenture dated as of May 1, 2003 between the Company and the Senior Note Trustee in an aggregate principal amount equal to the aggregate principal of the New PCBs (the "PCB Senior Notes") which PCB Senior Notes shall be secured by first mortgage bonds of the Company (the "PCB Pledged Bonds") issued pursuant to the Company's First Mortgage dated as of June 2, 1924 between the Company and U.S. Bank National Association, as trustee, as supplemented and modified, with each of the PCB Senior Notes and PCB Pledged Bonds having substantially the terms as presented at this meeting, including optional and extraordinary optional redemption, maturity dates and interest rates, subject to the pricing (coupon) parameters proposed at this meeting, together with such other terms as the Designated Officers, or any one of them, may deem necessary or desirable.

FURTHER RESOLVED, that this Committee hereby authorizes the Designated Officers to enter into such documents as necessary to consummate the Refinancing Plan as presented at this meeting, subject to the pricing (coupon) parameters proposed at this meeting, including the Bond Purchase Contract among the Company, certain purchasers of the New PCBs and the City, the Loan Agreement, the Pledge Agreement between the Company and the Pollution Bond Trustee, and the Pollution Bond Indenture.

FURTHER RESOLVED, if determined necessary or advisable by the Designated Officers, or any one of them, to refinance the 2003B series of Prior PCBs by utilizing the Company's credit facilities, such Designated Officers, or any one of them, are hereby authorized to take such actions as may be required to effect such a refinancing in lieu of the issuance of a new Pollution Control Revenue Refunding Bond in respect of such 2003B series of Prior PCBs.

#### **General Authority**

RESOLVED, that the Designated Officers, or any one of them, are hereby authorized and empowered to take or cause to be taken all such actions as may be necessary or advisable to implement the Refinancing Plan and provide for the execution,

acknowledgment and delivery of the agreements and the transactions contemplated thereby and for the performance and observance by the Company, at all times while any of the agreements shall be in effect, of the terms and conditions contained in the agreements, including, without limiting the generality of the foregoing, the making of any and all payments, the making and execution of any necessary or desirable instruments, certificates, affidavits or other documents, the opening of any bank accounts, the signing or endorsement of any checks and the payment of any fees or taxes, and, from time to time, to take any and all actions to make, execute, verify, record and file all applications, certificates, documents or other instruments and to do any and all other acts and things that they or any one of them shall deem necessary or advisable in connection with the implementation of the Refinancing Plan and the execution, delivery and performance of the agreements and the transactions contemplated thereby or in order to carry out the intent and purpose of the foregoing resolutions.


ADJOURNMENT

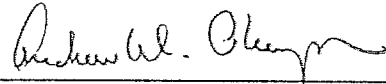
There being no further business to come before the meeting, the meeting was adjourned.

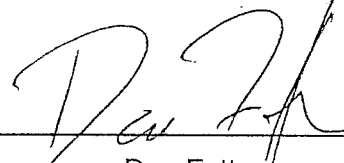
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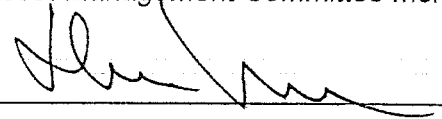
  
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Durga Doraisamy  
Secretary

ACCEPTED:

  
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Kimberly Harris  
Asset Management Committee member

  
\_\_\_\_\_  
Andrew Chapman  
Asset Management Committee member

  
\_\_\_\_\_  
Dan Fetter  
Asset Management Committee member

  
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David MacMillan  
Asset Management Committee member