EXHIBIT NO. ___(DDW-6)
DOCKET NO. UE-04_____
2004 PSE PCA 2 COMPLIANCE
WITNESS: DURGA D. WAITE

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of **PUGET SOUND ENERGY, INC.** **For Approval of its 2004 Power Cost Adjustment Mechanism Report**	**Docket No. UE-04_____**

FIFTH EXHIBIT TO PREFILED DIRECT TESTIMONY OF
DURGA D. WAITE (NONCONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.

AUGUST 31, 2004

Moody's Investors Services

Global Credit Research
Credit Opinion
7 JUL 2004

Credit Opinion: Puget Sound Energy, Inc.

Puget Sound Energy, Inc.

Bellevue, Washington, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa3
Senior Secured	Baa2
Sr Unsec Bank Credit Facility	Baa3
Preferred Stock	Ba2
Commercial Paper	P-2
Parent: Puget Energy, Inc.	
Outlook	Stable
Issuer Rating	Ba1
Washington Natural Gas Company	
Outlook	Stable
First Mortgage Bonds	Baa2
Bkd Sr Sec MTN	Baa2
Bkd Preferred Stock	Ba2
Puget Sound Energy Capital Trust I	
Outlook	Stable
Bkd Preferred Stock	Ba1

Contacts

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Key Indicators

Puget Sound Energy, Inc.

	LTM 1Q 04	2003	2002	2001

Adj. FFO - Cap. Interest + Adj. Interest / Adj. Interest [1] [2]	**2.7**	**2.7**	**3.3**	**2.5**
Adj. FFO / Adj. Debt [1][3]	**13%**	**13%**	**19%**	**11%**
Retained Cash Flow / Adjusted Debt [3]	**10%**	**10%**	**15%**	**6%**
Adj. Debt / Adj. Capitalization [3][4]	**61%**	**62%**	**64%**	**69%**
Net Income Available for Common / Common Equity	**8%**	**7%**	**7%**	**8%**
Common Dividends / Net Income Available for Common	**62%**	**71%**	**89%**	**139%**

[1] FFO adjusted for preferred dividends [2] Interest adjusted for preferred dividends and imputed interest on operating leases [3] Debt adjusted for trust preferred and operating leases [4] Adj. Capitalization includes equity, adj. debt, and other preferred stock at par, but excludes deferred tax

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Credit Strengths

Credit Strengths for Puget Sound Energy (PSE) are:

- Focus on strengthening balance sheet and liquidity

- Regulatory support for recovery of and return on generation capacity added earlier this year

- General rate increases and power cost adjustment mechanism approved in 2002

- Ongoing cost control initiatives

Credit Challenges

Credit Challenges for PSE are:

- Obtaining regulatory support in pending general rate cases

- Coping with more volatile power and natural gas supply markets

- Capital spending to meet customer and demand growth

Rating Rationale

PSE's Baa2 rating reflects the effects of a past merger with Washington Energy, debt from power contract restructuring, and prior under-recovery of net power costs, which led to higher debt and weak interest coverage. The rating also reflects benefits from rate case settlements, which indicate better state regulatory relations. The latter when coupled with other strategies has accelerated balance sheet strengthening, which should bode well for better interest coverages.

Favorable outcomes in PSE's rate cases in 2002 provided for permanent rate increases and an electric power cost recovery mechanism. Also, in 2004 regulators approved rate basing of PSE's most recent investment in additional generating capacity. Under this environment, business and financial risks are reduced due to better matching of costs and revenues. Furthermore, the parent's reduced common dividend, common equity issuance to repay PSE debt and preferred stock, and higher retained earnings enabled PSE's equity ratio as of 3/31/04 to be well ahead of the scheduled level required by state regulators as part of the utility's 2002 rate settlement. Meanwhile, PSE's liquidity remains much improved compared to early 2002, reflected in part by a recent increase in the size of committed bank facilities to $350MM from $250MM previously and establishing a three-year term for the new facility versus 364-days previously.

We note that competitive concerns about PSE's rate hikes approved with the merger and price escalators under some power contracts were subsiding because of contract renegotiations and the effects of market volatility on other utilities in the region. However, PSE has recently raised its rates due to market dynamics and again finds itself in midst of general rate cases seeking additional increases to electric and natural gas rates. Even with the rate increases, we still view PSE as more efficient as a larger total-energy utility, in part due to cost savings from the merger and its rates remain among the lowest in the region.

Rating Outlook

PSE's stable rating outlook reflects Moody's view that the utility will improve its financial profile over the next several years, thanks in part to supportive regulatory decisions. The outlook also reflects satisfactory closure to the Federal Energy Regulatory Commission investigation of PSE's role in the western power markets in 2000-2001.

What Could Change the Rating - UP

Favorable outcomes in the pending general rate cases that lead to higher than expected free cash flow and accelerate PSE's improving financial profile would boost the company's chances for a higher rating.

What Could Change the Rating - DOWN

Any unexpected decline in the level of regulatory support. Capital spending that outpaces cash flow, which is financed with a significant debt component. Any unexpected shift away from the narrow focus on core utility operations.

Recent Developments

PSE filed general electric and gas rate cases with its Washington State regulators in April. A decision is expected by March 2005. In April, PSE also received regulatory support for recovery of and return on its purchase of 49.85% of the 249-megawatt Frederickson Power facility for approximately $80 million. The benefits of that decision are tempered somewhat by enforcement of some fuel cost disallowances relating to past supply decisions. The fuel cost disallowances were enforced despite PSE's rebuttals claiming legal and factual errors were made in reaching the decision. The net effects of the fuel cost disallowances are disappointing to PSE and make favorable outcomes in pending rate cases that much more important to achieving the utility's key objective of further strengthening its financial profile.