



Donald E. Gaines  
Vice President  
Finance & Treasurer

Puget Sound Energy, Inc.  
P.O. Box 97034  
Bellevue, WA 98009-9734

January 2, 2009

David Danner, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

Re: Planned Securities Issuance - \$250 Million Senior Secured Notes

Dear Mr. Danner:

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 \$250 million senior secured note issue. The notes will be issued under PSE's existing S-3 shelf registration statement on file with the Securities and Exchange Commission dated March 16, 2006.

At September 30, 2008, PSE had approximately \$606 million of short-term debt outstanding. On December 5, 2008, the Company purchased the Mint Farm generating facility for approximately \$240 million. As of December 31, 2008, PSE's short-term debt had increased to approximately \$991 million. Proceeds from the sale of the senior secured notes will be used to repay short-term debt.

The following documents are attached in support of this filing:

- Attachment A - One page summary describing the transactions, provided to the Board of Directors' Securities Pricing committee
- Attachment B - December 18, 2008 minutes of the Board of Directors' Securities Pricing Committee authorizing the Company to proceed
- Attachment C - DRAFT Prospectus Supplement

Certain items contained in Attachments A and B and Attachment C 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 shareholders 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 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 to repay short-term borrowings used primarily to fund utility capital expenditures on reasonable terms. In addition the transaction makes available liquidity needed to fund utility operations going forward.

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 to repay short-term borrowings, for general corporate purposes and/or 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 or her knowledge and belief, under penalties of perjury as set forth in the laws of the State of Washington.

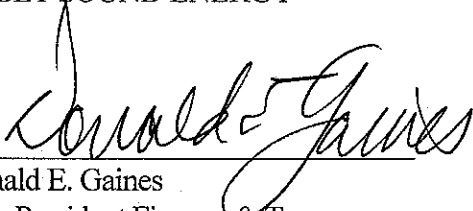
**The Company, having provided herewith all information and statements required by subsections (1), (2), and (3) of RCW 80.08.040, does NOT request an order affirming that it has complied with such requirements as part of these planned securities transactions.**

Thank you for your assistance.

Sincerely,

PUGET SOUND ENERGY

By

  
Donald E. Gaines

Vice President Finance & Treasurer

Enclosure

cc: Simon J. ffitc

**REDACTED VERSION**

**ATTACHMENT A**

**One page summary from the December 18, 2008 meeting of the Securities Pricing  
Committee**

**Puget Sound Energy  
Planned \$250 Million Senior Secured Notes Issuance  
RCW 80.08.030 (1), (2) and (3) Compliance Filing**

REDACTED

**FINANCING DISCUSSION**  
**APPROVAL TO ISSUE SENIOR SECURED NOTES** December 12, 2008

**Request**

The Company is requesting approval to issue up to \$250 million of senior secured notes. The notes will be issued under the existing shelf registration approved by the Board of Directors in February 2006.

**Use of Proceeds**

The proceeds of a senior note issue would be used to repay short-term debt incurred primarily to fund the Company's capital and new resource expenditures.

**Background**

PSE last issued long-term securities when it sold 12.5 million shares of common stock to the Investor Consortium in December 3, 2007. The Company has not issued long-term security issues in 2008. The Company's 2008 capital budget is \$933 million and \$179.5 million of notes matured during the year. As a result, the Company's short-term debt balance is expected to be nearly \$1 billion by year end.

**Considerations**

**SEC Status:** The Company has an existing shelf registration on file with SEC that can be used for a senior note offering. The SEC has informed Perkins Coie that once the merger closes, PSE will no longer be considered a frequent issuer and thus would need to file a new registration statement before issuing securities.

While the process of filing a registration statement would not be time consuming, a new registration statement may be subject to SEC review. As a result, the Company plans to issue the notes prior to merger close.

**Timing:** The 3<sup>rd</sup> quarter 2008 financial statements would be used as the basis the note issue. PSE is currently expecting to close its 2008 books on January 14, 2009. A note offering would need to be completed before that date for the Company's auditors to provide comfort on 3<sup>rd</sup> quarter 2008 financials.

*As a result, the Company is effectively unable to issue securities between financial close (currently estimated as January 14, 2009) and the filing of the 2008 10-K (approximately the end of February 2009).*

**Indicative Terms & Pricing**

Although Treasury yields are near historic lows, credit spreads have widened considerably as risk has been repriced to higher levels. In addition, some recent deals have included higher premiums for new issue concessions and perceived lack of liquidity (where a small size may indicate the bonds might not trade in the secondary market).

Based on recent indications from investment banks, the Company could issue 5-year to 10-year issue senior notes at coupons of approximately 7.90% and to 8.60%, respectively.

	<u>5-year</u>	<u>7-year</u>	<u>10-year</u>
Treasury rate	1.52%	1.78%	2.57%
Credit spread (area)	6.38	6.50	6.00
Coupon	7.90%	8.28%	8.57%

With Treasury yields relatively low but with credit spreads relatively high, the Company plans to issue short to medium-term notes (5, 7 or 10-year maturity). To allow for volatility in the market, the Company's request is to price the notes at a coupon of [REDACTED]. The notes would be expected to carry a make-whole provision of approximately 50 basis points.

**Merger Process Coordination**

The appropriate coordination with merger processes, procedures and documentation is presently underway.

**Requested Action**

During the Securities Pricing Committee meeting on December 18, 2008, the Company will request approval to issue up to \$250 million of senior secured notes with a term [REDACTED] at a coupon of [REDACTED] or less.

**ATTACHMENT B**

**December 18, 2008 Minutes of the Securities Pricing Committee Meeting**

**Puget Sound Energy  
Planned \$250 Million Senior Secured Notes Issuance  
RCW 80.08.030 (1), (2) and (3) Compliance Filing**

**PUGET SOUND ENERGY, INC.**

**MINUTES OF THE  
SECURITIES PRICING COMMITTEE MEETING  
DECEMBER 18, 2008**

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Pursuant to notice duly given, a telephonic meeting of the Securities Pricing Committee of the Board of Directors of Puget Sound Energy, Inc. was held on Thursday, December 18, 2008 beginning at 2 p.m., PST.

**Meeting Attendance**

Securities Pricing Committee:

Phyllis J. Campbell, Chairperson  
Sally G. Narodick  
Stephen P. Reynolds

Puget Sound Energy Management:

Eric M. Markell, Executive Vice President and Chief Financial Officer  
Jennifer L. O'Connor, Senior Vice President General Counsel, Corporate Secretary and Chief Ethics and Compliance Officer  
Donald E. Gaines, Vice President Finance & Treasurer  
James D. Sant, Assistant Treasurer

Ms. Campbell presided and Ms. O'Connor kept the records of the meeting.

**ISSUANCE OF SENIOR NOTES**

Mr. Gaines reviewed the materials provided to the Committee and discussed management's intent and recommendations regarding the following requested transactions. A copy of the materials presented by Mr. Gaines are filed with the records of this meeting. After discussion, the following resolutions were unanimously adopted by the Committee:

WHEREAS, on February 27, 2006, the Board of Directors of the Company authorized the issuance and sale, from time to time, by the Company of, among other securities, 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, and

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

THEREFORE, BE IT

RESOLVED, that this Committee authorizes the pricing and issuance of up to \$250,000,000 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 up to 10 years, bearing a stated coupon of [REDACTED] and such other terms, including redemption provisions, redemption premiums and sinking fund payments, as the Chairman, President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer, the Vice President Finance & Treasurer 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, which was entered into by the Designated Officers pursuant to authority granted to them by the Board of Directors of the Company on February 27, 2006; and

#### GENERAL AUTHORITY

RESOLVED, 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

REDACTED




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.

There being no further business to come before this meeting, on motion duly made and seconded, it was unanimously


RESOLVED, that this meeting be and hereby is adjourned.

A true record.

ATTEST:

  
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Jennifer L. O'Connor  
Secretary

ACCEPTED:

  
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Phyllis J. Campbell  
Chairperson of the Securities Pricing Committee

**ATTACHMENT C**

**Prospectus Supplement - DRAFT**

**Puget Sound Energy  
Planned \$250 Million Senior Secured Notes Issuance  
RCW 80.08.030 (1), (2) and (3) Compliance Filing**

The entire 49-page document of  
Attachment C  
to the  
Prospectus Supplement – DRAFT

Is CONFIDENTIAL per WAC 480-07-160

**REDACTED**