



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

REDACTED

REDACTED

Savings from the Proposed Refinancing

REDACTED

Requested Action by the Boards of Directors

REDACTED