

**EXHIBIT NO. ___(DEG-15)
DOCKET NO. UG-040640, et al. (consolidated)
2004 PSE GENERAL RATE CASE
WITNESS: DONALD E. GAINES**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UG-040640
Docket No. UE-040641
(consolidated)**

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

**For an Order Regarding the Accounting
Treatment for Certain Costs of the Company's
Power Cost Only Rate Filing.**

Docket No. UE-031471 (consolidated)

In the Matter of the Petition of

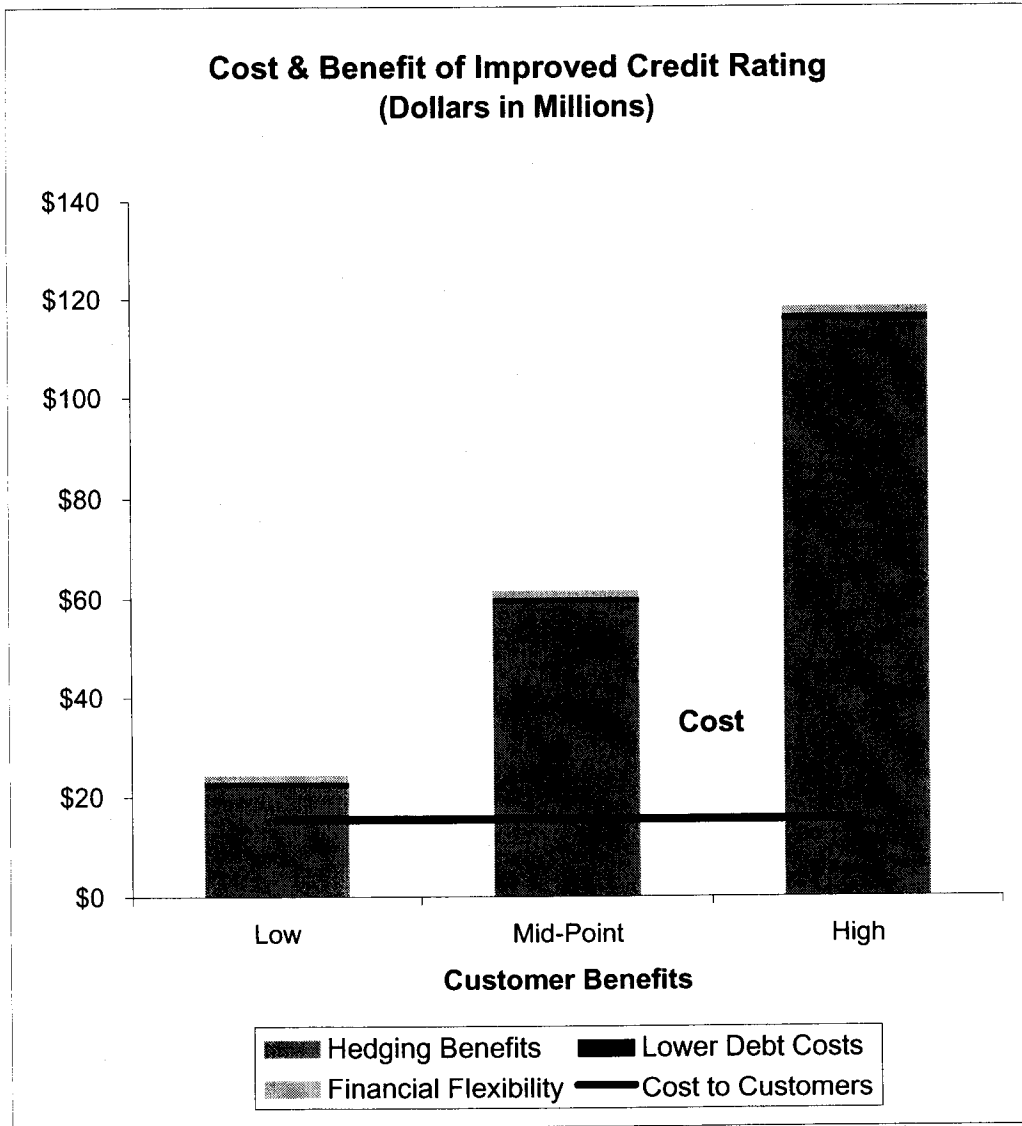
PUGET SOUND ENERGY, INC.

**For an Accounting Order Authorizing
Deferral and Recovery of the Investment
And Costs Related to the White River
Hydroelectric Project.**

Docket No. UE-032043 (consolidated)

**SIXTH EXHIBIT TO THE
PREFILED REBUTTAL TESTIMONY OF
DONALD E. GAINES (NONCONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.**

NOVEMBER 3, 2004



CUSTOMER BENEFITS

	<u>Low</u>	<u>Mid-Point</u>	<u>High</u>
Lower Debt Costs	\$1.016	\$1.050	\$1.283
Hedging Benefits	\$21.900	\$59.000	\$115.300
Financial Flexibility	\$1.317	\$1.473	\$1.638
Total Customer Benefit	\$24.233	\$61.523	\$118.220
Cost to Customers	\$15.500	\$15.500	\$15.500

IMPACT OF DOWNGRADE

(A)	(B) Downgrade- Low End			(E)			(F)			(G) Downgrade - Mid Point			(H)			(I)			(J)			(K) Downgrade - High End			(M)
	Average Balance \$ in mm's	Rounded Average Balance \$ in mm's	Rate Increase	Average Balance \$ in mm's	Rounded Average Balance \$ in mm's	Rate Increase	Average Balance \$ in mm's	Rounded Average Balance \$ in mm's	Rate Increase	Average Balance \$ in mm's	Rounded Average Balance \$ in mm's	Rate Increase	Average Balance \$ in mm's	Rounded Average Balance \$ in mm's	Rate Increase	Average Balance \$ in mm's	Rounded Average Balance \$ in mm's	Rate Increase	Average Balance \$ in mm's	Rounded Average Balance \$ in mm's	Rate Increase	Average Balance \$ in mm's	Rounded Average Balance \$ in mm's	Rate Increase	Cost
1	STD Costs																								
2	Commercial Paper Interest Rate	0	0.000%	0	0	0.000%	0	0	0.000%	0	0	0.000%	0	0	0.000%	0	0	0.000%	0	0	0.000%	0	0	0.000%	0
3	Bank Facility Interest Rate	54,997	-1.500%	55,000	55,000	-1.500%	54,997	55,000	-1.500%	54,997	55,000	-1.500%	54,997	55,000	-1.500%	54,997	55,000	-1.500%	54,997	55,000	-1.500%	54,997	55,000	-1.500%	(825,000)
4	A/R Securitization Program Fee	82,807	-0.100%	83,000	83,000	-0.100%	82,807	83,000	-0.100%	82,807	83,000	-0.100%	82,807	83,000	-0.100%	82,807	83,000	-0.100%	82,807	83,000	-0.100%	82,807	83,000	-0.100%	(83,000)
5		137,804		138,000	138,000		137,804	138,000		137,804	138,000		137,804	138,000		137,804	138,000		137,804	138,000		137,804	138,000		(908,000)
6																									
7	\$350 Bank Facility Commitment Fee	294,504	-0.125%	295,000	295,000	-0.125%	294,504	295,000	-0.125%	294,504	295,000	-0.125%	294,504	295,000	-0.125%	294,504	295,000	-0.125%	294,504	295,000	-0.125%	294,504	295,000	-0.125%	(368,800)
8	\$150 AR Securitization Commitment Fee	153,000	-0.100%	153,000	153,000	-0.100%	153,000	153,000	-0.100%	153,000	153,000	-0.100%	153,000	153,000	-0.100%	153,000	153,000	-0.100%	153,000	153,000	-0.100%	153,000	153,000	-0.100%	(153,000)
9	Letter of Credit Costs	499	-0.625%	0	0	-0.625%	499	0	-0.625%	499	0	-0.625%	499	0	-0.625%	499	0	-0.625%	499	0	-0.625%	499	0	-0.625%	(521,800)
10																									
11																									
12	Estimated increased STD Costs																								(1,429,800)
13																									
14	LTD Costs																								
15	\$250mm Planned Issuance	250,000	-0.046%	250,000	250,000	-0.046%	250,000	250,000	-0.046%	250,000	250,000	-0.046%	250,000	250,000	-0.046%	250,000	250,000	-0.046%	250,000	250,000	-0.046%	250,000	250,000	-0.046%	(115,000)
16	\$50mm Planned Issuance	50,000	-0.046%	50,000	50,000	-0.046%	50,000	50,000	-0.046%	50,000	50,000	-0.046%	50,000	50,000	-0.046%	50,000	50,000	-0.046%	50,000	50,000	-0.046%	50,000	50,000	-0.046%	(23,000)
17																									
18	Estimated increased LTD Costs																								(138,000)
19																									
20	Impact on Cost of Equity																								??????
21																									
22	Estimated Higher Costs of Capital																								(3,130,800)
23																									
24																									
25	Estimated increased Cost of Hedging																								(11,600,000)
26																									
27	Estimated Costs of a Downgrade																								(14,730,800)
28																									(16,377,800)

PSE Requested Capital Structure

<u>Description</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Pre-tax Weighted Cost</u>
Short-term Debt	3.09%	4.81%	0.15%	0.15%
Long-term Debt	45.59%	6.88%	3.14%	3.14%
Trust Preferred	6.28%	8.60%	0.54%	0.54%
Preferred Stock	0.04%	8.51%	0.00%	0.01%
Common Stock	<u>45.00%</u>	11.75%	<u>5.29%</u>	<u>8.13%</u>
Total	100.00%		9.12%	11.97%

**Avg Capital Structure From Exhibit ____ (SGH-7),
 page 1 & Requested Cost Rates
 (Equity adjusted to 40%)**

<u>Description</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Pre-tax Weighted Cost</u>
Short-term Debt (a)	0.26%	4.81%	0.01%	0.01%
Long-term Debt	51.63%	6.88%	3.55%	3.55%
Trust Preferred	7.09%	8.60%	0.61%	0.61%
Preferred Stock	1.02%	8.51%	0.09%	0.13%
Common Stock	<u>40.00%</u>	11.75%	<u>4.70%</u>	<u>7.23%</u>
Total	100.00%		8.96%	11.54%
Difference				0.43%
Rate Base				<u>\$3,614</u>
Cost to Customers (in millions)				\$15.5

(a) Adjusted to make ratios add to 100%.

PSE Requested Capital Structure

<u>Description</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Pre-tax Weighted Cost</u>
Short-term Debt	3.09%	4.81%	0.15%	0.15%
Long-term Debt	45.59%	6.88%	3.14%	3.14%
Trust Preferred	6.28%	8.60%	0.54%	0.54%
Preferred Stock	0.04%	8.51%	0.00%	0.01%
Common Stock	<u>45.00%</u>	11.75%	<u>5.29%</u>	<u>8.13%</u>
Total	100.00%		9.12%	11.97%

**Avg Capital Structure From Exhibit No. ____ (SGH-7) at 1
 and Requested Cost Rates
 (Equity adjusted to 40%)**

<u>Description</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Pre-tax Weighted Cost</u>
Short-term Debt (a)	0.26%	4.81%	0.01%	0.01%
Long-term Debt	51.63%	6.88%	3.55%	3.55%
Trust Preferred	7.09%	8.60%	0.61%	0.61%
Preferred Stock	1.02%	8.51%	0.09%	0.13%
Common Stock	<u>40.00%</u>	11.75%	<u>4.70%</u>	<u>7.23%</u>
Total	100.00%		8.96%	11.54%
Difference				0.43%
Rate Base				<u>\$3,614</u>
Cost to Customers (in millions)				\$15.5

(a) Adjusted to make ratios add to 100%.