

Exhibit No. ____ (SGH-19)
Docket Nos. UE-060266/UG-060267
Witness: Stephen G. Hill

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

DOCKET NO. UE-060266

DOCKET NO. UG-060267

EXHIBIT TO DIRECT TESTIMONY OF

STEPHEN G. HILL

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Puget Sound Energy Overall Cost of Capital

July 25, 2006

**PUGET SOUND ENERGY
OVERALL COST OF CAPITAL**

<u>Type of Capital</u>	<u>Percent</u>	<u>Cost Rate</u>	<u>Wt. Avg. Cost Rate</u>
Common Equity	43.00%	9.38%	4.03%
Preferred Stock	3.75%	7.61%	0.29%
Hybrid Securities	0.70%	8.54%	0.06%
Long-term Debt	47.88%	6.64%	3.18%
Short-term Debt	<u>4.67%</u>	<u>6.19%</u>	<u>0.29%</u>
	100.00%		7.84%

PRE-TAX INTEREST COVERAGE* = 2.85x

*Assuming the Company experiences, prospectively, a combined income tax rate of 34%, the pre-tax overall return would be 10.07% [7.84%-(.29%+3.18%+.06%) =4.32%/(1-34%) = 6.54%+(.29%+3.18%+.06%)]. That pre-tax overall return (10.07%), divided by the weighted cost of debt (.18%+2.32%+.12%), indicates a pre-tax interest coverage of 2.85 times.