

Attachment F

[Puget Holdings LLC
Level 22, 125 West 55th Street
New York, NY 10019]

[Puget Energy, Inc.
10885 N.E. 4th Street, PSE-08N
Bellevue, WA 98004-5591]

FORM OF NOTICE TO PROSPECTIVE LENDERS

To: _____ [name and address of prospective lender]

This notice is issued to you as a prospective lender to _____ [Puget Holdings LLC or Puget Energy Inc. as appropriate] (the "Borrower").

Please be advised that the Borrower is subject to certain terms and conditions contained in an order issued on December 30, 2008 by the Washington Utilities and Transportation Commission (the "WUTC" or "Commission") in Docket U-072375, Order 08 Approving and Adopting Settlement Stipulation; Authorizing Transaction Subject to Conditions (the "WUTC Merger Order"). The WUTC Merger Order incorporated by reference and included as its Attachment A the terms of the Multi-Party Settlement Stipulation, dated as of July 22, 2008 (the "Settlement Stipulation"), among Puget Sound Energy, Inc. ("PSE"), Puget Holdings LLC ("Puget Holdings") and certain other parties thereto. The Settlement Stipulation included 63 commitments. The WUTC Merger Order, through its Attachment B, also imposed certain additional conditions and clarifications (each, a "Condition"). This notice is delivered to you pursuant to the Fourth Condition of Attachment B to the WUTC Merger Order, in which the Commission clarified Commitment 9(iii) of the Settlement Stipulation.

You are hereby notified as follows:

- (a) certain ring-fencing provisions are set forth in Commitments 8, 9, 10, 24, 35, 36, 37, 39 and 40 of the Settlement Stipulation (in each case as applicable, clarified by the WUTC Merger Order) and such Commitments (including any Conditions thereto) have been reproduced for your reference in Exhibit A attached hereto;
- (b) the aforementioned ring-fencing provisions provide that there shall be no recourse to PSE's assets as collateral or security for debt issued by Puget Energy, Inc. or Puget Holdings; and
- (c) any change in control of Puget Holdings or change in ownership of ten percent or more of Puget Holdings, including Lenders taking equity interests, requires the approval of the Commission, as specified in the Commission clarification of Commitment 26 of the Settlement Stipulation.

[PUGET HOLDINGS LLC

By: _____
Name:
Title:]

[PUGET ENERGY, INC.

By: _____
Name:
Title:]

EXHIBIT A
CERTAIN COMMITMENTS FROM WUTC MERGER ORDER

Commitment 8

“Within ninety (90) days of the Proposed Transaction closing, PSE and Puget Holdings will file a non-consolidation opinion with the Commission which concludes, subject to customary assumptions and exceptions, that the ring fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of PSE with those of Puget Energy or its affiliates or subsidiaries.”

Commission Clarification in the WUTC Order: “Puget Holdings and Puget Energy must file an affidavit with the Commission stating that neither Puget Holdings nor Puget Energy, nor any of their subsidiaries, will seek to include PSE in a bankruptcy without the unanimous consent of PSE’s board of directors including PSE’s independent director.”

Commitment 9

“PSE will (i) maintain separate books and records; (ii) agree to prohibitions against loans or pledges of utility assets to Puget Energy or Puget Holdings, or any of their subsidiaries or affiliates, without Commission approval; and (iii) generally hold PSE customers harmless from any business and financial risk exposures associated with Puget Energy, Puget Holdings and its other affiliates.”

Commission Clarification in the WUTC Order: “Pursuant to Commitment 9(iii), Puget Energy and Puget Holdings will file with the Commission, prior to closing of the transaction, a form of notice to prospective lenders describing the ring-fencing provisions included in Commitments 8, 9, 10, 24, 35, 36, 37, 39, and 40 stating that these provisions provide no recourse to PSE assets as collateral or security for debt issued by Puget Energy or Puget Holdings. This notice also must include a statement that any change in control of Puget Holdings or change in ownership of ten percent or more of Puget Holdings, including lenders taking equity interest, requires Commission approval, as specified in the Commission clarification of Commitment 26. This notice must be provided to prospective lenders.”

Commitment 10

“PSE will maintain separate debt and preferred stock, if any. PSE will maintain its own corporate and debt credit rating, as well as ratings for long-term debt and preferred stock.”

Commitment 24

“Puget Holdings and PSE will not advocate for a higher cost of debt or equity capital as compared to what PSE’s cost of debt or equity capital would have been absent Puget Holdings’ ownership.”

Commission Clarification in the WUTC Order: “For future ratemaking purposes Commitments 24, 26(a) and 9(iii) are clarified as follows:

(a) Determination of PSE’s debt and equity costs will be no higher than such costs would have been assuming PSE’s credit ratings by S&P and Moody’s in effect on the day before the transaction closes and applying those credit ratings to then-current debt and equity markets, unless PSE proves that a lower credit rating is caused by circumstances or developments not the result of financial risks or other characteristics of the transaction.

(b) PSE bears the burden to prove prudent in a future general rate case any pre-payment premium or increased cost of debt associated with existing PSE debt retired, repaid, or replaced as a part of the transaction.

(c) Determination of the allowed return on equity in future general rate cases will include selection and use of one or more proxy group(s) of companies engaged in businesses substantially similar to PSE, without any limitation related to PSE’s ownership structure.”

Commitment 26(b) and (c)

“(b) Puget Holdings and PSE will notify the Commission subsequent to Puget Holdings’ board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of Puget Holdings; or (2) the change in effective control or acquisition of any material part of PSE by any other firm, whether by merger, combination, transfer of stock or assets.

(c) Neither PSE nor Puget Holdings will assert in any future proceedings that, by virtue of the Proposed Transaction and the resulting corporate structure, the Commission is without jurisdiction over any transaction that results in a change of control of PSE.”

Commitment 28(c)

“PSE and Puget Holdings will comply with all applicable provisions of Title 80 RCW, including those pertaining to transfers of property under Chapter 80.12 RCW, affiliated interests under Chapter 80.16 RCW, and securities and the assumption of obligations and liabilities under Chapter 80.08 RCW.”

Commission Clarification in the WUTC Order: “As regards Commitments 26(b), 26(c) and 28(c), within 14 days following the notice required by Commitment 26(b) PSE and Puget Holdings will seek Commission approval of any sale or transfer of: (1) any part of PSE that will give a new or existing member of Puget Holdings effective control of PSE, either in terms of ownership shares, or in terms of voting power under the then-applicable Puget Holdings LLC Agreement, or; (2) any material part of PSE. The term “material part of PSE” means any sale or transfer of stock representing ten percent or more of the equity ownership of Puget Holdings or PSE. (Exhibit 419) No sale or transfer subject to Commitment 26(b) may close prior to approval by the Commission.”

Commitment 35

“Joint Applicants commit that as of the closing of the transaction (or within sixty (60) days thereof), PSE will have a common equity ratio of not less than 50 percent. Joint Applicants commit that at all times thereafter, PSE will have a common equity ratio of not less than 44 percent, except to the extent a lower equity ratio is established for ratemaking purposes by the Commission. Joint Applicants represent that Puget Holdings is not prohibited from issuing new equity to third parties. Joint Applicants will not amend the LLC Agreement or other transaction documents to prohibit Puget Holdings from issuing new equity to third parties (including public markets). The transaction documents also permit PSE to issue certain hybrid securities to third parties (including public markets) and Puget Holdings. If Puget Holdings makes a new equity issuance for the purpose of (i) contributing the proceeds thereof (through its relevant subsidiaries) to Puget Energy or PSE, or (ii) applying the proceeds thereof toward the purchase from PSE of hybrid securities that are permitted to be issued under the transaction documents, the proceeds of any such new equity issuances by Puget Holdings shall be used for such purpose. Joint Applicants will provide an annual certificate of an officer of Puget Holdings certifying that neither Puget Holdings nor PSE is prohibited from undertaking the transactions described above.”

Commitment 36

“PSE shall not be permitted to declare or make any PSE distribution unless, on the date of such PSE distribution, the PSE common equity ratio after giving effect to such PSE distribution is not less than 44%, except to the extent a lower equity ratio is established for ratemaking purposes by the Commission.”

Commitment 37

“Puget Energy may not declare or make a PE distribution, unless on the date of such PE distribution, the ratio of consolidated EBITDA to consolidated interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 2.00 to 1.00.”

Commitment 39

“The Joint Applicants commit that each of Puget Energy and PSE will continue to be rated by both Standard & Poor’s Ratings Group and Moody’s Investors Service, Inc. The Joint Applicants will use best efforts to obtain and maintain from Standard & Poor’s Ratings Group confirmation of separation between the respective corporate credit rating for each of Puget Energy and PSE within the ninety (90) days following the closing of the Proposed Transaction. If the Joint Applicants are unable to obtain or maintain ratings separation, the Joint Applicants will make a filing with the Commission explaining the basis for their failure to obtain or maintain such separation, and parties will have an opportunity to participate and propose additional commitments.”

Commitment 40

“PSE shall not declare or make any distribution, unless, on the date of such distribution, either:

- (a) The ratio of PSE EBITDA to PSE interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 3.00 to 1.00; or
- (b) PSE’s corporate credit/issuer rating is at least BBB- (or its then equivalent) with S&P and Baa3 (or its then equivalent) with Moody’s.

However, if PSE satisfies part a) above but its corporate credit/issuer rating is downgraded to a level below BBB- (or its then equivalent) with Standard & Poor’s Ratings Group or Baa3 (or its then equivalent) with Moody’s Investors Service, Inc., then PSE shall provide notice to the Commission of such downgrade within two business days of PSE’s receipt of notice of such downgrade. Following such downgrade, distributions by PSE to Puget Energy shall be limited to an amount sufficient (i) to service debt at Puget Energy, and (ii) to satisfy financial covenants in the credit facilities of Puget Energy, and distributions by Puget Energy to Equico shall cease. If PSE seeks to make any distribution to Puget Energy greater than such amount and Puget Energy seeks to make any distribution to Equico whatsoever, PSE and Puget Energy shall within forty-five calendar days of such downgrade (or earlier if PSE anticipates that such a downgrade may be forthcoming) file a petition with the Commission to show cause why (i) PSE should be permitted to make any distribution to Puget Energy in excess of such amount and (ii) Puget Energy should be permitted to make any distribution to Equico. It is the expectation of the Joint Parties that the Commission within sixty (60) days after PSE’s and Puget Energy’s filing of such petition will issue an order granting or denying such petition. In considering such petition, due consideration shall be given to the financial performance and credit rating of PSE and to whether PSE has, and is expected to achieve, financial metrics that fall within the ranges used by Standard & Poor’s Ratings Group and Moody’s Investors Service, Inc. for investment grade-rated utility companies and any changes in such ranges since the date of closing of the Proposed Transaction; provided that nothing in this commitment shall prohibit the parties from advancing any arguments regarding factors the Commission should consider. If PSE’s corporate credit/issuer rating is subsequently upgraded to BBB- (or its then equivalent) or above with Standard & Poor’s Ratings Group or Baa3 (or its then equivalent) or above with Moody’s Investors Service, Inc., then PSE shall provide notice to the Commission of such upgrade within two business days of PSE’s receipt of notice of such upgrade, and neither PSE nor Puget Energy shall be subject to any dividend restriction pursuant to this Commitment as of the date PSE provides such notice to the Commission.”

Commission Clarification in the WUTC Order: “Commitments 36, 37 and 40, which limit upward dividends or distributions from PSE to Puget Energy and from Puget Energy to Equico, are clarified as follows:

- a) If the ratio of PSE EBIDTA to PSE interest expense is equal to or greater than 3.0 and PSE’s corporate credit/issuer rating with S&P and Moody’s (or their then equivalents) is

investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment #36] and distributions from Puget Energy to Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment #37]

b) If the ratio of PSE EBIDTA to PSE interest expense is less than 3.0, but PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment #36] and distributions from Puget Energy to Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment #37]

c) If the ratio of PSE EBIDTA to PSE interest expense is equal to or greater than 3.0, but PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, distributions from PSE to Puget Energy are limited as specified in Commitments 36 and 40, unless allowed by specific Commission approval. No distributions are allowed from Puget Energy to Equico.

d) If the ratio of PSE EBIDTA to PSE interest expense is less than 3.0 and PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, no distributions are allowed from PSE to Puget Energy and no distributions are allowed from Puget Energy to Equico.”

Note: This Exhibit A contains excerpts from an order issued on December 30, 2008 by the Washington Utilities and Transportation Commission in Docket U-072375, Order 08 Approving and Adopting Settlement Stipulation; Authorizing Transaction Subject to Conditions. The entire order is available for your review. Please contact Sheree Carson of Perkins Coie (SCarson@perkinscoie.com) for a copy.