

Exhibit 16

**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%	9.50%	4.09%
Long-term Debt	53.00%	6.70%	3.55%
Short-term Debt	<u>4.00%</u>	<u>2.47%</u>	<u>0.10%</u>
	100.00%		7.73%

PRE-TAX INTEREST COVERAGE\* = 2.72x

\*Assuming the Company experiences, prospectively, a combined income tax rate of 35%, the pre-tax overall return would be 9.93% [ $7.73\% - (3.55\% + .10\%) = 4.09\% / (1 - 35\%) = 6.28\% + (3.55\% + .10\%)$ ]. That pre-tax overall return (9.93%), divided by the weighted cost of debt (3.55% + .10%), indicates a pre-tax interest coverage of 2.72 times.