

**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%	9.25%	3.98%
Preferred Stock	0.03%	8.61%	0.00%
Long-term Debt	52.04%	6.90%	3.59%
Short-term Debt	<u>4.93%</u>	<u>5.92%</u>	<u>0.29%</u>
	100.00%		7.86%

PRE-TAX INTEREST COVERAGE\* = 2.58x

\*Assuming the Company experiences, prospectively, a combined income tax rate of 35%, the pre-tax overall return would be 10.00% [ 7.86%-(3.59%+.29%) =3.98%/(1-35%) = 6.12%+(3.59%+.29%)]. That pre-tax overall return (10.00%), divided by the weighted cost of debt (3.59%+.29%), indicates a pre-tax interest coverage of 2.58 times.