PUGET SOUND ENERGY
NATURAL GAS SUPPLEMENTAL SCHEDULE NO. 137   (N)
Carbon Offset Pilot
(Continued)

Section 7: Definitions

"Carbon Dioxide Equivalent" means the amount of other greenhouse gases such as methane
that is equal to the global warming potential of one metric ton of carbon dioxide.

"Carbon Offset" is the unit that the Company creates or obtains in the marketplace that
represents a verified amount of greenhouse gas reduction that is registered with a state, national,
or international trading authority or exchange. One Carbon Offset equals one metric ton or
2,204.6 pounds of carbon dioxide or Carbon Dioxide Equivalent.

Section 8: Cost Recovery

The Company will not seek to recover any program costs beyond what it receives through
participant fees. Participant fees will be used to fund the cost of Carbon Offsets, ongoing
program administration, marketing and overheads. Because it is a self-funded, pass-through
program, the Company intends to recognize the revenues and expenditures of the program in
deferred balance sheet accounts with no resulting impact on the income statement.
Expenditures are required in order to establish participation in this program which means that
they will be incurred prior to generation of revenues from Customers electing to participate in this
Carbon Offset Program. Accordingly, the Company believes there will initially be excess costs in
the net deferral until such time as there is sufficient Customer participation and resulting revenue
to adequately offset these costs.

Section 9: Adjustments

Rates in this schedule are subject to adjustment by such other schedules in this tariff as may
apply.

Section 10: General Rules and Provisions

Service under this schedule is subject to the General Rules and Provisions contained in this tariff.   (N)