**Puget Sound Energy (“PSE”)**

**Additional Information Provided With**

**June 2016 Commission Basis Report**

This additional information supplied with PSE’s June 2016 Commission Basis Report (“CBR”) includes cost per customer trend analysis similar to reports supplied with PSE’s CBRs since December 2013. The attached information contains non-production O&M cost per customer for calendar years 2011 through 2015 and the twelve months ended June of 2016 using the same categories and methodology utilized in the development of the K-Factor (KJB-16 in UE-130137 and UG-130138).

As demonstrated on page two, the combined overall annual average increase in non-production O&M per customer through June 2016 is lower than the historical growth rate presented in the ERF/Decoupling proceedings at 1.2% versus 3.8%, and is lower than the benchmark of 1.9% used in developing the O&M component of the K-factor in the ERF/Decoupling proceeding.

Page four of the analysis demonstrates that the electric annual growth rate per customer has declined to 2.7%, which is below the 4.7% electric historical growth rate presented in the ERF/Decoupling proceedings. Page five of the analysis, provides the natural gas annual growth rate per customer, which is negative 1.5% which represents a decline on a cost per customer basis compared to the 2.2% historical growth rate in Natural Gas related O&M presented in the ERF/Decoupling proceedings. One contributing factor for the decline in the natural gas cost per customer is the four-factor allocator which has been trending more toward electric since 2011, primarily due to the additional production rate base added between 2012 and 2014. As discussed in prior reports, it is for this reason that the company has focused its discussion on the combined O&M impacts.