

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from _____ to _____

Commission
File Number

Exact name of registrant as specified in its charter, state of incorporation, address of principal executive offices, telephone number

I.R.S.
Employer
Identification
Number

PugetEnergy



1-16305

PUGET ENERGY, INC.

91-1969407

A Washington Corporation
10885 NE 4th Street, Suite 1200
Bellevue, Washington 98004-5591
(425) 454-6363



1-4393

PUGET SOUND ENERGY, INC.

91-0374630

A Washington Corporation
10885 NE 4th Street, Suite 1200
Bellevue, Washington 98004-5591
(425) 454-6363

Indicate by check mark whether the registrants: (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Puget Energy, Inc. Yes No Puget Sound Energy, Inc. Yes No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate websites, if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Puget Energy, Inc. Yes No Puget Sound Energy, Inc. Yes No

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

PUGET ENERGY, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands)
(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2011	2010	2011	2010
Operating revenue:				
Electric	\$ 458,010	\$ 489,608	\$ 1,545,464	\$ 1,507,549
Gas	139,246	132,571	802,884	664,423
Other	520	650	1,696	2,350
Total operating revenue	597,776	622,829	2,350,044	2,174,322
Operating expenses:				
Energy costs:				
Purchased electricity	137,674	127,792	545,592	556,788
Electric generation fuel	61,596	96,712	132,705	194,649
Residential exchange	(12,546)	(15,173)	(49,521)	(54,510)
Purchased gas	63,087	60,284	427,016	343,779
Unrealized (gain) loss on derivative instruments, net	30,193	63,275	(19,920)	109,183
Utility operations and maintenance	121,049	117,155	362,868	355,569
Non-utility expense and other	2,175	4,207	7,117	11,965
Depreciation	74,062	73,111	222,422	217,765
Amortization	18,562	18,355	54,985	53,011
Conservation amortization	20,438	20,392	76,522	60,874
Taxes other than income taxes	60,823	58,903	236,757	210,304
Total operating expenses	577,113	625,013	1,996,543	2,059,377
Operating income	20,663	(2,184)	353,501	114,945
Other income (deductions):				
Other income	15,089	11,073	43,307	32,887
Other expense	(1,239)	(1,074)	(3,472)	(4,147)
Non-hedged interest rate derivative expense	(3,395)	--	(28,855)	--
Interest charges:				
AFUDC	8,764	3,924	20,764	9,832
Interest expense	(96,278)	(84,473)	(286,287)	(244,839)
Income (loss) before income taxes	(56,396)	(72,734)	98,958	(91,322)
Income tax (benefit) expense	(19,926)	(34,835)	22,962	(37,895)
Net income (loss)	\$ (36,470)	\$ (37,899)	\$ 75,996	\$ (53,427)

The accompanying notes are an integral part of the financial statements.

PUGET ENERGY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in Thousands)
(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2011	2010	2011	2010
Net income (loss)	\$ (36,470)	\$ (37,899)	\$ 75,996	\$ (53,427)
Other comprehensive income (loss):				
Net unrealized gain (loss) on interest rate swaps during the period, net of tax	--	(19,761)	--	(63,338)
Reclassification of net unrealized loss on interest rate swaps during the period, net of tax	2,802	5,614	22,795	16,588
Net unrealized gain (loss) from pension and postretirement plans, net of tax	2,154	(166)	1,630	(169)
Reclassification of net unrealized loss on energy derivative instruments during the period, net of tax	782	2,370	1,146	3,625
Other comprehensive income (loss)	5,738	(11,943)	25,571	(43,294)
Comprehensive income (loss)	\$ (30,732)	\$ (49,842)	\$ 101,567	\$ (96,721)

The accompanying notes are an integral part of the financial statements.

PUGET ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

CAPITALIZATION AND LIABILITIES

	SEPTEMBER 30, 2011	DECEMBER 31, 2010
Common shareholder's equity:		
Common stock \$0.01 par value, 1,000 shares authorized, 200 shares outstanding	\$ --	\$ --
Additional paid-in capital	3,308,957	3,308,957
Earnings reinvested in the business	(24,171)	17,024
Accumulated other comprehensive income (loss), net of tax	22,502	(3,069)
Total common shareholder's equity	3,307,288	3,322,912
Long-term debt:		
First mortgage bonds and senior notes	3,092,000	2,792,000
Pollution control bonds	161,860	161,860
Junior subordinated notes	250,000	250,000
Long-term debt	1,793,000	1,490,000
Debt discount and other	(290,684)	(311,147)
Total long-term debt	5,006,176	4,382,713
Total capitalization	8,313,464	7,705,625
Current liabilities:		
Accounts payable	239,524	291,148
Short-term debt	119,000	247,000
Current maturities of long-term debt	--	260,000
Accrued expenses:		
Purchased gas adjustment liability	11,023	--
Taxes	64,504	81,505
Salaries and wages	34,410	34,453
Interest	66,442	59,182
Unrealized loss on derivative instruments	280,302	273,100
Power contract acquisition adjustment loss	26,274	69,915
Other	78,348	114,409
Total current liabilities	919,827	1,430,712
Long-term and regulatory liabilities:		
Deferred income taxes	1,158,745	1,127,611
Unrealized loss on derivative instruments	158,464	183,135
Regulatory liabilities	331,753	305,936
Regulatory liabilities related to power contracts	646,782	759,220
Power contract acquisition adjustment loss	38,597	46,779
Other deferred credits	417,187	370,318
Total long-term and regulatory liabilities	2,751,528	2,792,999
Commitments and contingencies		
Total capitalization and liabilities	\$ 11,984,819	\$ 11,929,336

The accompanying notes are an integral part of the financial statements.

PUGET ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

ASSETS

	SEPTEMBER 30, 2011	DECEMBER 31, 2010
Utility plant (including construction work in progress of \$1,163,951 and \$628,387, respectively):		
Electric plant	\$ 5,888,741	\$ 5,253,786
Gas plant	2,202,350	2,129,200
Common plant	390,995	318,615
Less: Accumulated depreciation and amortization	(609,646)	(429,038)
Net utility plant	7,872,440	7,272,563
Other property and investments:		
Goodwill	1,656,513	1,656,513
Investment in exchange power contract	20,278	22,923
Other property and investments	124,733	125,918
Total other property and investments	1,801,524	1,805,354
Current assets:		
Cash and cash equivalents	26,086	36,557
Restricted cash	4,261	5,470
Accounts receivable, net of allowance for doubtful accounts of \$8,122 and \$9,784, respectively	205,916	327,615
Unbilled revenue	100,834	194,088
Purchased gas adjustment receivable	--	5,992
Materials and supplies, at average cost	76,741	85,413
Fuel and gas inventory, at average cost	100,151	96,633
Unrealized gain on derivative instruments	6,876	7,500
Income taxes	12,119	76,183
Prepaid expense and other	37,231	14,835
Power contract acquisition adjustment gain	84,351	134,553
Deferred income taxes	78,075	83,086
Total current assets	732,641	1,067,925
Other long-term and regulatory assets:		
Power cost adjustment mechanism	1,106	15,618
Regulatory assets related to power contracts	64,727	116,116
Other regulatory assets	780,402	887,940
Unrealized gain on derivative instruments	10,671	8,233
Power contract acquisition adjustment gain	562,432	624,667
Other	158,876	130,920
Total other long-term and regulatory assets	1,578,214	1,783,494
Total assets	\$ 11,984,819	\$ 11,929,336

The accompanying notes are an integral part of the financial statements.

PUGET ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

Exhibit No. DEG-
Dockets UE-111048/UG-111049
Page 6 of 11

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	2011	2010
Operating activities:		
Net income (loss)	\$ 75,996	\$ (53,427)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	222,422	217,765
Amortization	54,985	53,011
Conservation amortization	76,522	60,874
Deferred income taxes and tax credits, net	23,391	(78,075)
Net unrealized (gain) loss on derivative instruments	16,589	109,183
Long-term service prepayment	(27,200)	--
Pension funding	(5,000)	(12,000)
Derivative contracts classified as financing activities due to merger	149,462	279,073
AFUDC – Equity	(22,016)	(8,529)
Regulatory assets	37,993	37,838
Regulatory liabilities	11,789	31,453
Other long-term assets	(4,125)	(30,173)
Other long-term liabilities	43,424	7,936
Change in certain current assets and liabilities:		
Accounts receivable and unbilled revenue	214,953	201,486
Materials and supplies	7,481	(20,914)
Fuel and gas inventory	(3,166)	(8,405)
Income taxes	64,064	61,990
Prepayments and other	(22,640)	(22,127)
Purchased gas adjustment	17,015	(53,133)
Accounts payable	(45,553)	7,958
Taxes payable	(17,001)	(19,840)
Accrued expenses and other	24,785	5,912
Net cash provided by operating activities	894,170	767,856
Investing activities:		
Construction expenditures – excluding equity AFUDC	(784,608)	(667,597)
Energy efficiency expenditures	(57,173)	(67,165)
Treasury grant payment received	--	28,675
Restricted cash	1,209	14,231
Other	(5,898)	2,268
Net cash used in investing activities	(846,470)	(689,588)
Financing activities:		
Change in short-term debt and leases, net	(131,789)	(28,059)
Dividends paid	(117,191)	(103,206)
Long-term notes and bonds issued	1,087,000	575,000
Redemption of bonds and notes	(744,000)	(232,000)
Derivative contracts classified as financing activities due to merger	(149,462)	(279,073)
Issuance cost of bonds and other	(2,729)	(3,141)
Net cash provided by (used in) financing activities	(58,171)	(70,479)
Net increase (decrease) in cash and cash equivalents	(10,471)	7,789
Cash and cash equivalents at beginning of period	36,557	78,527
Cash and cash equivalents at end of period	\$ 26,086	\$ 86,316
Supplemental cash flow information:		
Cash payments for interest (net of capitalized interest)	\$ 222,657	\$ 208,282
Cash payments (refunds) for income taxes	(64,016)	(20,622)

The accompanying notes are an integral part of the financial statements.

Exhibit No. DEG-
Dockets UE-111048/UG-111049
Page 7 of 11

PUGET SOUND ENERGY, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands)
(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2011	2010	2011	2010
Operating revenue:				
Electric	\$ 458,010	\$ 489,608	\$ 1,545,464	\$ 1,507,549
Gas	139,246	132,571	802,884	664,423
Other	520	650	2,385	2,350
Total operating revenue	597,776	622,829	2,350,733	2,174,322
Operating expenses:				
Energy costs:				
Purchased electricity	137,818	127,936	546,025	557,221
Electric generation fuel	61,596	96,712	132,705	194,649
Residential exchange	(12,546)	(15,173)	(49,521)	(54,510)
Purchased gas	63,087	60,284	427,016	343,779
Unrealized (gain) loss on derivative instruments, net	33,280	78,559	17,649	200,702
Utility operations and maintenance	121,049	117,155	362,868	355,569
Non-utility expense and other	2,409	3,188	8,289	7,742
Depreciation	74,062	73,111	222,422	217,765
Amortization	18,562	18,355	54,985	53,011
Conservation amortization	20,438	20,392	76,522	60,874
Taxes other than income taxes	60,823	58,903	236,757	210,304
Total operating expenses	580,578	639,422	2,035,717	2,147,106
Operating income (loss)	17,198	(16,593)	315,016	27,216
Other income (deductions):				
Other income	15,088	11,033	43,299	32,846
Other expense	(1,239)	(1,074)	(3,472)	(4,147)
Interest charges:				
AFUDC	8,764	3,924	20,764	9,832
Interest expense	(57,379)	(61,620)	(171,796)	(178,323)
Interest expense on parent note	(29)	(42)	(124)	(152)
Income (loss) before income taxes	(17,597)	(64,372)	203,687	(112,728)
Income tax (benefit) expense	(8,490)	(34,813)	58,442	(45,402)
Net income (loss)	\$ (9,107)	\$ (29,559)	\$ 145,245	\$ (67,326)

The accompanying notes are an integral part of the financial statements.

Exhibit No. DEG-
Dockets UE-111048/UG-111049
Page 8 of 11

PUGET SOUND ENERGY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in Thousands)
(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2011	2010	2011	2010
Net income (loss)	\$ (9,107)	\$ (29,559)	\$ 145,245	\$ (67,326)
Other comprehensive income:				
Net unrealized gain (loss) from pension and postretirement plans, net of tax	4,107	1,107	7,232	4,018
Reclassification of net unrealized loss on energy derivative instruments during the period, net of tax	2,764	12,253	18,541	38,364
Amortization of financing cash flow hedge contracts to earnings, net of tax	79	79	237	238
Other comprehensive income (loss)	6,950	13,439	26,010	42,620
Comprehensive income (loss)	\$ (2,157)	\$ (16,120)	\$ 171,255	\$ (24,706)

The accompanying notes are an integral part of the financial statements.

PUGET SOUND ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

Exhibit No. DEG-____
Dockets UE-111048/UG-111049
Page 9 of 11

ASSETS

	SEPTEMBER 30, 2011	DECEMBER 31, 2010
Utility plant (at original cost, including construction work in progress of \$1,163,951 and \$628,387, respectively):		
Electric plant	\$ 8,214,105	\$ 7,586,208
Gas plant	2,820,371	2,752,962
Common plant	491,077	427,227
Less: Accumulated depreciation and amortization	(3,656,974)	(3,509,277)
Net utility plant	7,868,579	7,257,120
Other property and investments:		
Investment in exchange power contract	20,278	22,923
Other property and investments	114,561	115,056
Total other property and investments	134,839	137,979
Current assets:		
Cash and cash equivalents	19,532	36,320
Restricted cash	4,261	5,470
Accounts receivable, net of allowance for doubtful accounts of \$8,122 and \$9,784, respectively	205,869	327,341
Unbilled revenue	100,834	194,088
Purchased gas adjustment receivable	--	5,992
Materials and supplies, at average cost	76,741	84,222
Fuel and gas inventory, at average cost	95,388	92,222
Unrealized gain on derivative instruments	6,876	7,500
Income taxes	11,987	62,114
Prepaid expense and other	37,052	14,412
Deferred income taxes	85,628	80,215
Total current assets	644,168	909,896
Other long-term and regulatory assets:		
Power cost adjustment mechanism	1,106	15,618
Other regulatory assets	766,843	843,081
Unrealized gain on derivative instruments	10,671	8,233
Other	161,670	138,857
Total other long-term and regulatory assets	940,290	1,005,789
Total assets	\$ 9,587,876	\$ 9,310,784

The accompanying notes are an integral part of the financial statements.

PUGET SOUND ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

Exhibit No. DEG-
Dockets UE-111048/UG-111049
Page 10 of 11

CAPITALIZATION AND LIABILITIES

	SEPTEMBER 30, 2011	DECEMBER 31, 2010
Common shareholder's equity:		
Common stock \$0.01 par value – 150,000,000 shares authorized, 85,903,791 shares outstanding	\$ 859	\$ 859
Additional paid-in capital	3,246,205	2,959,205
Earnings reinvested in the business	132,560	172,490
Accumulated other comprehensive income (loss), net of tax	(131,637)	(157,647)
Total common shareholder's equity	3,247,987	2,974,907
Long-term debt:		
First mortgage bonds and senior notes	3,092,000	2,792,000
Pollution control bonds	161,860	161,860
Junior subordinated notes	250,000	250,000
Debt discount	(15)	--
Total long-term debt	3,503,845	3,203,860
Total capitalization	6,751,832	6,178,767
Current liabilities:		
Accounts payable	239,823	291,765
Short-term debt	119,000	247,000
Short-term note owed to parent	29,998	22,598
Current maturities of long-term debt	--	260,000
Accrued expenses:		
Purchased gas adjustment liability	11,023	--
Taxes	64,504	81,505
Salaries and wages	34,410	34,453
Interest	53,143	54,723
Unrealized loss on derivative instruments	254,476	243,053
Other	61,079	49,661
Total current liabilities	867,456	1,284,758
Long-term and regulatory liabilities:		
Deferred income taxes	1,112,254	1,034,517
Unrealized loss on derivative instruments	124,848	155,179
Regulatory liabilities	324,839	296,884
Other deferred credits	406,647	360,679
Total long-term and regulatory liabilities	1,968,588	1,847,259
Commitments and contingencies		
Total capitalization and liabilities	\$ 9,587,876	\$ 9,310,784

The accompanying notes are an integral part of the financial statements.

PUGET SOUND ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

Exhibit No. DEG-
Dockets UE-111048/UG-111049
Page 11 of 11

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	2011	2010
Operating activities:		
Net income (loss)	\$ 145,245	\$ (67,326)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	222,422	217,765
Amortization	54,985	53,011
Conservation amortization	76,522	60,874
Deferred income taxes and tax credits, net	58,819	(66,126)
Net unrealized (gain) loss on derivative instruments	17,649	200,702
Long-term service prepayment	(27,200)	--
Pension funding	(5,000)	(12,000)
AFUDC – Equity	(22,016)	(8,529)
Regulatory assets	37,993	37,838
Regulatory liabilities	11,789	31,453
Other long-term assets	(4,815)	(27,793)
Other long-term liabilities	25,957	(2,790)
Change in certain current assets and liabilities:		
Accounts receivable and unbilled revenue	214,726	201,407
Materials and supplies	7,481	(22,038)
Fuel and gas inventory	(3,166)	(8,405)
Income taxes	50,127	41,040
Prepayments and other	(22,640)	(22,127)
Purchased gas adjustment	17,015	(53,133)
Accounts payable	(45,871)	9,330
Taxes payable	(17,001)	(19,840)
Accrued expenses and other	2,217	8,430
Net cash provided by operating activities	795,238	551,743
Investing activities:		
Construction expenditures – excluding equity AFUDC	(784,608)	(667,597)
Energy efficiency expenditures	(57,173)	(67,165)
Treasury grant payment received	--	28,675
Restricted cash	1,209	14,231
Other	7,830	2,268
Net cash used in investing activities	(832,742)	(689,588)
Financing activities:		
Change in short-term debt and leases, net	(131,789)	(28,059)
Dividends paid	(185,175)	(166,084)
Long-term notes and bonds issued	300,000	575,000
Loan from (payment to) parent	7,400	--
Redemption of bonds and notes	(260,000)	(232,000)
Investment from parent	287,000	--
Issuance cost of bonds and other	3,280	(3,141)
Net cash provided by (used in) financing activities	20,716	145,716
Net increase (decrease) in cash and cash equivalents	(16,788)	7,871
Cash and cash equivalents at beginning of period	36,320	78,407
Cash and cash equivalents at end of period	\$ 19,532	\$ 86,278
Supplemental cash flow information:		
Cash payments for interest (net of capitalized interest)	\$ 146,152	\$ 147,388
Cash payments (refunds) for income taxes	(50,022)	(19,087)

The accompanying notes are an integral part of the financial statements.