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

FORM 10-K

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

For the fiscal year ended December 31, 2010

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, zip code telephone number	I.R.S. Employer Identification Number
1-16305	**PUGET ENERGY, INC.** A Washington Corporation 10885 NE 4th Street, Suite 1200 Bellevue, Washington 98004-5591 (425) 454-6363	91-1969407
1-4393	**PUGET SOUND ENERGY, INC.** A Washington Corporation 10885 NE 4th Street, Suite 1200 Bellevue, Washington 98004-5591 (425) 454-6363	91-0374630

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

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

	Year Ended December 31, 2010	2009	2008
Operating activities:			
Net income	$ 26,095	$ 159,252	$ 162,736
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	292,634	269,386	255,706
Amortization	71,572	63,466	56,422
Conservation amortization	90,109	66,466	61,650
Deferred income taxes and tax credits, net	(16,284)	194,494	78,050
Amortization of gas pipeline capacity assignment	(8,644)	(9,410)	(9,346)
Carrying value adjustment related to California wholesale energy sale regulatory asset	17,763	—	—
Non cash return on regulatory assets	(17,864)	(27,527)	(11,018)
Net unrealized loss (gain) on derivative instruments	166,953	(1,254)	7,538
Renewable energy credit payments received	44,633	26,690	3,008
Pension funding	(12,000)	(18,400)	(24,900)
Change in residential exchange program	(55)	(740)	37,811
Storm damage deferred costs	(13,952)	—	—
Other	(26,096)	(13,444)	11,484
Change in certain current assets and liabilities:			
Accounts receivable and unbilled revenue	7,584	64,349	(33,055)
Materials and supplies	(19,618)	(2,580)	89
Fuel and gas inventory	3,591	24,391	(20,433)
Income taxes	37,834	(82,630)	24,497
Prepayments and other	(2,345)	2,353	(3,055)
Purchased gas adjustment	(55,579)	40,695	(68,972)
Accounts payable	(25,780)	(35,205)	20,735
Taxes payable	4,203	(7,339)	313
Accrued expenses and other	11,021	7,678	(2,840)
Net cash provided by operating activities	575,775	720,691	546,420
Investing activities:			
Construction expenditures – excluding equity AFUDC	(859,091)	(775,688)	(846,001)
Energy efficiency expenditures	(95,726)	(87,176)	(66,126)
Treasury grant payment received	28,675	—	—
Restricted cash	14,374	(955)	(18,090)
Cash received from property sales	5,145	28,175	2,248
Other	856	(926)	(7,880)
Net cash used in investing activities	(905,767)	(836,570)	(935,849)
Financing activities:			
Change in short-term debt and leases, net	141,941	(113,286)	704,214
Dividends paid	(186,733)	(183,071)	(145,840)
Long-term notes and bonds issued	575,000	600,000	—
Loan from (payment to) Puget Energy	(300)	(3,156)	10,287
Redemption of preferred stock	—	(1,889)	—
Redemption of bonds and notes	(232,000)	(158,000)	(179,500)
Investment from parent	—	25,960	—
Issuance cost of bonds and other	(10,003)	(10,742)	(2,035)
Net cash provided by financing activities	287,905	155,816	387,126
Net increase (decrease) in cash and cash equivalents	(42,087)	39,937	(2,303)
Cash and cash equivalents at beginning of period	78,407	38,470	40,773
Cash and cash equivalents at end of period	$ 36,320	$ 78,407	$ 38,470
Supplemental cash flow information:			
Cash payments for interest (net of capitalized interest)	$ 198,496	$ 183,652	$ 204,837
Cash refunds for income taxes	(20,632)	(44,365)	(40,034)

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

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PUGET SOUND ENERGY, INC.
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY
(Dollars in Thousands)

	Common Stock: Shares	Common Stock: Amount	Additional Paid-In Capital	Earnings Reinvested in the Business	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at December 31, 2007	85,903,791	$ 859,038	$ 1,297,076	$ 345,899	$ 2,078	$ 2,504,091
Net income	--	--	--	162,736	--	162,736
Common stock dividend declared	--	--	--	(145,840)	--	(145,840)
Adjustment to initially apply ASC 820, Fair Value Measurements	--	--	--	(5,848)	--	(5,848)
Investment returned to parent	--	--	(1,071)	--	--	(1,071)
Other comprehensive loss	--	--	--	--	(264,882)	(264,882)
Balance at December 31, 2008	85,903,791	$ 859,038	$ 1,296,005	$ 356,947	$ (262,804)	$ 2,249,186
Change in par value	--	(858,179)	858,179	--	--	--
Net income	--	--	--	159,252	--	159,252
Common stock dividend declared	--	--	--	(183,071)	--	(183,071)
Investment from parent	--	--	805,283	--	--	805,283
Employee common stock award transferred to liability award	--	--	(690)	--	--	(690)
Employee stock plan tax windfall	--	--	428	--	--	428
Other comprehensive income	--	--	--	--	52,684	52,684
Balance at December 31, 2009	85,903,791	$ 859	$ 2,959,205	$ 333,128	$ (210,120)	$ 3,083,072
Net income	--	--	--	26,095	--	26,095
Common stock dividend declared	--	--	--	(186,733)	--	(186,733)
Other comprehensive income	--	--	--	--	52,473	52,473
Balance at December 31, 2010	85,903,791	$ 859	$ 2,959,205	$ 172,490	$ (157,647)	$ 2,974,907

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

	Year Ended December 31, 2010	2009	2008
Net income	$ 26,095	$ 159,252	$ 162,736
Other comprehensive income (loss):			
Net unrealized gain (loss) from pension and postretirement plans, net of tax of $2,446, $12,819 and $(80,769), respectively	3,610	23,807	(149,999)
Net unrealized gain (loss) on energy derivative instruments during the period, net of tax of $309, $(32,996) and $(73,621), respectively	575	(61,277)	(136,725)
Reclassification of net unrealized loss on energy derivative instruments settled during the period, net of tax of $25,831, $48,373 and $11,590, respectively	47,971	89,837	21,525
Amortization of financing cash flow hedge contracts to earnings, net of tax of $171, $171 and $171, respectively	317	317	317
Other comprehensive income (loss)	52,473	52,684	(264,882)
Comprehensive income (loss)	$ 78,568	$ 211,936	$ (102,146)

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

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The carrying values of net utility plant and the majority of regulatory assets and liabilities were determined to be stated at fair value at the acquisition date based on a conclusion that individual assets are subject to regulation by the Washington Commission and the FERC. As a result, the future cash flows associated with the assets are limited to the carrying value plus a return, and management believes that a market participant would not expect to recover any more or less than the carrying value. Furthermore, management believes that the current rate of return on plant assets is consistent with an amount that market participants would expect. ASC 805 requires that the beginning balance of fixed depreciable assets be shown net, with no accumulated amortization recorded, at the date of acquisition, consistent with fresh start accounting.

Other property and investments includes the carrying value of the investments in PSE subsidiaries and other non-utility assets adjusted to fair value based on a combination of the income approach, the market based approach and the cost approach.

The fair values of materials and supplies, which included emission allowances, RECs and carbon financial instruments, were established using a variety of approaches to estimate the market price. The carrying value of fuel inventory was adjusted to its fair value by applying market cost at the date of acquisition.

Energy derivative contracts were reassessed and revalued at the merger date based on forward market prices and forecasted energy requirements.

The fair value assigned to the power contracts was determined using an income approach comparing the contract rate to the market rate for power over the remaining period of the contracts incorporating nonperformance risk. Management also incorporated certain assumptions related to quantities and market presentation that it believes market participants would make in the valuation. The fair value of the power contracts will be amortized as the contracts settle.

Other regulatory assets include service contracts which were valued using the income approach comparing the contract rate to the market rate over the remaining period of the contract.

The fair value of leases was determined using the income approach which calculated the favorable/unfavorable leasehold interests as the net present value of the difference between the contract lease rent and market lease rent over the remaining terms of the contracted lease obligation.

The fair value assigned to long-term debt was determined using two different methodologies. For those securities which were quoted by a third party pricing service based on observable market data, the best indication of fair value was assumed to be the third party's quoted price. For those securities for which the third party did not provide regular pricing, the fair value of the debt was estimated by forecasting out all coupon and principal payments and discounting them to the present value at an approximated discount rate based on PSE's risk of nonperformance as of the merger date.

The merger also triggered a new basis of accounting for Puget Energy's postretirement benefit plans sponsored by PSE under ASC 805 which required remeasuring plan liabilities without the five year smoothing of market-related asset gains and losses.

For the year ended December 31, 2009, Puget Energy incurred pre-tax merger expenses of $47.1 million primarily related to legal fees, transaction advisory services, new credit facility fees, change of control provisions and real estate excise tax. Puget Energy's merger costs in 2009 are not indicative for periods following the acquisition.

One day prior to the merger, PSE defeased its preferred stock in the amount of $1.9 million. In conjunction with the merger on February 6, 2009, Puget Energy contributed $805.3 million in capital to PSE, of which $779.3 million was used to pay off short-term debt owed by PSE, including $188.0 million in short-term debt outstanding through the PSE Funding accounts receivable securitization program that was terminated upon closing of the merger. An additional $26.0 million of the capital contribution was used to pay change in control costs associated with the merger.

(4) Regulation and Rates

Electric Regulation and Rates

Storm Damage Deferral Accounting

The Washington Commission issued a general rate case order that defined deferrable catastrophic/extraordinary losses and provided that costs in excess of $8.0 million annually may be deferred for qualifying storm damage costs that meet the IEEE outage criteria for system average interruption duration index. PSE's storm accounting, which allows deferral of certain storm damage costs. In 2010 and 2009, PSE incurred $23.5 million and $4.7 million, respectively, in storm-related electric transmission and distribution system restoration costs, of which $14.0 million was deferred in 2010 and none in 2009.