



Puget Sound Energy  
P.O. Box 97034  
Bellevue, WA 98009-9734  
PSE.com

April 27, 2010

Mr. David Danner, Executive Director  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
P.O. Box 47250  
Olympia, WA 98504-7250

2010 APR 28 AM 10:51  
STANIK@PSE.COM

RE: Affiliated Interest and Subsidiary Transactions Report – WAC 480-100-264 and WAC 480-90-264

Dear Mr. Danner:

In accordance with the requirements of WAC 480-100-264 and WAC 480-90-264, we are submitting the enclosed report of affiliated interest and subsidiary transactions for the year ended December 31, 2009, pertaining to Puget Sound Energy (“PSE” or “the Company”).

If there are any questions concerning this report, please contact me at (425) 462-3202.

Sincerely,

Michael Stranik  
Assistant Controller

Enclosures

Cc: John Story  
Tom DeBoer

## Puget Sound Energy, Inc.

### Affiliated Interest and Subsidiary Transaction Report For the Year-to-Date December 31, 2009

1. Refer to Exhibit 1 for summary of all transactions, except transactions provided at tariff rates, that occurred between Puget Sound Energy, Inc. (PSE) and its affiliated interests.

Refer to Exhibit 2 for the corporate organization chart of PSE and its affiliated interests and subsidiaries.

2. Financial information for affiliated interests and subsidiaries with total transactions with PSE that equal or exceed \$100,000 during the reporting period:

- A. Refer to Exhibit 3 for balance sheets and income statements for affiliated interests and subsidiaries.
- B. Refer to Exhibit 2 for a description of the products or services provided to or from PSE and each affiliated interest or subsidiary.
- C. Refer to Exhibit 4 for a description of the pricing basis or costing method, and procedures for allocating costs for such products or services. Corporate common costs were allocated on a monthly basis. Corporate policy regarding the allocation of common costs is outlined in PSE's Controller Manual CTM-8, attached as Exhibit 4. Refer to Exhibit 1 for the amount and accounts changed during the year.
- D. Affiliated interest loan terms are as follows:
  - Puget Energy loan to PSE: maximum loan amount is \$30.0 million;
  - Average interest rate for the twelve months ended December 31, 2009 was 1.17%;
  - The year end loan balance is provided in Exhibit 1.
- E. There were no obligations or liabilities assumed by PSE on behalf of any affiliated interest or subsidiary during the year ended December 31, 2009.
- F. Refer to Exhibit 2 for a description of activities of each affiliated interest or subsidiary having transactions with PSE.
- G. Refer to Exhibit 2 for a list of officers and directors common to PSE and affiliated interests and subsidiaries.

3. Not Applicable

4. There are no new affiliated interest contracts that were entered into in 2009. All outstanding contracts have been filed.

**PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT**

**EXHIBIT 1**

**EXHIBIT 1****Puget Sound Energy, Inc.  
Summary of Transactions  
For Year-to-Date December 31, 2009**

The following represents all transactions and balances, except transactions provided at tariff rates, that occurred between PSE and its affiliated interests, and PSE and its subsidiaries.

	<u>Amount</u>
<b><u>Puget Holdings LLC</u></b>	
Accounts payable to PSE	\$ 9,256
<b><u>Puget Intermediate Holdings, Inc.</u></b>	
Accounts payable to PSE	\$ 992
<b><u>Puget Equico LLC</u></b>	
Accounts payable to PSE	\$ 1,765
<b><u>Puget Energy, Inc.</u></b>	
Accounts payable to PSE	\$ 48,028
Note receivable from PSE	\$ 22,897,785
Interest receivable from PSE	\$ 20,375
Reimbursement of labor and other expenses to PSE	\$ 3,089,166
Dividends received from PSE	\$ 183,071,073
<b><u>Puget Western, Inc.</u></b>	
Accounts receivable from PSE for Federal income taxes	\$ 303,303
Accounts payable to PSE	\$ 33,314
Reimbursement of labor and other expenses to PSE	\$ 517,162
<b><u>Hydro Energy Development Corp</u></b>	
Accounts payable to PSE	\$ 8,392
Reimbursement of labor and other expenses to PSE	\$ 172,885
<b><u>PSE Funding, Inc.<sup>(1)</sup></u></b>	
Servicing fees earned by PSE	\$ 134,193
Sales of PSE accounts receivable to PSE Funding	\$ 568,433,361
Return of Capital to PSE	\$ 563,427,195

(1) PSE Funding, Inc. was merged into Puget Sound Energy on May 5, 2009.

**PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT**

**EXHIBIT 2**

## EXHIBIT 2

PUGET HOLDINGS, LLC. (Puget Holdings) is a limited liability energy services holding company formed on October 11, 2007 in the State of Delaware, which directly owns Puget Intermediate Holdings, Inc. (Puget Intermediate). All of the operations of Puget Holdings are conducted through its indirect subsidiary Puget Sound Energy (PSE). Puget Holdings has its principal executive office at 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004.

PUGET INTERMEDIATE HOLDINGS, INC. (Puget Intermediate) is an energy services holding company formed on October 24, 2007 in the State of Washington that directly owns Puget Equico, LLC. All of the operations of PIH are conducted through its indirect subsidiary PSE. Puget Intermediate has its principal executive office at 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004.

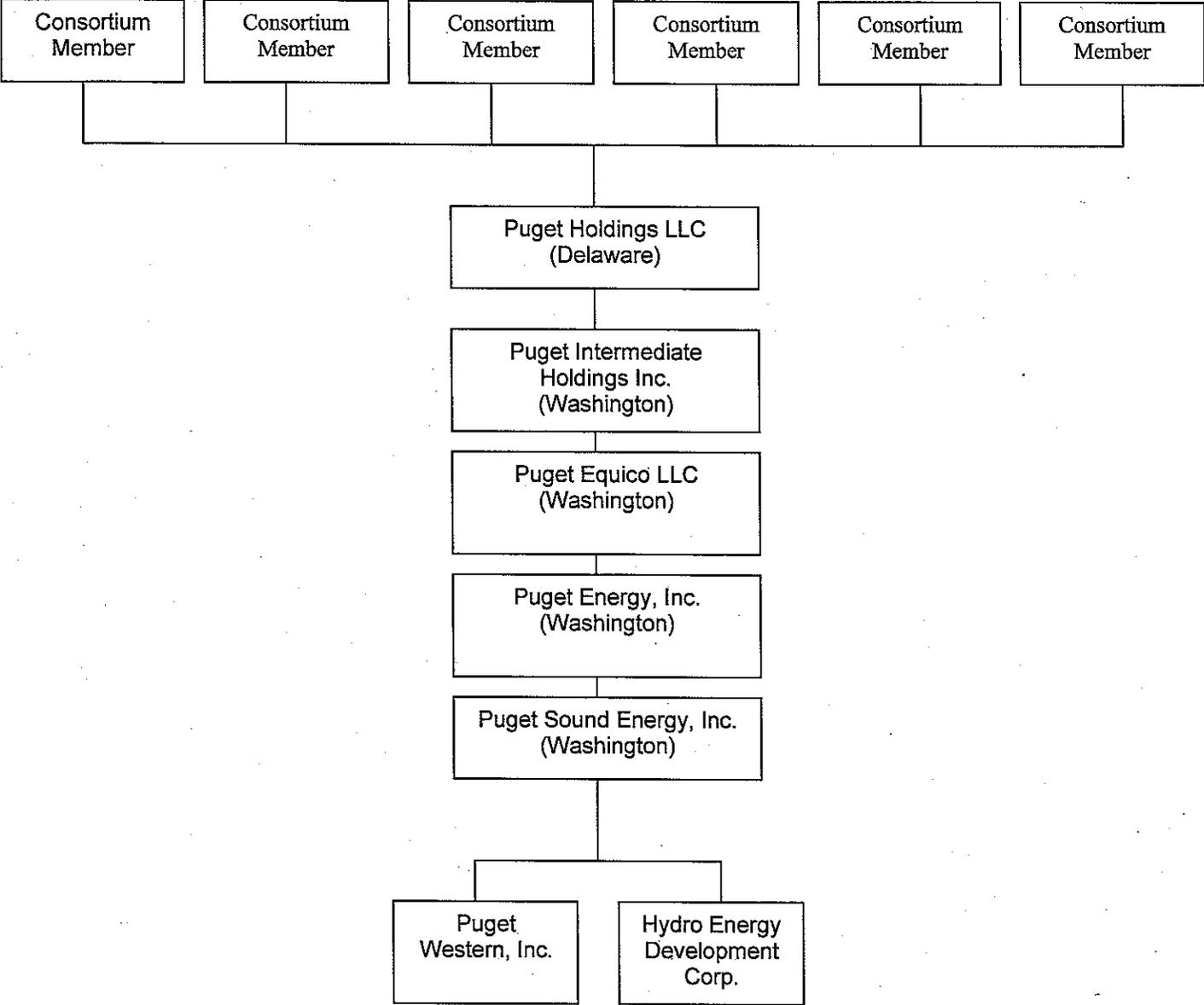
PUGET EQUICO, LLC (Puget Equico) is a limited liability energy services holding company formed on October 1, 2008 in the State of Washington, which directly owns Puget Energy. All of the operations of Puget Equico are conducted through its indirect subsidiary, PSE. Puget Equico has its principal executive office at 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004.

PUGET ENERGY, INC. (Puget Energy) is an energy services holding company incorporated in the State of Washington in 1999. All of its operations are conducted through its direct subsidiary PSE. Puget Energy has its principal executive office at 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004.

PUGET SOUND ENERGY, INC. (Puget Sound Energy) is a wholly-owned utility incorporated in the State of Washington, which generates purchases and sells electricity and purchases transports and sells natural gas in a service territory covering 6,000 square miles, principally in the Puget Sound region of Washington State. PSE has its principal executive office at Address: 10885 NE 4<sup>th</sup> Street, Suite 1200, Bellevue, Washington 98004. Puget Sound Energy had the following subsidiaries at December 31, 2009:

1. PUGET WESTERN, INC., a Washington corporation, is a real estate investment and development company. Address: 19515 North Creek Parkway, Suite 310, Bothell, Washington 98011.
2. HYDRO ENERGY DEVELOPMENT CORP., a Washington corporation, is the holding company for a small non-utility wholesale generator, Black Creek Hydro, Inc. Black Creek Hydro, Inc.'s only asset is a small hydroelectric power plant licensed by the Federal Energy Regulatory Commission in the Pacific Northwest. Address: 10885 NE 4<sup>th</sup> Street, Suite 1200, Bellevue, Washington 98004.
3. PSE FUNDING, INC., a Washington Corporation, formed for the purpose of purchasing customers' accounts receivables, both billed and unbilled, of Puget Sound Energy, Inc. was merged into PSE on May 5, 2009.

**PUGET HOLDINGS  
CORPORATE STRUCTURE**



## PUGET HOLDINGS LLC LISTING OF SUBSIDIARIES

### **Puget Holdings LLC** TIN #26-1273439 (formed 10/12/2007)

#### **Directors**

William Ayer (Chairman)  
Graeme Bevans  
Andrew Chapman  
Alan James  
Alan Kadic  
Christopher Leslie  
William McKenzie  
Stephen Reynolds  
Christopher Trumpy  
Mark Wiseman  
Mark Wong

#### **Officers**

Stephen P. Reynolds, President and Chief Executive Officer  
Eric M. Markell, Executive Vice President and Chief Financial Officer  
Jennifer L. O'Connor, Sr. Vice President General Counsel and  
Corporate Secretary  
James W. Eldredge, Vice President, Controller, and Chief Accounting  
Officer  
Donald E. Gaines, Vice President Finance and Treasurer  
Samuel S. Osborne, Assistant Secretary  
Michael J. Stranik, Assistant Controller  
James D. Sant, Assistant Treasurer

### **Puget Intermediate Holdings Inc.** TIN #26-1297959 (formed 10/24/2007)

#### **Directors**

William Ayer (Chairman)  
Graeme Bevans  
Andrew Chapman  
Alan James  
Alan Kadic  
Christopher Leslie  
William McKenzie  
Stephen Reynolds  
Christopher Trumpy  
Mark Wiseman  
Mark Wong

#### **Officers**

Stephen P. Reynolds, President and Chief Executive Officer  
Eric M. Markell, Executive Vice President and Chief Financial Officer  
Jennifer L. O'Connor, Sr. Vice President General Counsel and  
Corporate Secretary  
James W. Eldredge, Vice President, Controller, and  
Chief Accounting Officer  
Donald E. Gaines, Vice President Finance and Treasurer  
Samuel S. Osborne, Assistant Secretary  
Michael J. Stranik, Assistant Controller  
James D. Sant, Assistant Treasurer

### **Puget Equico LLC** TIN #26-3755171 (Formed 10/1/2008)

#### **Directors**

William Ayer (Chairman)  
Graeme Bevans  
Andrew Chapman  
Alan James  
Alan Kadic  
Christopher Leslie  
William McKenzie  
Stephen Reynolds  
Christopher Trumpy  
Mark Wiseman  
Mark Wong

#### **Officers**

Stephen P. Reynolds, President and Chief Executive Officer  
Eric M. Markell, Executive Vice President and Chief Financial Officer  
Jennifer L. O'Connor, Sr. Vice President General Counsel and  
Corporate Secretary  
James W. Eldredge, Vice President, Controller, and  
Chief Accounting Officer  
Donald E. Gaines, Vice President Finance and Treasurer  
Samuel S. Osborne, Assistant Secretary  
Michael J. Stranik, Assistant Controller  
James D. Sant, Assistant Treasurer

**Puget Energy, Inc. TIN #91-1969407 (Formed 4/23/1999)**

**Directors**

William Ayer (Chairman)  
Graeme Bevans  
Andrew Chapman  
Alan James  
Alan Kadic  
Christopher Leslie  
William McKenzie  
Stephen Reynolds  
Christopher Trumpy  
Mark Wiseman  
Mark Wong

**Officers**

Stephen P. Reynolds, President and Chief Executive Officer  
Eric M. Markell, Executive Vice President and Chief Financial Officer  
Jennifer L. O'Connor, Sr. Vice President General Counsel, Corporate Secretary and Chief Ethics and Compliance Officer  
James W. Eldredge, Vice President, Controller, Chief Accounting Officer and Assistant Corporate Secretary  
Donald E. Gaines, Vice President Finance and Treasurer  
Samuel S. Osborne, Assistant Secretary  
Michael J. Stranik, Assistant Controller  
James D. Sant, Assistant Treasurer

**SUBSIDIARY OF PUGET ENERGY, INC.**

**Puget Sound Energy, Inc. TIN #91-0374630 (formed 9/12/1960)**

**Directors**

William Ayer (Chairman)  
Graeme Bevans  
Andrew Chapman  
Alan James  
Alan Kadic  
Christopher Leslie  
William McKenzie  
Stephen Reynolds  
Herb Simon  
Christopher Trumpy  
Mark Wiseman  
Mark Wong

**Officers**

Stephen P. Reynolds, President and Chief Executive Officer  
James W. Eldredge, Vice President, Controller, Chief Accounting Officer and Assistant Corporate Secretary  
Donald E. Gaines, Vice President Finance and Treasurer  
Kimberly J. Harris, Executive Vice President and Chief Resource Officer  
Eric M. Markell, Executive Vice President and Chief Financial Officer  
Susan McLain, Senior V.P. Operations  
Marla Mellies, Vice President Human Resources  
Jennifer L. O'Connor, Senior Vice President General Counsel, Corporate Secretary and Chief Ethics and Compliance Officer  
Calvin E. Shirley, Vice President Energy Efficiency Services  
Bertrand A. Valdman, Executive Vice President and Chief Operating Officer  
Andrew W. Wappler, Vice President Corporate Affairs  
Paul M. Wiegand, Senior Vice President Power Generation  
Rudiger H. Wolf, Vice President and Chief Information Officer  
Samuel S. Osborne, Assistant Secretary  
Michael J. Stranik, Assistant Controller  
James D. Sant, Assistant Treasurer

**PUGET SOUND ENERGY, INC.**  
**TIN #91-0374630**  
**LISTING OF SUBSIDIARIES**

**1. Hydro Energy Development Corp. (HEDC) (formed 8/21/85) TIN #91-1365876**

**Directors**

Michael L. Richardson

**Officers**

Michael L. Richardson - President

Thomas P. Kerfonta – Vice President

Renee L. Stanley - Secretary and Treasurer

**2. Puget Western Inc. (Formed 5/10/60) TIN #91-0716282**

**Directors**

James W. Eldredge, Chairman

Eric M. Markell

Bertrand A. Valdman

**Officers**

Gust M. Erikson - President

David Yasuda - Vice President

James W. Eldredge - Secretary & Treasurer

Cindy A. McKinney - Controller

**\*\*\* Previous Subsidiaries of Puget Sound Energy, Inc. \*\*\***

- ConneXt (Administratively dissolved on March 26, 2002). PSE sold the assets of ConneXt to Alliance Data Systems on August 21, 2001
- GP Acquisition Corp. (Administratively dissolved and merged into PSE on May 6, 2005)
- LP Acquisition Corp. (Administratively dissolved and merged into PSE on May 6, 2005)
- Encogen Northwest, L.P. (Administratively dissolved and merged into PSE on May 6, 2005)
- HEDC Subsidiaries (sold on March 11, 2002 to Balaton Power)
  - Calligan Hydro, Inc.
  - Cascade River Hydro, Inc.
  - Hancock Hydro, Inc.
  - Nooksack River Hydro, Inc.
  - Skagit River Hydro, Inc.
  - Skookum Hydro, Inc.
  - Skykomish River Hydro, Inc.
  - Snoqualmie River Hydro, Inc.
  - Warm Creek Hydro, Inc.
  - Washington Hydro Development Corp.
- HEDC Subsidiary, Black Creek Hydro, Inc., was sold to Valtec LLC on January 15, 2010
- Hydro-West Group LLC (Sold to Alaska Power and Telephone Company on 9/6/2000)
- InfrastruX Group, Inc. (Sold to Tenaska Power Fund L.P. on May 7, 2006)
- North American Energy Services Company (NAESCO) (Sold 11/4/92)
- Puget Energy Services, Inc. (Sold 2/28/92 to Proven Alternatives, Inc. 7/31/92)
- Puget Enterprises, Inc. (Administratively dissolved 6/25/90)
- Puget Sound Energy Company (Name changed to Puget Disappearing Company 2/10/97 then administratively dissolved on July 3, 1997)
- Puget Energy, Inc. (Administratively dissolved July 3, 1997)
- PSE Funding, Inc. (merged into PSE on May 5, 2009)
- PSE Security Assets, Inc. (was previously Homeguard Security Services, Inc.) was administratively dissolved on December 22, 2000.
- PSE Utilities Solutions, Inc. (Administratively dissolved on July 21, 2003)
- Puget Sound Energy Services (administratively dissolved on July 31, 2003)
- Rainier Receivables, Inc. (merged into PSE on March 24, 2006)
- Tellus, Inc. (Merged into ConneXt, Inc. on 1/1/97). After being acquired by ConneXt, Tellus, Inc. was administratively dissolved, with the Trade Name registered with the Washington State Secretary of State.
- Thermal Energy, Inc. (Administratively dissolved October 13, 1997)
- Thermal Resources, Inc. (Administratively dissolved October 13, 1997)
- Thermrail, Inc. (Administratively dissolved October 13, 1997)
- Washington Energy Gas Marketing Company (Administratively dissolved July 1, 2004)
- Washington Energy Services Company (Sold October 24, 1997 to Northwest Water Heater)
- WECO Finance Company (Administratively dissolved October 13, 1997)
- WNG CAP I, Inc. (merged into PSE on May 6, 2008)
- WNG CAP II, Inc. (Administratively dissolved October 13, 1997)

**PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT**

**EXHIBIT 3**

Puget Western, Inc.  
BALANCE SHEET  
DECEMBER 31, 2009

	PERIOD ENDED 12/31/09	PERIOD ENDED 12/31/08	\$ CHANGE FROM PRIOR YEAR END
<b>CURRENT ASSETS</b>			
Petty Cash	\$100	\$100	
Schwab Account	26	26	
Cash - Money Market	4,648,509	582,454	4,066,055
Cash - MMkt Snoqualmie	816,242	809,791	6,451
Cash - Piper Jaffray Corp. Bonds	847,504	4,903,352	(4,055,848)
Cash in Bank	475,631	265,888	209,743
Accounts Receivable-Other	295	502	(207)
Notes Receivable	3,877,525	5,244,285	(1,366,760)
Interest Receivable	83,438	48,551	34,887
Prepaid Rent	6,900	10,873	(3,973)
Prepaid Misc.	21,918	21,918	
Prepaid Escrow Deposits	773,000	415,000	358,000
Prepaid Insurance	8,039	5,233	2,806
<b>Total Current Assets</b>	<b>11,559,127</b>	<b>12,307,973</b>	<b>(748,846)</b>
<b>Long-Term Assets</b>			
Furniture & Fixtures	283,748	283,004	744
Accum Depr FF&E	(279,920)	(273,820)	(6,100)
Sub-total	3,828	9,184	(5,356)
<b>Investments</b>			
Investment in Kinetic Ventures	868,921	997,019	(128,098)
Deferred Tax Asset-Kinetic	821,753	843,325	(21,572)
Sub-total	1,690,674	1,840,344	(149,670)
<b>Property Leased to Others</b>			
<b>Land Held for Sale or Development</b>			
Commercial Land	34,966,661	34,839,377	127,284
Project Development	2,990,421	2,190,288	800,133
Total Long-Term Assets	39,651,584	38,879,193	772,391
<b>TOTAL ASSETS</b>	<b>51,210,711</b>	<b>51,187,166</b>	<b>23,545</b>

Puget Western, Inc.  
BALANCE SHEET  
DECEMBER 31, 2009

	PERIOD ENDED 12/31/09	PERIOD ENDED 12/31/08	\$ CHANGE FROM PRIOR YEAR END
<b>CURRENT LIABILITIES</b>			
Accounts Payable		\$796	(\$796)
Future Property Obligations	290,147	295,560	(5,413)
Accounts Payable Accruals	40,000	27,004	12,996
Salary & Wage Accrual		64,364	(64,364)
B & O Tax Payable	1,107	544	563
<b>Total Current Liabilities</b>	<b>331,254</b>	<b>388,268</b>	<b>(57,014)</b>
<b>LONG-TERM LIABILITIES</b>			
Intercompany Payable to Parent-FIT	(303,303)	999,637	(1,302,940)
Unearned Income	1,800		1,800
Unearned Income-Long Term	1,062,725	1,062,725	
Deferred FIT	(219,129)	(369,359)	150,230
<b>Total Long-Term Liabilities</b>	<b>542,093</b>	<b>1,693,003</b>	<b>(1,150,910)</b>
<b>TOTAL LIABILITIES</b>	<b>873,347</b>	<b>2,081,271</b>	<b>(1,207,924)</b>
<b>EQUITY</b>			
Common Stock	10,200	10,200	
Additional Paid-In-Capital	44,487,244	44,487,244	
Retained Earnings	4,608,451	1,260,739	3,347,712
Y-T-D Net Profit (Loss)	1,231,469	3,347,712	(2,116,243)
<b>TOTAL EQUITY</b>	<b>50,337,364</b>	<b>49,105,895</b>	<b>1,231,469</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>51,210,711</b>	<b>51,187,166</b>	<b>23,545</b>

Puget Western, Inc.  
**COMPARATIVE STATEMENT OF INCOME**  
**YEAR TO DATE ENDING**  
**December 31, 2009**

	YTD ENDED 12/31/09	BUDGET YTD ENDED 12/31/09	VARIANCE	YTD ENDED 12/31/08	VARIANCE
<b>INCOME</b>					
Sale Revenue	\$7,018,000	\$13,792,700	(\$6,774,700)	\$8,323,866	(\$1,305,866)
Cost of Sale	4,692,201	6,119,700	1,427,499	2,813,764	1,878,437
Direct Selling Exp	489,792	1,874,400	1,384,608	278,421	211,371
<b>GROSS PROFIT ON SALES</b>	<b>1,836,007</b>	<b>5,798,600</b>	<b>(3,962,593)</b>	<b>5,231,681</b>	<b>(3,395,674)</b>
Rental Income	22,100	26,400	(4,300)	26,350	(4,250)
Earnings-Other	21,902		21,902	(315,661)	337,563
Interest Income	361,031	296,100	64,931	702,650	(341,619)
Earnest Money Revenue				160,000	(160,000)
Development Income	653,552	300,000	353,552	510,182	143,370
Miscellaneous Income	226,543		226,543	21,192	205,351
<b>TOTAL INCOME</b>	<b>3,121,135</b>	<b>6,421,100</b>	<b>(3,299,965)</b>	<b>6,336,394</b>	<b>(3,215,259)</b>
<b>EXPENSE</b>					
North Creek Rent	76,421	96,000	19,579	86,498	(10,077)
Consulting Fees	150,341	96,000	(54,341)	90,532	59,809
Legal Fees	600	22,400	21,800	3,216	(2,616)
Bank Service Charges	223		(223)	282	(59)
B & O/Excise Taxes	5,156	7,200	2,044	6,169	(1,013)
Property Taxes	385,028	336,500	(48,528)	266,116	118,912
Personal Property Tax	215	400	185	434	(219)
Storage Expense	3,213	4,800	1,587	3,772	(559)
General & Admin. Expense	457,305	762,000	304,695	536,952	(79,647)
Depreciation Expense	6,100	8,400	2,300	7,540	(1,440)
Operating Expense	141,966	568,600	426,634	184,526	(42,560)
Miscellaneous		1,200	1,200	30	(30)
<b>TOTAL EXPENSE</b>	<b>1,226,568</b>	<b>1,903,500</b>	<b>676,932</b>	<b>1,186,067</b>	<b>40,501</b>
<b>INCOME (LOSS) BEFORE FIT</b>	<b>1,894,567</b>	<b>4,517,600</b>	<b>(2,623,033)</b>	<b>5,150,327</b>	<b>(3,255,760)</b>
Federal Income Tax	663,099	1,567,200	904,101	1,802,614	(1,139,515)
<b>NET INCOME (LOSS)</b>	<b>1,231,468</b>	<b>2,950,400</b>	<b>(1,718,932)</b>	<b>3,347,713</b>	<b>(2,116,245)</b>

**Hydro Energy Development Corporation**  
**Consolidated Balance Sheets**  
**December 31, 2009**

ASSETS	HEDC	Black Creek Hydro	Eliminations	Consolidated December 31, 2009	Consolidated December 31, 2008
Current Assets					
Regular checking	\$ 141,999.15	\$ -	\$ -	141,999.15	\$ 285,674.19
Accts Rec Taxes-Year 2006	-	-	-	-	-
Accts Rec Taxes	6,208.90	198,534.79	-	204,743.69	70,272.40
<b>Total Current Assets</b>	<b>148,208.05</b>	<b>198,534.79</b>	<b>-</b>	<b>346,742.84</b>	<b>355,946.59</b>
Property and Equipment					
330 Land and land rights	-	243,968.21	-	243,968.21	243,968.21
331 Structures & improvements	-	1,150,393.95	-	1,150,393.95	1,150,393.95
332 Reservoirs, dams & waterwy	-	5,721,580.03	-	5,721,580.03	5,721,580.03
333 Water wheels, turbs & gens	-	1,146,933.75	-	1,146,933.75	1,146,933.75
334 Accessory electric equip	-	629,826.48	-	629,826.48	629,826.48
336 Roads, Railroads & Bridges	-	254,731.43	-	254,731.43	254,731.43
352 Structures and improvmts	-	143,360.75	-	143,360.75	143,360.75
353 Station equipment	-	120,433.61	-	120,433.61	120,433.61
358 Undergr conductors & devic	-	327,335.18	-	327,335.18	327,335.18
114 Acquisition Adjustment - BCH Sal	-	(6,028,183.55)	-	(6,028,183.55)	-
Accumulated depreciation	-	(3,064,268.53)	-	(3,064,268.53)	(2,864,200.53)
<b>Total Property and Equipment</b>	<b>0.00</b>	<b>646,111.31</b>	<b>0.00</b>	<b>646,111.31</b>	<b>6,874,362.86</b>
Other Assets					
Inv--Black Creek Hydro	1,500,000.00	-	(1,500,000.00)	-	-
<b>Total Other Assets</b>	<b>1,500,000.00</b>	<b>0.00</b>	<b>(1,500,000.00)</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 1,648,208.05</b>	<b>\$ 844,646.10</b>	<b>\$(1,500,000.00)</b>	<b>\$ 992,854.15</b>	<b>\$ 7,230,309.45</b>
<b>LIABILITIES AND CAPITAL</b>					
Current Liabilities					
Accounts payable	\$ 36,433.26	-	-	36,433.26	\$ 12,241.89
Property Taxes Payable	-	43,092.41	-	43,092.41	49,536.00
FIT Payable	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>36,433.26</b>	<b>43,092.41</b>	<b>-</b>	<b>79,525.67</b>	<b>61,777.89</b>
Long-Term Liabilities					
Deferred taxes	(665,698.00)	(698,446.31)	-	(1,364,144.31)	1,333,047.43
<b>Total Liabilities</b>	<b>(629,264.74)</b>	<b>(655,353.90)</b>	<b>-</b>	<b>(1,284,618.64)</b>	<b>1,394,825.32</b>
Capital					
Capital stock (par value \$1)	1,500.00	500.00	(500.00)	1,500.00	1,500.00
Additional paid-in capital	33,383,049.22	8,981,188.75	(8,981,188.75)	33,383,049.22	33,453,161.22
Retained earnings	(27,619,177.09)	(3,200,832.78)	3,200,832.78	(27,619,177.09)	(27,633,536.30)
Dividends Paid	-	(138,789.13)	138,789.13	-	-
Net Income	(3,487,899.34)	(4,142,066.84)	4,142,066.84	(3,487,899.34)	14,359.21
<b>Total Capital</b>	<b>2,277,472.79</b>	<b>1,500,000.00</b>	<b>(1,500,000.00)</b>	<b>2,277,472.79</b>	<b>5,835,484.13</b>
<b>Total Liabilities &amp; Capital</b>	<b>\$ 1,648,208.05</b>	<b>\$ 844,646.10</b>	<b>\$(1,500,000.00)</b>	<b>\$ 992,854.15</b>	<b>\$ 7,230,309.45</b>
	-	0.00	-	-	-

**Hydro Energy Development Corporation**  
**Consolidating Income Statement**  
**Year-to-date ended December 31, 2009**

	2009				2008
	HEDC YTD ending Dec 31, 2009	Black Creek Hydro YTD ending Dec 31, 2009	Eliminations	Consolidated YTD ending Dec 31, 2009	Consolidated YTD ending Dec 31, 2008
<b>Revenues</b>					
Sub income-BCH	\$ (4,142,066.84)	\$ 138,789.13	\$ 4,142,066.84	\$ 138,789.13	\$ 12,996.69
<b>Total Revenues</b>	<b>(4,142,066.84)</b>	<b>138,789.13</b>	<b>4,142,066.84</b>	<b>138,789.13</b>	<b>12,996.69</b>
<b>Expenses</b>					
Travel	-	707.77	-	707.77	932.49
Meal expense	-	63.24	-	63.24	880.21
Legal expense	-	13,031.25	-	13,031.25	-
License fees	59.00	7,631.10	-	7,690.10	7,331.82
Consulting fees (A)	-	21,176.10	-	21,176.10	15,000.00
General & Administrative exp	5,553.84	20,847.41	-	26,401.25	25,981.66
Rent	3,080.00	-	-	3,080.00	2,974.00
Insurance	9,252.61	5,842.00	-	15,094.61	14,928.22
Office expense--misc	20.39	186.38	-	206.77	9.75
Property tax	-	33,850.00	-	33,850.00	(371,061.79)
Depreciation expense	-	200,068.00	-	200,068.00	200,068.00
Plant Maintenance & Supplies (B)	-	179,137.46	-	179,137.46	107,249.63
Impairment Loss-BCH (C)	-	6,028,183.55	-	6,028,183.55	-
<b>Total Expenses</b>	<b>17,965.84</b>	<b>6,510,724.26</b>	<b>-</b>	<b>6,528,690.10</b>	<b>4,293.99</b>
<b>Operating Income</b>	<b>(4,160,032.68)</b>	<b>(6,371,935.13)</b>	<b>4,142,066.84</b>	<b>(6,389,900.97)</b>	<b>8,702.70</b>
<b>Other Income (Deductions):</b>					
Other Income	226.60	-	-	226.60	13,662.22
<b>Income Before Taxes</b>	<b>(4,159,806.08)</b>	<b>(6,371,935.13)</b>	<b>4,142,066.84</b>	<b>(6,389,674.37)</b>	<b>22,364.92</b>
Deferred Tax -- Impairment Loss (C)	(665,698.00)	(2,109,864.24)	-	(2,775,562.24)	-
Income taxes--federal	(6,208.74)	(120,004.05)	-	(126,212.79)	8,005.71
<b>Total FIT</b>	<b>(671,906.74)</b>	<b>(2,229,868.29)</b>	<b>-</b>	<b>(2,901,775.03)</b>	<b>8,005.71</b>
<b>Net Income</b>	<b>\$ (3,487,899.34)</b>	<b>\$ (4,142,066.84)</b>	<b>\$ 4,142,066.84</b>	<b>\$ (3,487,899.34)</b>	<b>\$ 14,359.21</b>

Notes:

(A) Consulting Fees include \$15k accrual for 2009 FERC Audit fees.

(B) Includes expenses paid for trash rake repairs \$45,250 and grey water tank repairs \$10,312 during the first quarter 2009 and an increase in Labor charges for maintenance in Q3.

(C) In Q4 2009, PSE management made a decision that its wholly owned subsidiary HEDC should sell its ownership interests in Black Creek Hydro, Inc. Management believes the asset meets the criteria for reporting BCH as "held for sale."

The company assumes a gross sales price of \$1.65 million and selling costs of \$165,000 for net proceeds of \$1.5 million.

At 12/31/09 the book value of BCH was \$5,418,319. A before tax Impairment Loss of \$6,028,183.55 was recorded with a Deferred Tax Asset of \$2,109,864.24. Total after tax loss for BCH was \$3,918,319.31.

A Deferred Tax Asset of \$665,698 was recorded on the books of HEDC, based on a tax basis in BCH of \$3,401,994.

Total after tax Impairment Loss for BCH and HEDC is \$3,252,621.31.

**PUGET SOUND ENERGY, INC.**

**BALANCE SHEET**

(Dollars in Thousands)

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
<b>ASSETS:</b>		
<b>Utility Plant:</b>		
Electric	7,046,379	\$ 6,596,359
Gas	2,637,003	2,500,236
Common	539,296	550,368
<b>Less: Accumulated Depreciation and Amortization</b>	<b>(3,453,165)</b>	<b>(3,358,816)</b>
Net Utility Plant	<u>6,769,513</u>	<u>6,288,147</u>
<b>Other property and investments</b>		
Investment in Bonneville Exchange Power Contract	26,450	29,976
Other Property and Investments	116,267	118,039
<b>Total other property and investments</b>	<u>142,717</u>	<u>148,015</u>
<b>Current Assets:</b>		
Cash & Cash Equivalent	78,407	38,470
Restricted Cash	19,844	18,889
Accounts Receivable	328,159	214,168
Less: Allowance for Doubtful Accounts	(8,094)	(6,392)
Secure Pledged Accounts Receivable	-	158,000
Unbilled Revenues	208,948	248,649
Materials and Supplies	64,604	62,024
Fuel and Gas Inventory	95,813	120,205
Unrealized Gain on Derivative Instruments	14,948	15,618
Income Taxes	99,948	17,317
Prepaid expenses and other	12,067	14,420
Deferred Income Taxes	38,781	75,135
<b>Total current assets</b>	<u>953,425</u>	<u>976,503</u>
<b>Other long-term and regulatory assets:</b>		
Regulatory Asset for Deferred Income Taxes	89,303	95,417
Regulatory Asset for PURPA buyout costs	78,162	110,838
Power Cost Adjustment Mechanism	8,529	3,126
Other Regulatory Assets	665,272	766,732
Unrealized Gain on Derivative Instruments	4,605	6,712
Other	105,045	40,365
<b>Total other long-term and regulatory assets</b>	<u>950,916</u>	<u>1,023,190</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,816,571</u>	<u>\$ 8,435,855</u>
<b>CAPITALIZATION AND LIABILITIES:</b>		
<b>Capitalization:</b>		
Common Equity	\$ 3,083,072	\$ 2,249,186
Total shareholder's equity	<u>3,083,072</u>	<u>2,249,186</u>
Preferred Stock Subject to Mandatory Redemption	-	1,889
Junior Subordinated Notes	250,000	250,000
Long-Term Debt	2,638,860	2,270,860
Total redeemable securities and long-term debt	<u>2,888,860</u>	<u>2,522,749</u>
<b>Total capitalization</b>	<u>5,971,932</u>	<u>4,771,935</u>
<b>Current liabilities:</b>		
Accounts Payable	321,287	341,255
Short-Term Debt	105,000	964,700
Short-Term Debt Owed to Puget Energy	22,898	26,053
Current Maturities of Long-Term Debt	232,000	158,000
<b>Accrued expenses:</b>		
Purchased Gas Liability	49,587	8,892
Taxes	77,302	85,068
Salaries and Wages	30,654	35,280
Interest	47,154	36,112
Unrealized Loss on Derivative Instruments	137,530	236,866
Other	104,148	117,223
<b>Total current liabilities</b>	<u>1,127,560</u>	<u>2,009,449</u>
<b>Long-term liabilities and regulatory liabilities:</b>		
Deferred Income Taxes	996,576	816,136
Unrealized Loss on Derivative Instruments	89,717	158,423
Regulatory Liabilities	250,586	219,221
Other Deferred Credits	380,200	460,691
<b>Total long-term liabilities and regulatory liabilities</b>	<u>1,717,079</u>	<u>1,654,471</u>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u>\$ 8,816,571</u>	<u>\$ 8,435,855</u>

Puget Western and HEDC are consolidated at quarter end only.

PSE COMPANIES  
BALANCE SHEET FOR DECEMBER 2009

	A	C	D	E	F	G	H	I	J
	(1000)			Additional	(1002)	Adjustment	(1004)	Adjustment	
	PSE	Adjustments	Reclasses	HEDC	Elimination	Puget Western	Elimination	TOTAL	
<b>ASSETS:</b>									
<b>Utility Plant:</b>									
Electric	7,046,378,513								7,046,378,513
Gas	2,637,003,155								2,637,003,155
Common	539,296,223								539,296,223
Less: Accumulated deprec and amort	(3,453,164,539)								(3,453,164,539)
Net Plant	6,769,513,352								6,769,513,352
<b>Other Property and Investments:</b>									
Investment in Bonneville Exchange Power Contract	26,449,558								26,449,558
Non-Utility Plant	3,250,232			646,111			3,828		3,900,171
Non-Utility Accumulated Depreciation	(521,760)								(521,760)
Non-Utility Property	2,728,472								3,378,411
Investment in & Advances to Subs.	52,614,832					(2,277,473)		(50,337,364)	(5)
Other	70,185,375						42,703,528		112,888,903
Total Other Property and Investments	151,978,237								142,716,868
<b>Current Assets:</b>									
Cash	91,200,317	(18,906,742)		141,999		5,971,770			78,407,345
Restricted cash	-	19,027,823				816,242			19,843,865
Accounts Receivable (Rpt Node)	330,235,370	(2,160,618)				83,733			328,158,485
Less allowance for doubtful accounts	(8,093,617)								(8,093,617)
Secure Pledged Accounts Receivable	-								-
Unbilled revenues	208,948,402								208,948,402
Purchased Gas Adjustment Receivable (PGA)	(49,587,265)	49,587,265							-
Materials and Supplies	64,604,448								64,604,448
Fuel and Gas Inventory	95,813,412								95,813,412
Current Portion FAS 133 Unrealized Gain/Loss (ST)	14,947,795								14,947,795
Income Taxes	-	99,742,733		204,744					99,947,477
Prepaid Expense and other	11,257,283						809,857		12,067,140
Taxes Receivable	-								-
Current Portion of Deferred Income Taxes	14,615,205		23,500,364		665,698				38,781,268
Total Current Assets	773,941,351								953,426,019
<b>Long-Term and Regulatory Assets:</b>									
<b>Regulatory assets:</b>									
Regulatory asset for deferred income taxes	89,303,086								89,303,086
Regulatory asset for PURPA buyout costs	78,161,754								78,161,754
Power Cost Adjustment Mechanism (PCA)	8,529,369								8,529,369
Other Regulatory Assets	657,267,076	(10,619,457)	18,604,132						665,271,752
<b>Long-Term Assets:</b>									
FAS 133 Unrealized Gain/Loss (LT)	4,605,177								4,605,177
Other Long-Term Assets	123,899,184	2,207,207	(21,062,819)						105,043,572
Total Long-Term and Regulatory Assets	961,785,646								950,914,710
<b>TOTAL ASSETS</b>	<b>8,657,218,586</b>	<b>138,878,012</b>	<b>21,041,678</b>	<b>992,854</b>	<b>(1,611,775)</b>	<b>50,388,958</b>	<b>(50,337,364)</b>	<b>8,816,570,949</b>	<b>8,816,570,949</b>
<b>CAPITALIZATION AND LIABILITIES:</b>									
<b>Common equity</b>	<b>3,083,071,695</b>				<b>2,277,473</b>	<b>(2,277,473)</b>	<b>50,337,364</b>	<b>(50,337,364)</b>	<b>3,083,071,695</b>
Preferred Stock	-								-
Total shareholders' equity	3,083,071,695								3,083,071,695
Preferred stock subject to mandatory redemption	-								-
Junior subordinated notes	250,000,000								250,000,000
Long-term Debt (acct 221)	2,870,860,000	(232,000,000)							2,638,860,000
Long-term Debt (acct 226)	-								-
Total redeemable securities and long-term debt	3,120,860,000								2,888,860,000
Total capitalization	6,203,931,695								5,971,931,695
<b>Current Liabilities:</b>									
Accounts Payable	320,920,068			36,433		330,147			321,286,648
Notes Payable	-								-
Short-term Debt	105,000,000								105,000,000
Short Term Debt Owed to Puget Energy	22,897,785								22,897,785
Current maturities of Long-Term Debt	-	232,000,000							232,000,000
Accrued Expenses:									
Purchased gas liability	-	49,587,265							49,587,265
Taxes	(22,181,655)	99,742,733		43,092		(302,196)			77,301,975
Salaries and wages	30,653,779								30,653,779
Interest	47,154,227								47,154,227
Current Portion FAS 133 Unrealized Gain/Loss (ST)	137,529,924								137,529,924
Current Portion of Deferred Income Taxes	-								-
Other current liabilities	100,859,336	3,288,335							104,147,671
Total current liabilities	742,833,464								1,127,559,274
<b>Long-Term Liabilities:</b>									
Deferred income taxes	974,815,409			23,500,364	(1,364,144)	665,698	(1,040,882)		996,578,445
FAS 133 Unrealized Gain/Loss (LT)	89,717,387								89,717,387
Power Cost Adjustment Mechanism	-								-
Regulatory Liabilities	250,586,318								250,586,318
Other Deferred Credits	355,334,313	(13,740,321)	(2,458,686)				1,064,525		360,199,830
Total long-term liabilities	1,710,453,427								1,717,079,980
<b>TOTAL CAPITALIZATION AND LIABILITIES:</b>	<b>8,657,218,586</b>	<b>138,878,012</b>	<b>21,041,678</b>	<b>992,854</b>	<b>(1,611,775)</b>	<b>50,388,958</b>	<b>(50,337,364)</b>	<b>8,816,570,949</b>	<b>8,816,570,949</b>

PUGET SOUND ENERGY, INC.

INCOME STATEMENT  
(Dollars in Thousands)

Year - to - Date December 31, 2009 (GAAP)	January Consolidated (1000) PSE	Feb to December (1000) PSE	Adjustments	(1002) HEDC	HEDC Eliminate	(1004) Puget Western	Puget Western Eliminate	(1020) PSE Funding	PSE Funding Eliminate	Total	Combined
<b>Operating Revenues:</b>											
Electric	213,617,766	1,885,110,361								1,885,118,361	2,098,736,118
Gas	190,000,751	1,034,743,756								1,034,743,756	1,224,744,607
Non-utility operating revenue	93,687	1,687,800		138,789		3,099,235				4,925,924	5,019,511
<b>Total operating revenue</b>	<b>403,712,186</b>	<b>2,921,650,017</b>		<b>138,789</b>		<b>3,099,235</b>				<b>2,924,788,041</b>	<b>3,328,500,237</b>
<b>Operating Expenses:</b>											
<b>Energy Costs:</b>											
Purchased electricity	90,736,717	798,851,393	(262,346)							796,569,017	867,305,734
Fuel	11,861,153	196,483,301								196,483,301	206,444,454
Residential/Farm Exchange	(12,541,909)	(83,961,852)								(83,961,852)	(86,503,781)
Purchased natural gas	120,925,018	597,935,357								597,935,357	718,860,375
FAS 133 Unrealized Gain/Loss	3,867,088	(5,120,720)								(5,120,720)	(1,253,632)
Utility operations and maintenance	37,850,105	460,219,035	(10,474,720) (a)					19,783	(16,638)	449,745,441	487,365,547
Non-utility expense and other	106,198	7,298,018		6,294,772		630,070				14,422,860	14,531,028
Merger Related Costs	23,907,955	-								-	23,907,955
Depreciation, deplet.&amort.	26,742,421	305,903,373		200,068		8,101				306,109,542	332,851,963
Conservation amortization	7,591,740	58,874,738								58,874,738	68,468,478
Taxes other than income taxes	36,935,162	265,243,159	10,757,066 (b)	33,850		390,400				266,424,475	303,359,636
<b>Total operating expenses</b>	<b>347,883,618</b>	<b>2,589,725,772</b>		<b>6,528,690</b>		<b>1,228,571</b>		<b>19,783</b>	<b>(16,638)</b>	<b>2,597,482,158</b>	<b>2,945,365,776</b>
<b>Operating Income</b>	<b>65,828,578</b>	<b>331,924,245</b>		<b>(6,389,901)</b>		<b>1,872,664</b>		<b>(19,763)</b>	<b>16,638</b>	<b>327,305,863</b>	<b>383,134,453</b>
<b>Other Income (Deductions):</b>											
Other income	3,653,162	46,772,208		227	3,467,899	21,902	(1,231,467)		107,688	45,158,356	62,811,518
Other expenses	(368,710)	(6,153,696)								(6,153,696)	(6,522,606)
<b>Interest charges:</b>											
AFUDC	360,318	8,863,603								8,863,603	9,213,921
Interest expense	(17,290,647)	(194,012,257)						(174,430)		(194,186,687)	(211,477,335)
Interest expense on Puget Energy Note	(24,769)	(239,610)								(239,610)	(264,379)
<b>Income Before Income Taxes &amp; Extraordinary Items</b>	<b>42,147,832</b>	<b>167,054,293</b>		<b>(6,389,974)</b>	<b>3,467,899</b>	<b>1,894,566</b>	<b>(1,231,467)</b>	<b>(194,193)</b>	<b>126,226</b>	<b>184,747,649</b>	<b>226,695,853</b>
<b>Income Taxes</b>	<b>10,537,020</b>	<b>59,413,833</b>		<b>(2,901,775)</b>		<b>663,099</b>		<b>(87,969)</b>		<b>57,106,889</b>	<b>67,644,009</b>
<b>Net Income Before Extraordinary Items</b>	<b>31,610,812</b>	<b>127,640,660</b>		<b>(3,487,999)</b>	<b>3,467,899</b>	<b>1,231,467</b>	<b>(1,231,467)</b>	<b>(126,226)</b>	<b>126,226</b>	<b>127,640,660</b>	<b>159,251,574</b>
<b>Extraordinary Items</b>											
<b>Net Income</b>	<b>31,610,812</b>	<b>127,640,660</b>		<b>(3,487,999)</b>	<b>3,467,899</b>	<b>1,231,467</b>	<b>(1,231,467)</b>	<b>(126,226)</b>	<b>126,226</b>	<b>127,640,660</b>	<b>159,251,574</b>
<b>Less Preferred Stock Dividends Accruals</b>											
<b>Preferred Stock Redemption</b>											
<b>Income for Common Stock</b>	<b>31,610,812</b>	<b>127,640,660</b>		<b>(3,487,999)</b>	<b>3,467,899</b>	<b>1,231,467</b>	<b>(1,231,467)</b>	<b>(126,226)</b>	<b>126,226</b>	<b>127,640,660</b>	<b>159,251,572</b>
<b>Common Shares Outstanding Weighted Average</b>											
<b>Income Tax Check</b>	<b>14,751,776</b>			<b>(2,236,386)</b>		<b>683,098</b>		<b>(67,968)</b>			
<b>Note:</b>											
(a) and (b) Reclass payroll taxes from Utility O&M to Other Taxes:											
		Utility O&M	Energy Cost	Total	January excluded from reclass as it is already included in the January consolidated column above.						
Jan 2009 PR taxes											
Feb 2009 PR taxes			878,693	24,632							
Mar 2009 PR taxes			974,087	28,718							
Apr 2009 PR taxes			936,513	28,360							
May 2009 PR taxes			992,416	23,122							
June 2009 PR taxes			909,058	24,947							
July 2009 PR taxes			921,898	23,844							
August 2009 PR taxes			928,770	27,095							
September 2009 PR taxes			896,476	24,566							
October 2009 PR taxes			1,083,845	27,568							
November 2009 PR taxes			966,124	24,450							
December 2009 PR taxes			963,539	26,945							
			<u>10,474,720</u>	<u>282,346</u>						<u>10,757,066</u>	

(c) To reclass Montana income tax credit amount from other taxes payable to income taxes.  
(c) WEGM's books were cleared in 4Q03 and it was dissolved in 1Q04 but when the 2003 FIT return was done in 4Q04 it put an expense back on WEGM's books. All accounts will be cleared again at 12/04.

**PUGET ENERGY, INC.**

**BALANCE SHEET**

(Dollars in Thousands)

	December 31, 2009	December 31, 2008
<b>ASSETS:</b>		
<b>Utility Plant:</b>		
Electric	\$ 4,705,900	\$ 6,596,359
Gas	1,995,219	2,500,236
Common	284,758	550,368
Less: Accumulated Depreciation and Amortization	(185,474)	(3,358,816)
Net Utility Plant	<u>6,800,403</u>	<u>6,288,147</u>
<b>Other Property and Investments:</b>		
Goodwill	1,656,513	-
Investment in Bonneville Exchange Power Contract	26,450	29,976
Other Property and Investments:	127,073	118,039
<b>Total Other Property and Investments</b>	<u>1,810,036</u>	<u>148,015</u>
<b>Current Assets:</b>		
Cash	78,527	38,526
Restricted Cash	19,844	18,889
Accounts Receivable	328,110	209,955
Less: Allowance for Doubtful Accounts	(8,094)	(6,392)
Secure Pledged Accounts Receivable	-	158,000
Unbilled Revenues	208,948	248,649
Materials and Supplies	75,035	62,024
Fuel and Gas Inventory	96,483	120,205
Unrealized Gain on Derivative Instruments	14,948	15,618
Income Taxes	134,617	19,121
Prepaid Expense and other	13,117	14,964
Power contract fair value gain	169,171	-
Deferred Income Taxes	39,977	75,135
<b>Total Current Assets</b>	<u>1,170,683</u>	<u>974,694</u>
<b>Long-Term Assets:</b>		
Regulatory Asset for Deferred Income Taxes	89,303	95,417
Regulatory asset for PURPA buyout costs	78,162	110,838
Power Cost Adjustment Mechanism	8,529	3,126
Regulatory Assets Related to Power Contracts	210,340	-
Other Regulatory Assets	751,999	766,732
Unrealized Gain on Derivative Instruments	25,459	6,712
Power contract fair value gain	865,020	-
Other	90,206	40,421
<b>Total Long-Term Assets</b>	<u>2,119,018</u>	<u>1,023,246</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,900,140</u>	<u>\$ 8,434,102</u>
<b>CAPITALIZATION AND LIABILITIES:</b>		
<b>Capitalization:</b>		
Common Equity	\$ 3,423,468	\$ 2,273,201
Total Shareholders' Equity	<u>3,423,468</u>	<u>2,273,201</u>
Preferred Stock Subject to Mandatory Redemption	-	1,889
Junior Subordinated Notes	250,000	250,000
Long-Term Debt	3,790,698	2,270,860
Total Redeemable Securities and Long-Term Debt	<u>4,040,698</u>	<u>2,522,749</u>
<b>Total Capitalization</b>	<u>7,464,166</u>	<u>4,795,950</u>
<b>Current Liabilities:</b>		
Accounts Payable	321,287	342,254
Short-Term Debt	105,000	964,700
Current Maturities of Long-Term Debt	232,000	158,000
<b>Accrued expenses:</b>		
Purchased Gas Liability	49,587	8,892
Taxes	77,302	85,068
Salaries and Wages	30,654	35,280
Interest	52,540	36,074
Unrealized Loss on Derivative Instruments	168,783	236,866
Power contract fair value loss	94,223	-
Other	194,786	117,222
<b>Total Current Liabilities</b>	<u>1,326,162</u>	<u>1,984,356</u>
<b>Long-Term Liabilities:</b>		
Deferred Income Taxes	1,147,667	815,462
Unrealized Loss on Derivative Instruments	89,717	158,423
Regulatory Liabilities	261,990	219,221
Regulatory Liabilities related to power contracts	1,034,192	-
Power contract fair value loss	117,272	-
Other Deferred Credits	458,974	460,690
<b>Total Long-Term Liabilities</b>	<u>3,109,812</u>	<u>1,653,796</u>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u>\$ 11,900,140</u>	<u>\$ 8,434,102</u>

Puget Western and HEDC are consolidated at quarter end only.

Year to date Ended December 31, 2009 (GAAP)							PREDECESSOR							SUCCESSOR	
							01/31/2009							02/01- 12/31/2009	
	(0500)	(1000)	PSE	PE/PSE I/C	PE	PSE	Total	Feb / Dec	Feb / Dec	Feb / Dec	Feb / Dec	PE	PSE	Transfer out	Total
Puget Energy	PSE	Eliminate	Elimination	Merger Adjusting Entries	Merger Adjusting Entries	Puget Energy with Disc. Operations	(0500) Puget Energy	(1000) PSE	PSE Eliminate	PE/PSE I/C Elimination	Merger Adjusting Entries	Merger Adjusting Entries	to Merger Subsidiary	Puget Energy with Disc. Operations	
<b>Operating Revenues:</b>															
Electric		213,817,758				213,817,758		1,885,118,381	-					1,885,118,381	
Gas		190,000,751				190,000,751		1,034,743,758	-					1,034,743,758	
Non-utility operating revenue		93,687				93,687	380,574	4,925,924	-					5,288,498	
<b>Total operating revenue</b>		<b>403,712,196</b>				<b>403,712,196</b>	<b>380,574</b>	<b>2,924,788,041</b>						<b>2,925,148,615</b>	
<b>Operating Expenses:</b>															
<b>Energy Costs:</b>															
Purchased electricity		90,736,717				90,736,717	(529,408)	798,589,017	-					798,039,609	
Fuel		11,861,153				11,861,153		198,483,301	-					198,483,301	
Residential/Farm Exchange		(12,541,909)				(12,541,909)		(83,961,852)	-					(83,961,852)	
Purchased natural gas		120,925,018				120,925,018		507,935,357	-					507,935,357	
FAS-133 Unrealized (gain) loss		3,887,088				3,887,088	(151,480,866)	(5,120,720)	-					(156,801,385)	
Utility operations and maintenance		37,650,105				37,650,105		449,745,441	-					449,745,441	
Non-utility expense and other	3,898	108,188				112,086	2,249,440	14,422,860	-					16,672,300	
Merger and related costs	20,415,732	23,907,955				44,323,687	2,731,076	-	-					2,731,076	
Depreciation, deplet.&amort.		26,742,421				26,742,421	(188,747)	308,109,542	-					305,942,785	
Conservation amortization		7,591,740				7,591,740		58,874,738	-					58,874,738	
Taxes other than income taxes		36,935,162				36,935,162		266,424,475	-					266,424,475	
<b>Total operating expenses</b>	<b>20,419,830</b>	<b>347,893,618</b>				<b>368,303,248</b>	<b>(147,189,304)</b>	<b>2,597,482,158</b>						<b>2,450,285,854</b>	
<b>Operating Income</b>	<b>(20,419,830)</b>	<b>55,828,578</b>				<b>35,408,948</b>	<b>147,559,878</b>	<b>327,305,883</b>						<b>474,862,761</b>	
<b>Other Income (Deductions):</b>															
Charitable Foundation Funding							(5,000,000)	-	-					(5,000,000)	
Other income	31,835,882	3,853,162	(31,610,912)	(24,769)		3,853,162	127,880,271	49,158,356	(127,640,860)	(239,610)				49,158,357	
Other deductions		(368,710)				(368,710)		(8,153,896)	-					(8,153,896)	
<b>Interest charges:</b>															
AFUDC		350,318				350,318		8,863,603	-					8,863,603	
Interest expense		(17,315,419)		24,769		(17,290,647)	(71,488,297)	(194,188,687)	-					(205,874,984)	
Interest expense on Puget Energy note								(239,610)	-	239,610					
Preferred stock dividends of subsidiary															
<b>Income from Continuing Operations b/f</b>															
Income Taxes	11,216,051	42,147,932	(31,610,912)	-	-	21,753,071	198,948,852	184,747,849	(127,640,860)	-				256,055,841	
<b>Income Taxes</b>	<b>(1,539,594)</b>	<b>10,537,020</b>				<b>8,997,426</b>	<b>24,933,777</b>	<b>57,106,989</b>						<b>82,040,768</b>	
<b>Net Income from Continuing Operations</b>	<b>12,755,845</b>	<b>31,610,912</b>	<b>(31,610,912)</b>			<b>12,755,845</b>	<b>174,015,075</b>	<b>127,640,860</b>	<b>(127,640,860)</b>					<b>174,015,075</b>	
<b>Discontinued Operations</b>															
Income (loss) from discontinued operations - InfrastruX															
Net gain/loss from disposal of discon oper - InfrastruX															
Minority interest															
<b>Income b/f extraordinary item / acting change</b>	<b>12,755,845</b>	<b>31,610,912</b>	<b>(31,610,912)</b>			<b>12,755,845</b>	<b>174,015,075</b>	<b>127,640,860</b>	<b>(127,640,860)</b>					<b>174,015,075</b>	
<b>Extraordinary items / acting change</b>															
<b>Less Preferred Stock Dividends Accruals</b>															
<b>Preferred Stock Redemption</b>															
<b>Income for Common Stock</b>	<b>12,755,845</b>	<b>31,610,912</b>	<b>(31,610,912)</b>			<b>12,755,845</b>	<b>174,015,075</b>	<b>127,640,860</b>	<b>(127,640,860)</b>					<b>174,015,075</b>	

**PUGET EQUICO LLC**

**BALANCE SHEET**

(Dollars in Thousands)

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
<b>ASSETS:</b>		
<b>Utility Plant:</b>		
Electric	\$ 4,705,900	
Gas	1,995,219	
Common	284,758	
Less: Accumulated Depreciation and Amortization	(185,474)	
Net Utility Plant	<u>6,800,403</u>	<u>-</u>
<b>Other Property and Investments:</b>		
Goodwill	1,656,513	
Investment in Bonneville Exchange Power Contract	26,450	
Other Property and Investments:	127,073	
<b>Total Other Property and Investments</b>	<u>1,810,036</u>	<u>-</u>
<b>Current Assets:</b>		
Cash	78,619	
Restricted Cash	19,844	
Accounts Receivable	328,109	100
Less: Allowance for Doubtful Accounts	(8,094)	
Unbilled Revenues	208,948	
Materials and Supplies	75,035	
Fuel and Gas Inventory	96,483	
Unrealized Gain on Derivative Instruments	14,948	
Income Taxes	134,622	
Prepaid Expense and other	13,117	
Power Contract Acquisition Adjustment Gain	169,171	
Deferred Income Taxes	39,977	
<b>Total Current Assets</b>	<u>1,170,779</u>	<u>100</u>
<b>Long-Term Assets:</b>		
Regulatory Asset for Deferred Income Taxes	89,303	
Regulatory Asset for PURPA Buyout Costs	78,162	
Power Cost Adjustment Mechanism	8,529	
Regulatory Assets Related to Power Contracts	210,340	
Other Regulatory Assets	751,999	
Unrealized Gain on Derivative Instruments	25,459	
Power Contract Acquisition Adjustment Gain	865,020	
Other	90,206	14,949,225
<b>Total Long-Term Assets</b>	<u>2,119,018</u>	<u>14,949,225</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,900,236</u>	<u>\$ 14,949,325</u>
<b>CAPITALIZATION AND LIABILITIES:</b>		
<b>Capitalization:</b>		
Common Equity	\$ 3,423,574	\$ 8,646,024
Total Shareholders' Equity	<u>3,423,574</u>	<u>8,646,024</u>
Junior Subordinated Notes	250,000	
Long-Term Debt	3,790,698	
Total Redeemable Securities and Long-Term Debt	<u>4,040,698</u>	<u>-</u>
<b>Total Capitalization</b>	<u>7,464,272</u>	<u>8,646,024</u>
<b>Current Liabilities:</b>		
Accounts Payable	321,287	6,303,301
Short-Term Debt	105,000	
Current Maturities of Long-Term Debt	232,000	
<b>Accrued expenses:</b>		
Purchased Gas Liability	49,587	
Taxes	77,302	
Salaries and Wages	30,654	
Interest	52,540	
Unrealized Loss on Derivative Instruments	168,783	
Power Contract Acquisition Adjustment Loss	94,223	
Other	194,786	
<b>Total Current Liabilities</b>	<u>1,326,162</u>	<u>6,303,301</u>
<b>Long-Term Liabilities:</b>		
Deferred Income Taxes	1,147,656	
Unrealized Loss on Derivative Instruments	89,717	
Regulatory Liabilities	261,990	
Regulatory Liabilities Related to Power Contracts	1,034,192	
Power Contract Acquisition Adjustment Loss	117,272	
Other Deferred Credits	458,975	
<b>Total Long-Term Liabilities</b>	<u>3,109,802</u>	<u>-</u>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u>\$ 11,900,236</u>	<u>\$ 14,949,325</u>

Year to date Ended December 31, 2009 (GAAP)

	(0500) SUCCESSOR Puget Energy	Equico Eliminate	(0490) Puget Equico	(0501) Merger Sub	Merger Sub Eliminate	Total Puget Equico
<b>Operating Revenues:</b>						
Electric	1,885,118,361					1,885,118,361
Gas	1,034,743,756					1,034,743,756
Non-utility operating revenue	5,286,498					5,286,498
<b>Total operating revenue</b>	<b>2,925,148,615</b>					<b>2,925,148,615</b>
<b>Operating Expenses:</b>						
<b>Energy Costs:</b>						
Purchased electricity	796,039,609					796,039,609
Fuel	196,483,301					196,483,301
Residential/Farm Exchange	(83,961,852)					(83,961,852)
Purchased natural gas	597,935,357					597,935,357
FAS-133 Unrealized (gain) loss	(156,601,385)					(156,601,385)
Utility operations and maintenance	449,745,441					449,745,441
Non-utility expense and other	16,672,300		13,843			16,686,143
Merger and related costs	2,731,076			97,717,342		100,448,418
Depreciation, deplet.&amort.	305,942,795					305,942,795
Conservation amortization	56,874,738					56,874,738
Taxes other than income taxes	266,424,475					266,424,475
<b>Total operating expenses</b>	<b>2,450,285,855</b>		<b>13,843</b>	<b>97,717,342</b>		<b>2,548,017,040</b>
<b>Operating Income</b>	<b>474,862,760</b>		<b>(13,843)</b>	<b>(97,717,342)</b>		<b>377,131,575</b>
<b>Other Income (Deductions):</b>						
Charitable Foundation Funding	(5,000,000)					(5,000,000)
Other income	49,158,357	(174,015,074) A	85,672,592		88,342,483 B	49,158,358
Other deductions	(6,153,896)					(6,153,896)
<b>Interest charges:</b>						
AFUDC	8,863,603					8,863,603
Interest expense	(265,674,984)					(265,674,984)
<b>Preferred stock dividends of subsidiary</b>						
<b>Income from Continuing Operations b/f Income Taxes</b>	<b>258,055,840</b>	<b>(174,015,074)</b>	<b>85,658,749</b>	<b>(97,717,342)</b>	<b>88,342,483</b>	<b>158,324,656</b>
<b>Income Taxes</b>	<b>82,040,766</b>		<b>(15,688)</b>	<b>(9,374,859)</b>		<b>72,650,219</b>
<b>Net Income from Continuing Operations</b>	<b>174,015,074</b>	<b>(174,015,074)</b>	<b>85,674,437</b>	<b>(88,342,483)</b>	<b>88,342,483</b>	<b>85,674,437</b>

Elimination Explanation

- A Elimination of PE retained earnings.
- B Elimination of Merger Sub retained earnings.

**PUGET INTERMEDIATE HOLDINGS, INC**  
**BALANCE SHEET**  
(Dollars in Thousands)

	December 31, 2009	December 31, 2008
<b>ASSETS:</b>		
<b>Utility Plant:</b>		
Electric	\$ 4,705,900	
Gas	1,995,219	
Common	284,758	
<b>Less: Accumulated Depreciation and Amortization</b>	<b>(185,474)</b>	
Net Utility Plant	6,800,403	-
<b>Other Property and Investments:</b>		
Goodwill	1,656,513	
Investment in Bonneville Exchange Power Contract	26,450	
Other Property and Investments:	127,073	
<b>Total Other Property and Investments</b>	<b>1,810,036</b>	-
<b>Current Assets:</b>		
Cash	78,810	
Restricted Cash	19,844	
Accounts Receivable	328,108	100
Less: Allowance for Doubtful Accounts	(8,094)	
Unbilled Revenues	208,948	
Materials and Supplies	75,035	
Fuel and Gas Inventory	96,483	
Unrealized Gain on Derivative Instruments	14,948	
Income Taxes	83,613	
Prepaid Expense and other	13,117	
Power Contract Acquisition Adjustment Gain	169,171	
Deferred Income Taxes	39,977	
<b>Total Current Assets</b>	<b>1,119,960</b>	<b>100</b>
<b>Long-Term Assets:</b>		
Regulatory Asset for Deferred Income Taxes	89,303	
Regulatory Asset for PURPA Buyout Costs	78,162	
Power Cost Adjustment Mechanism	8,529	
Regulatory Assets Related to Power Contracts	210,340	
Other Regulatory Assets	751,999	
Unrealized Gain on Derivative Instruments	25,459	
Power Contract Acquisition Adjustment Gain	865,020	
Other	90,206	14,949,225
<b>Total Long-Term Assets</b>	<b>2,119,018</b>	<b>14,949,225</b>
<b>TOTAL ASSETS</b>	<b>11,849,417</b>	<b>14,949,325</b>
<b>CAPITALIZATION AND LIABILITIES:</b>		
<b>Capitalization:</b>		
Common Equity	\$ 1,926,779	\$ 8,646,024
Total Shareholders' Equity	1,926,779	8,646,024
Junior Subordinated Notes	250,000	
Long-Term Debt - Investors	1,562,982	
Long-Term Debt - Other	3,790,698	
Total Redeemable Securities and Long-Term Debt	5,603,680	-
<b>Total Capitalization</b>	<b>7,530,459</b>	<b>8,646,024</b>
<b>Current Liabilities:</b>		
Accounts Payable	321,287	6,303,301
Short-Term Debt	105,000	
Current Maturities of Long-Term Debt	232,000	
Accrued expenses:		
Purchased Gas Liability	49,587	
Taxes	77,302	
Salaries and Wages	30,654	
Interest - Investors	563	
Interest - Other	52,540	
Unrealized Loss on Derivative Instruments	168,783	
Power Contract Acquisition Adjustment Loss	94,223	
Other	194,786	
<b>Total Current Liabilities</b>	<b>1,326,725</b>	<b>6,303,301</b>
<b>Long-Term Liabilities:</b>		
Deferred Income Taxes	1,030,088	
Unrealized Loss on Derivative Instruments	89,717	
Regulatory Liabilities	261,990	
Regulatory Liabilities Related to Power Contracts	1,034,192	
Power Contract Acquisition Adjustment Loss	117,272	
Other Deferred Credits	458,974	
<b>Total Long-Term Liabilities</b>	<b>2,992,233</b>	-
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 11,849,417</b>	<b>\$ 14,949,325</b>

Year to date Ended December 31, 2009 (GAAP)

	(0480) Puget Intermediate	(0490) Puget Equico	Equico Eliminate	Equico/PE Elimination	Total Puget Intermediate
<b>Operating Revenues:</b>					
Electric		1,885,118,361			1,885,118,361
Gas		1,034,743,756			1,034,743,756
Non-utility operating revenue		5,286,498			5,286,498
<b>Total operating revenue</b>		<b>2,925,148,615</b>			<b>2,925,148,615</b>
<b>Operating Expenses:</b>					
<b>Energy Costs:</b>					
Purchased electricity		796,039,609			796,039,609
Fuel		196,483,301			196,483,301
Residential/Farm Exchange		(83,961,852)			(83,961,852)
Purchased natural gas		597,935,357			597,935,357
FAS-133 Unrealized (gain) loss		(156,601,385)			(156,601,385)
Utility operations and maintenance		449,745,441			449,745,441
Non-utility expense and other	22,445	16,686,143			16,708,588
Merger and related costs		100,448,418			100,448,418
Depreciation, deplet.& amort.		305,942,795			305,942,795
Conservation amortization		58,874,738			58,874,738
Taxes other than income taxes		268,424,475			268,424,475
<b>Total operating expenses</b>	<b>22,445</b>	<b>2,548,017,040</b>			<b>2,548,039,485</b>
<b>Operating Income</b>	<b>(22,445)</b>	<b>377,131,575</b>			<b>377,109,130</b>
<b>Other Income (Deductions):</b>					
Charitable Foundation Funding		(5,000,000)			(5,000,000)
Other income	85,674,437	49,158,358	(85,674,437)		49,158,358
Other deductions		(6,153,896)			(6,153,896)
<b>Interest charges:</b>					
AFUDC		8,863,603			8,863,603
Interest expense - Investors	(190,106,804)				(190,106,804)
Interest expense		(265,674,984)			(265,674,984)
Preferred stock dividends of subsidiary		-			-
<b>Income from Continuing Operations b/f Income Taxes</b>	<b>(104,454,812)</b>	<b>158,324,656</b>	<b>(85,674,437)</b>		<b>(31,804,593)</b>
<b>Income Taxes</b>	<b>(68,558,859)</b>	<b>72,650,219</b>			<b>6,091,360</b>
<b>Net Income from Continuing Operations</b>	<b>(37,895,953)</b>	<b>85,674,437</b>	<b>(85,674,437)</b>		<b>(37,895,953)</b>

**PUGET HOLDINGS LLC**  
**BALANCE SHEET**  
(Dollars in Thousands)

	December 31, 2009	December 31, 2008
<b>ASSETS:</b>		
<b>Utility Plant:</b>		
Electric	\$ 4,705,900	\$ -
Gas	1,995,219	-
Common	284,758	-
Less: Accumulated Depreciation and Amortization	(185,474)	-
Net Utility Plant	6,800,403	-
<b>Other Property and Investments:</b>		
Goodwill	1,656,513	-
Investment in Bonneville Exchange Power Contract	26,450	-
Other Property and Investments:	127,073	-
<b>Total Other Property and Investments</b>	<b>1,810,036</b>	<b>-</b>
<b>Current Assets:</b>		
Cash	80,109	2,036
Restricted Cash	19,844	76,519
Accounts Receivable	328,098	-
Less: Allowance for Doubtful Accounts	(8,094)	-
Unbilled Revenues	208,948	-
Materials and Supplies	75,035	-
Fuel and Gas Inventory	96,483	-
Unrealized Gain on Derivative Instruments	14,948	278
Income Taxes	81,819	340
Prepaid Expense and other	13,117	6
Power Contract Acquisition Adjustment Gain	169,171	-
Deferred Income Taxes	39,977	-
<b>Total Current Assets</b>	<b>1,119,455</b>	<b>79,179</b>
<b>Long-Term Assets:</b>		
Regulatory Asset for Deferred Income Taxes	89,303	-
Regulatory Asset for PURPA Buyout Costs	78,162	-
Power Cost Adjustment Mechanism	8,529	-
Regulatory Assets Related to Power Contracts	210,340	-
Other Regulatory Assets	751,999	-
Unrealized Gain on Derivative Instruments	25,459	-
Power Contract Acquisition Adjustment Gain	865,020	-
Other	90,206	14,949
<b>Total Long-Term Assets</b>	<b>2,119,018</b>	<b>14,949</b>
<b>TOTAL ASSETS</b>	<b>\$ 11,848,912</b>	<b>\$ 94,128</b>
<b>CAPITALIZATION AND LIABILITIES:</b>		
<b>Capitalization:</b>		
Common Equity	\$ 1,935,227	\$ 87,825
Total Shareholders' Equity	1,935,227	87,825
Junior Subordinated Notes	250,000	-
Long-Term Debt - Investors	1,562,982	-
Long-Term Debt - Other	3,790,698	-
Total Redeemable Securities and Long-Term Debt	5,603,680	-
<b>Total Capitalization</b>	<b>7,538,907</b>	<b>87,825</b>
<b>Current Liabilities:</b>		
Accounts Payable	321,287	6,303
Short-Term Debt	105,000	-
Current Maturities of Long-Term Debt	232,000	-
Purchased Gas Liability	49,587	-
Taxes	77,302	-
Salaries and Wages	30,654	-
Interest - Investors	563	-
Interest - Other	52,540	-
Unrealized Loss on Derivative Instruments	168,783	-
Power Contract Acquisition Adjustment Loss	94,223	-
Other	194,786	-
<b>Total Current Liabilities</b>	<b>1,326,725</b>	<b>6,303</b>
<b>Long-Term Liabilities:</b>		
Deferred Income Taxes	1,021,135	-
Unrealized Loss on Derivative Instruments	89,717	-
Regulatory Liabilities	261,990	-
Regulatory Liabilities Related to Power Contracts	1,034,192	-
Power Contract Fair Value Loss	117,272	-
Power Contract Acquisition Adjustment Loss	458,974	-
<b>Total Long-Term Liabilities</b>	<b>2,983,280</b>	<b>-</b>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 11,848,912</b>	<b>\$ 94,128</b>

Puget Western and HEDC are consolidated at quarter end only.

Year to date Ended December 31, 2009 (GAAP)

	Puget Holdings	(0490) Puget Intermediate	Equico Eliminate	Equico/PE Elimination	Total Puget Holdings
<b>Operating Revenues:</b>					
Electric		1,885,118,361			1,885,118,361
Gas		1,034,743,756			1,034,743,756
Non-utility operating revenue		5,286,498			5,286,498
<b>Total operating revenue</b>		<b>2,925,148,615</b>	<b>-</b>	<b>-</b>	<b>2,925,148,615</b>
<b>Operating Expenses:</b>					
<b>Energy Costs:</b>					
Purchased electricity		796,039,609			796,039,609
Fuel		196,483,301			196,483,301
Residential/Farm Exchange		(83,961,852)			(83,961,852)
Purchased natural gas		597,935,357			597,935,357
FAS-133 Unrealized (gain) loss		(156,601,385)			(156,601,385)
Utility operations and maintenance		449,745,441			449,745,441
Non-utility expense and other	1,199,388	16,708,588			17,907,976
Merger and related costs	762,261	100,448,418			101,210,679
Depreciation, deplet. & amort.		305,942,795			305,942,795
Conservation amortization		58,874,738			58,874,738
Taxes other than income taxes		266,424,475			266,424,475
<b>Total operating expenses</b>	<b>1,961,649</b>	<b>2,548,039,485</b>	<b>-</b>	<b>-</b>	<b>2,550,001,134</b>
<b>Operating Income</b>	<b>(1,961,649)</b>	<b>377,109,130</b>	<b>-</b>	<b>-</b>	<b>375,147,481</b>
<b>Other Income (Deductions):</b>					
Charitable Foundation Funding		(5,000,000)			(5,000,000)
Other income	(37,895,952)	49,158,358	37,895,953		49,158,359
Other deductions		(6,153,896)			(6,153,896)
<b>Interest charges:</b>					
AFUDC		8,863,603			8,863,603
Interest expense - Investors		(190,106,804)			(190,106,804)
Interest expense	(278,321)	(265,674,984)			(265,953,305)
Preferred stock dividends of subsidiary		-			-
<b>Income from Continuing Operations b/f Income Taxes</b>	<b>(40,135,922)</b>	<b>(31,804,593)</b>	<b>37,895,953</b>	<b>-</b>	<b>(34,044,562)</b>
<b>Income Taxes</b>	<b>(8,952,982)</b>	<b>6,091,360</b>	<b>-</b>	<b>-</b>	<b>(2,861,622)</b>
<b>Net Income from Continuing Operations</b>	<b>(31,182,940)</b>	<b>(37,895,953)</b>	<b>37,895,953</b>	<b>-</b>	<b>(31,182,940)</b>

**PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT**

**EXHIBIT 4**



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/s/ James W. Eldredge  
Vice President and Controller

/s/ Michael J. Stranik  
Assistant Controller

**BACKGROUND**

On January 16, 2009 pursuant to the First Condition of Order No. 08 issued by the Commission on December 30, 2008 in Docket No. U-072375, Puget Holdings LLC ("Puget Holdings") and Puget Sound Energy, Inc. ("PSE") accepted each of the conditions set forth in Attachment B to Order No. 08 as to the purchase of PSE by Puget Holdings. Puget Holdings closed on the purchase of the outstanding common stock of Puget Energy, Inc. (Puget Energy) on February 6, 2009 and in doing so accepted the terms of the Washington Utilities and Transportation Commission's order.

In Order No. 08 the Washington Utilities and Transportation Commission, approved and adopted subject to conditions a Settlement Stipulation proposed by all parties except Public Counsel, authorizing Puget Holdings to acquire Puget Energy, and its wholly-owned subsidiary PSE. As part of the requirements in Docket No. UE-072375 PSE must adhere to the following commitments<sup>1</sup> from the Settlement Stipulation regarding allocation of costs:

- 9. PSE will (i) maintain separate books and records; (ii) agree to prohibitions against loans or pledges of utility assets to Puget Energy or Public Holdings without Commission approval; and (iii) generally hold PSE customers harmless from any business and financial risk exposures associated with Puget Energy, Puget Holdings, or any of their subsidiaries or affiliates, without Commission approval.
- 19. Puget Holdings and PSE will make reasonable commitments, consistent with recent Commission merger orders, to provide access to PSE's books and records; access to financial information and filings; audit rights with respect to the documents supporting any costs that may be allocable to PSE; and access to PSE's board

<sup>1</sup> Please see Attachment B to Order No. 08, Docket No. U-072375 for further Commission clarification regarding several of the listed commitments.



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minutes, audit reports, and information provided to credit rating agencies pertaining to PSE.

20. Affiliate Transactions, Cross-Subsidization: PSE agrees (i) to file cost allocation methodologies used to allocate Puget Energy or Puget Holdings-related costs to PSE; (ii) to propose methods and standards for treatment of affiliate transactions; and (iii) that there will be no cross-subsidization by PSE customers of unregulated activities.
21. Transaction Costs: PSE and Puget Holdings agree that there will be no recovery of legal and financial advisory fees associated with the Proposed Transaction in rates and no recovery of the acquisition premium in rates.
26. In furtherance of Commitment 9:
  - (a) Puget Holdings and PSE commit that PSE's customers will be held harmless from the liabilities of any non-regulated activity of PSE or Puget Holdings. In any proceeding before the Commission involving rates of PSE, the fair rate of return for PSE will be determined without regard to any adverse consequences that are demonstrated to be attributable to the non-regulated activities. Any new non-regulated subsidiary will be established as a subsidiary of either Puget Holdings, Puget Intermediate Holdings Inc., or Puget Energy rather than as a subsidiary of PSE. Measures providing for separate financial and accounting treatment will be established for each non-regulated activity.
  - (b) Puget Holdings and PSE will notify the Commission subsequent to Puget Holdings' board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of Puget Holdings; or (2) the change in effective control or acquisition of any material part of PSE by any other firm, whether by merger, combination, transfer of stock or assets.
  - (c) Neither PSE nor Puget Holdings will assert in any future proceedings, that, by virtue of the Proposed Transaction and the



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resulting corporate structure, the Commission is without jurisdiction over any transaction that results in a change of control of PSE.

27. In furtherance of Commitment 19:
- (a) PSE and Puget Holdings will maintain the necessary books and records so as to provide an audit trail for all corporate, affiliate, or subsidiary transactions with PSE, or that result in costs that may be allocable to PSE.
  - (b) PSE will provide Commission Staff and Public Counsel access to books and records (including those of Puget Holdings or any affiliate or subsidiary companies) required to be accessed to verify or examine transactions with PSE, or that result in costs that may be allocable to PSE. The Proposed Transaction will not result in reduced access to the necessary books and records that relate to transactions with PSE, or that result in costs that may be allocable to PSE, and the Proposed Transaction and resulting corporate structure will not be used by PSE as a basis to oppose requests for such books and records made by the Commission or by Commission Staff or Public Counsel.
  - (c) Nothing in the Proposed Transaction will limit or affect the Commission's rights with respect to inspection of accounts, books, papers and documents of PSE pursuant to RCW 80.04.070 or RCW 80.16.030. Nothing in the Proposed Transaction will limit or affect the Commission's rights with respect to inspection of accounts, books, papers and documents of Puget Holdings pursuant to RCW 80.16.030; provided, that such right to inspection shall be limited to those accounts, books, papers and documents of Puget Holdings that pertain to transactions affecting PSE's regulated utility operations.
  - (d) Puget Holdings and PSE will provide the Commission with access to written information provided by and to credit rating agencies that pertains to PSE. Puget Holdings and each of its members will also provide the Commission with access to written information provided by and to credit rating agencies that pertains to Puget



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Holdings' subsidiaries to the extent such information may potentially affect PSE.

28. In furtherance of Commitment 20:
- (a) If and when any subsidiary of PSE becomes a subsidiary of Puget Holdings, Puget Intermediate Holdings Inc., or Puget Energy, PSE will so advise the Commission within thirty (30) days and will submit to the Commission a written document setting forth PSE's proposed corporate and affiliate cost allocation methodologies.
  - (b) PSE will notify the Commission of any change in corporate structure that affects PSE's corporate and affiliate cost allocation methodologies. PSE will propose revisions to such cost allocation methodologies to accommodate such changes. PSE will not argue that compliance with this provision constitutes approval by the Commission of a particular methodology for corporate and affiliate cost allocation.
  - (c) PSE and Puget Holdings will comply with all applicable provisions of Title 80 RCW, including those pertaining to transfers of property under Chapter 80.12 RCW, affiliated interests under Chapter 80.16 RCW, and securities and the assumption of obligations and liabilities under Chapter 80.08 RCW.
  - (d) With respect to the ratemaking treatment of affiliate transactions, PSE and Puget Holdings will comply with the Commission's then-existing practice; provided, however, that nothing in this Commitment limits PSE from also proposing a different ratemaking treatment for the Commission's consideration or limit the positions any other party may take with respect to ratemaking treatment.
  - (e) PSE will bear the burden of proof in any general rate case that any corporate and affiliate cost allocation methodology it proposes is reasonable for ratemaking purposes. Neither PSE nor Puget Holdings will contest the Commission's authority to disallow, for retail ratemaking purposes in a general rate case, unsupported, unreasonable, or misallocated costs from non-regulated or affiliate businesses to PSE's regulated utility operations.



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29. PSE and Puget Holdings acknowledge that all existing orders issued by the Commission with respect to PSE or its predecessors, Puget Sound Power & Light Company and Washington Natural Gas Company, will remain in effect, and are not modified or otherwise affected by the Proposed Transaction or any order of the Commission approving the Proposed Transaction. Notwithstanding the immediately preceding sentence, the Commission's *Order Accepting Stipulation and Approving Corporate Reorganization to Create a Holding Company, With Conditions*, dated August 15, 2000, in Docket No. UE-991779 will be superseded and replaced in its entirety by any order of the Commission approving the Proposed Transaction.

As part of the merger proceeding in Docket No. UE-960195, the Commission reviewed and approved the cost allocation methodology presented by PSE. In the Commission order on page 48, it states:

- h. The method for allocating costs between electric and gas operations and for accounting for intra-company transfers of natural gas set forth in the Stipulation shall be implemented.*

In Exhibit T-21 of Docket UE-960195, Merger Application, the direct testimony proposes cost allocation methodology for electric, gas, common and non-regulated business. The cost allocation factors were:

1. *direct charging;*
2. *allocation using causal relationship; and*
3. *allocation using a general allocation factor.*

In the direct testimony, direct charging and allocation using causal relationships are defined as:

*Direct charging - Direct charging will be the preferred method for assignment of costs. When a cost can be uniquely identified to one service or the other, the costs will be charged to an account for that specific service.*



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*Allocation using causal relationships – Costs that cannot be directly charged to one service or the other. Costs will be allocated based upon a common cause of the cost.*

In addition, the direct testimony addresses nonregulated subsidiary companies. In the testimony, when utility personnel provide services to nonregulated subsidiaries, the subsidiary would be billed for the salary, employee benefits and facility costs associated with the supporting the utility employee. This methodology as discussed in the Docket No. UE-960195 is consistent with previous cost allocations of Puget Sound Power & Light Company. Below is an excerpt from this testimony:

*Where practical, nonregulated subsidiaries will maintain separate facilities for staff and operations. The cost for these facilities and personnel will be charged to nonoperating expenses using the FERC system of accounts. When utility personnel provide service to the nonregulated subsidiary, the subsidiary will be billed for the salary, employee benefits and facility costs associated with supporting the utility employee. Facility costs will include an allocation for building rental, telephone service, purchasing support, payroll support, human resource and administrative support. Charges by subsidiary to the regulated company would have a similar overhead applied to its labor costs.*

**GUIDELINE**

The purpose of this guideline is that PSE customers must be held harmless from the liabilities of any non-regulatory activities of PSE, Puget Holdings or other Puget Holdings' affiliated entities. The following guidelines are intended to establish procedures for allocating costs that are corporate in nature among and between PSE, Puget Holdings and its affiliates. Allocations will be based upon direct charging or an allocation using causal relationship. Any related transactions will be charged on a monthly basis to the appropriate company.

When utility personnel provide service to Puget Holdings, affiliates or subsidiaries, utility personnel will directly charge their time. In addition to their direct labor, labor overheads will be applied along with a facility overhead. Labor overheads will include the following overhead rates that are applied on direct labor: benefits, payroll tax, PTO, and incentives. Facility overhead includes an allocation for building rental, telephone service, purchasing support, payroll support, and accounting support that is applied on direct labor.



# PUGET SOUND ENERGY

The Energy To Do Great Things

**CTM-8**

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For cost allocation purposes herein, factors used for causal relationships will be determined as of December 31 of each year. Below are general guidelines for determining cost allocation of corporate related costs:

<b>Function</b>	<b>Basis of Allocation</b>
Salaries/Employee Expenses	Direct charging
PSE independent Directors' Fees/Expenses	Direct charging
Reimbursements of expenses of non-independent directors of PSE	Puget Holdings
Directors' & Officers Liability Insurance	Direct or Causal
SEC and Other Regulatory Filing Fees	Direct or Causal
Audit Fees	Direct charging
Consultants and contract labor costs	Direct charging
Line of Credit Fees and interest payments	Direct charging
Legal Fees	Direct charging
Impacts related to FAS-141R business combination accounting requirements	Direct charging
Rating Agency Fees	Direct charging