

06-100694-ST



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 10:57
MAIL ROOM
COMMUNICATIONS SECTION

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> |
|---|----------------|
| <u>Puget Holdings LLC</u> | |
| Accounts payable to PSE | \$ 9,256 |
| <u>Puget Intermediate Holdings, Inc.</u> | |
| Accounts payable to PSE | \$ 992 |
| <u>Puget Equico LLC</u> | |
| Accounts payable to PSE | \$ 1,765 |
| <u>Puget Energy, Inc.</u> | |
| 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 |
| <u>Puget Western, Inc.</u> | |
| 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 |
| <u>Hydro Energy Development Corp</u> | |
| Accounts payable to PSE | \$ 8,392 |
| Reimbursement of labor and other expenses to PSE | \$ 172,885 |
| <u>PSE Funding, Inc.⁽¹⁾</u> | |
| 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.

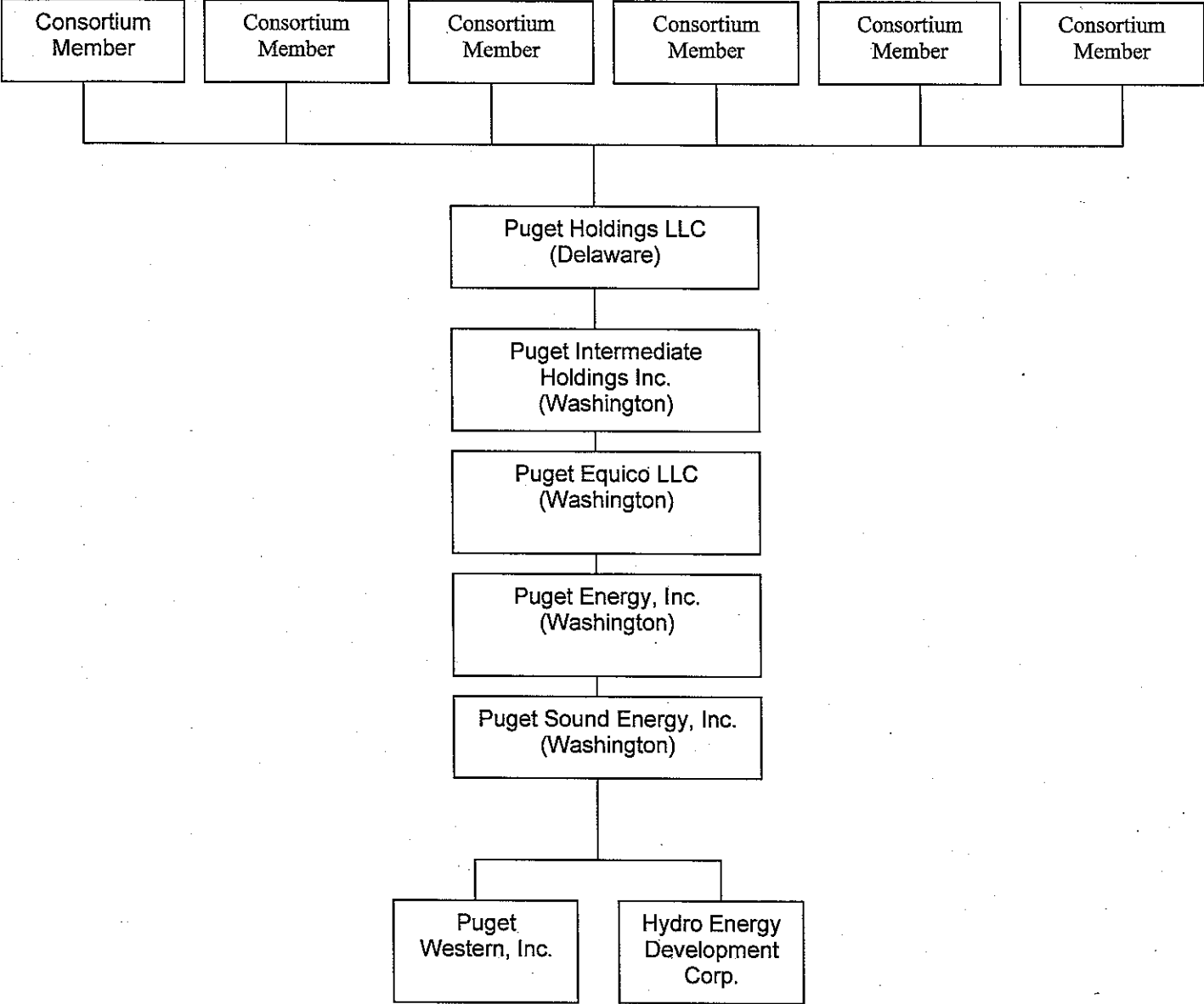
PUGET EQUICO, LLC (Puget Equico) is a limited liability energy services holding company formed on October 1, 2008 in the State of Washington, which directly owns Puget Energy. All of the operations of Puget Equico are conducted through its indirect subsidiary, PSE. Puget Equico has its principal executive 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 4th 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 4th 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 |
|--|--------------------------|--------------------------|----------------------------------|
| CURRENT ASSETS | | | |
| 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 |
| Total Current Assets | 11,559,127 | 12,307,973 | (748,846) |
| Long-Term Assets | | | |
| 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) |
| Investments | | | |
| 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) |
| Property Leased to Others | | | |
| Land Held for Sale or Development | | | |
| 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 |
| TOTAL ASSETS | 51,210,711 | 51,187,166 | 23,545 |

Puget Western, Inc.
BALANCE SHEET
DECEMBER 31, 2009

| | PERIOD ENDED 12/31/09 | PERIOD ENDED 12/31/08 | \$ CHANGE FROM PRIOR YEAR END |
|---------------------------------------|--------------------------|--------------------------|----------------------------------|
| CURRENT LIABILITIES | | | |
| 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 |
| Total Current Liabilities | 331,254 | 388,268 | (57,014) |
| LONG-TERM LIABILITIES | | | |
| 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 |
| Total Long-Term Liabilities | 542,093 | 1,693,003 | (1,150,910) |
| TOTAL LIABILITIES | 873,347 | 2,081,271 | (1,207,924) |
| EQUITY | | | |
| 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) |
| TOTAL EQUITY | 50,337,364 | 49,105,895 | 1,231,469 |
| TOTAL LIABILITIES & EQUITY | 51,210,711 | 51,187,166 | 23,545 |

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 |
|---------------------------------|--------------------------|---------------------------------|--------------------|--------------------------|--------------------|
| INCOME | | | | | |
| 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 |
| GROSS PROFIT ON SALES | 1,836,007 | 5,798,600 | (3,962,593) | 5,231,681 | (3,395,674) |
| 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 |
| TOTAL INCOME | 3,121,135 | 6,421,100 | (3,299,965) | 6,336,394 | (3,215,259) |
| EXPENSE | | | | | |
| 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) |
| TOTAL EXPENSE | 1,226,568 | 1,903,500 | 676,932 | 1,186,067 | 40,501 |
| INCOME (LOSS) BEFORE FIT | 1,894,567 | 4,517,600 | (2,623,033) | 5,150,327 | (3,255,760) |
| Federal Income Tax | 663,099 | 1,567,200 | 904,101 | 1,802,614 | (1,139,515) |
| NET INCOME (LOSS) | 1,231,468 | 2,950,400 | (1,718,932) | 3,347,713 | (2,116,245) |

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 |
| Total Current Assets | 148,208.05 | 198,534.79 | - | 346,742.84 | 355,946.59 |
| 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) |
| Total Property and Equipment | 0.00 | 646,111.31 | 0.00 | 646,111.31 | 6,874,362.86 |
| Other Assets | | | | | |
| Inv--Black Creek Hydro | 1,500,000.00 | - | (1,500,000.00) | - | - |
| Total Other Assets | 1,500,000.00 | 0.00 | (1,500,000.00) | - | - |
| Total Assets | \$ 1,648,208.05 | \$ 844,646.10 | \$(1,500,000.00) | \$ 992,854.15 | \$ 7,230,309.45 |
| LIABILITIES AND CAPITAL | | | | | |
| 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 | - | - | - | - | - |
| Total Current Liabilities | 36,433.26 | 43,092.41 | - | 79,525.67 | 61,777.89 |
| Long-Term Liabilities | | | | | |
| Deferred taxes | (665,698.00) | (698,446.31) | - | (1,364,144.31) | 1,333,047.43 |
| Total Liabilities | (629,264.74) | (655,353.90) | - | (1,284,618.64) | 1,394,825.32 |
| 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 |
| Total Capital | 2,277,472.79 | 1,500,000.00 | (1,500,000.00) | 2,277,472.79 | 5,835,484.13 |
| Total Liabilities & Capital | \$ 1,648,208.05 | \$ 844,646.10 | \$(1,500,000.00) | \$ 992,854.15 | \$ 7,230,309.45 |
| | - | 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 |
| Revenues | | | | | |
| Sub income-BCH | \$ (4,142,066.84) | \$ 138,789.13 | \$ 4,142,066.84 | \$ 138,789.13 | \$ 12,996.69 |
| Total Revenues | (4,142,066.84) | 138,789.13 | 4,142,066.84 | 138,789.13 | 12,996.69 |
| Expenses | | | | | |
| 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 | - |
| Total Expenses | 17,965.84 | 6,510,724.26 | - | 6,528,690.10 | 4,293.99 |
| Operating Income | (4,160,032.68) | (6,371,935.13) | 4,142,066.84 | (6,389,900.97) | 8,702.70 |
| Other Income (Deductions): | | | | | |
| Other Income | 226.60 | - | - | 226.60 | 13,662.22 |
| Income Before Taxes | (4,159,806.08) | (6,371,935.13) | 4,142,066.84 | (6,389,674.37) | 22,364.92 |
| 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 |
| Total FIT | (671,906.74) | (2,229,868.29) | - | (2,901,775.03) | 8,005.71 |
| Net Income | \$ (3,487,899.34) | \$ (4,142,066.84) | \$ 4,142,066.84 | \$ (3,487,899.34) | \$ 14,359.21 |

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> |
|---|--------------------------|--------------------------|
| ASSETS: | | |
| Utility Plant: | | |
| Electric | 7,046,379 | \$ 6,596,359 |
| Gas | 2,637,003 | 2,500,236 |
| Common | 539,296 | 550,368 |
| Less: Accumulated Depreciation and Amortization | (3,453,165) | (3,358,816) |
| Net Utility Plant | <u>6,769,513</u> | <u>6,288,147</u> |
| Other property and investments | | |
| Investment in Bonneville Exchange Power Contract | 26,450 | 29,976 |
| Other Property and Investments | 116,267 | 118,039 |
| Total other property and investments | <u>142,717</u> | <u>148,015</u> |
| Current Assets: | | |
| 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 |
| Total current assets | <u>953,425</u> | <u>976,503</u> |
| Other long-term and regulatory assets: | | |
| 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 |
| Total other long-term and regulatory assets | <u>950,916</u> | <u>1,023,190</u> |
| TOTAL ASSETS | <u>\$ 8,816,571</u> | <u>\$ 8,435,855</u> |
| CAPITALIZATION AND LIABILITIES: | | |
| Capitalization: | | |
| 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> |
| Total capitalization | <u>5,971,932</u> | <u>4,771,935</u> |
| Current liabilities: | | |
| 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 |
| Accrued expenses: | | |
| 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 |
| Total current liabilities | <u>1,127,560</u> | <u>2,009,449</u> |
| Long-term liabilities and regulatory liabilities: | | |
| 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 |
| Total long-term liabilities and regulatory liabilities | <u>1,717,079</u> | <u>1,654,471</u> |
| TOTAL CAPITALIZATION AND LIABILITIES | <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 | and/or | Puget | and/or | TOTAL |
| | | | | | | Elimination | Western | Elimination | |
| 1 | | | | | | | | | |
| 2 | | | | | | | | | |
| 3 | | | | | | | | | |
| 4 | | | | | | | | | |
| 5 | | | | | | | | | |
| 6 | ASSETS: | | | | | | | | |
| 7 | Utility Plant: | | | | | | | | |
| 8 | Electric | 7,046,378,513 | | | | | | | 7,046,378,513 |
| 9 | Gas | 2,637,003,155 | | | | | | | 2,637,003,155 |
| 10 | Common | 539,296,223 | | | | | | | 539,296,223 |
| 11 | Less: Accumulated deprec and amort | (3,453,164,539) | | | | | | | (3,453,164,539) |
| 12 | Net Plant | 6,769,513,352 | | | | | | | 6,769,513,352 |
| 13 | | | | | | | | | |
| 14 | Other Property and Investments: | | | | | | | | |
| 15 | Investment in Bonneville Exchange Power Contract | 26,449,558 | | | | | | | 26,449,558 |
| 16 | Non-Utility Plant | 3,250,232 | | | 646,111 | | 3,828 | | 3,900,171 |
| 17 | Non-Utility Accumulated Depreciation | (521,760) | | | | | | | (521,760) |
| 18 | Non-Utility Property | 2,728,472 | | | | | | | 3,378,411 |
| 19 | Investment in & Advances to Subs. | 52,614,832 | | | | (2,277,473) | | (50,337,364) | (5) |
| 20 | Other | 70,185,375 | | | | | 42,703,528 | | 112,888,903 |
| 21 | Total Other Property and Investments | 151,978,237 | | | | | | | 142,716,868 |
| 22 | Current Assets: | | | | | | | | |
| 23 | Cash | 91,200,317 | (18,906,742) | | 141,999 | | 5,971,770 | | 78,407,345 |
| 24 | Restricted cash | - | 19,027,823 | | | | 816,242 | | 19,843,865 |
| 25 | Accounts Receivable (Rpt Node) | 330,235,370 | (2,160,618) | | | | 83,733 | | 328,158,485 |
| 26 | Less allowance for doubtful accounts | (8,093,617) | - | | | | | | (8,093,617) |
| 27 | Secure Pledged Accounts Receivable | - | - | | | | | | - |
| 28 | Unbilled revenues | 208,948,402 | - | | | | | | 208,948,402 |
| 29 | Purchased Gas Adjustment Receivable (PGA) | (49,587,265) | 49,587,265 | | | | | | - |
| 30 | Materials and Supplies | 64,604,448 | | | | | | | 64,604,448 |
| 31 | Fuel and Gas Inventory | 95,813,412 | | | | | | | 95,813,412 |
| 32 | Current Portion FAS 133 Unrealized Gain/Loss (ST) | 14,947,795 | | | | | | | 14,947,795 |
| 33 | Income Taxes | - | 99,742,733 | | 204,744 | | | | 99,947,477 |
| 34 | Prepaid Expense and other | 11,257,283 | | | | | 809,857 | | 12,067,140 |
| 35 | Taxes Receivable | - | | | | | | | - |
| 36 | Current Portion of Deferred Income Taxes | 14,615,205 | | 23,500,364 | | 665,698 | | | 38,781,268 |
| 37 | Total Current Assets | 773,941,351 | | | | | | | 953,426,019 |
| 38 | Long-Term and Regulatory Assets: | | | | | | | | |
| 39 | Regulatory assets: | | | | | | | | |
| 40 | Regulatory asset for deferred income taxes | 89,303,086 | | | | | | | 89,303,086 |
| 41 | Regulatory asset for PURPA buyout costs | 78,161,754 | | | | | | | 78,161,754 |
| 42 | Power Cost Adjustment Mechanism (PCA) | 8,529,369 | | | | | | | 8,529,369 |
| 43 | Other Regulatory Assets | 657,267,076 | (10,619,457) | 16,604,132 | | | | | 665,271,752 |
| 44 | Long-Term Assets: | | | | | | | | |
| 45 | FAS 133 Unrealized Gain/Loss (LT) | 4,605,177 | | | | | | | 4,605,177 |
| 46 | Other Long-Term Assets | 123,899,184 | 2,207,207 | (21,062,819) | | | | | 105,043,572 |
| 47 | Total Long-Term and Regulatory Assets | 961,785,646 | | | | | | | 960,914,710 |
| 48 | TOTAL ASSETS | 8,657,218,586 | 138,878,012 | 21,041,678 | 992,854 | (1,611,775) | 50,388,958 | (50,337,364) | 8,816,570,949 |
| 49 | Capitalization: | | | | | | | | |
| 50 | CAPITALIZATION AND LIABILITIES: | | | | | | | | |
| 51 | Common equity | 3,083,071,695 | | | 2,277,473 | (2,277,473) | 50,337,364 | (50,337,364) | 3,083,071,695 |
| 52 | Preferred Stock | - | | | | | | | - |
| 53 | Total shareholders' equity | 3,083,071,695 | | | | | | | 3,083,071,695 |
| 54 | Preferred stock subject to mandatory redemption | - | | | | | | | - |
| 55 | Junior subordinated notes | 250,000,000 | | | | | | | 250,000,000 |
| 56 | Long-term Debt (acct 221) | 2,870,860,000 | (232,000,000) | | | | | | 2,638,860,000 |
| 57 | Long-term Debt (acct 226) | - | | | | | | | - |
| 58 | Total redeemable securities and long-term debt | 3,120,860,000 | | | | | | | 2,888,860,000 |
| 59 | Total capitalization | 6,203,931,695 | | | | | | | 5,971,931,695 |
| 60 | Current Liabilities: | | | | | | | | |
| 61 | Accounts Payable | 320,920,068 | | | 36,433 | | 330,147 | | 321,286,648 |
| 62 | Notes Payable | - | | | | | | | - |
| 63 | Short-term Debt | 105,000,000 | | | | | | | 105,000,000 |
| 64 | Short Term Debt Owed to Puget Energy | 22,897,785 | | | | | | | 22,897,785 |
| 65 | Current maturities of Long-Term Debt | - | 232,000,000 | | | | | | 232,000,000 |
| 66 | Accrued Expenses: | | | | | | | | |
| 67 | Purchased gas liability | - | 49,587,265 | | | | | | 49,587,265 |
| 68 | Taxes | (22,181,655) | 99,742,733 | | 43,092 | | (302,196) | | 77,301,975 |
| 69 | Salaries and wages | 30,653,779 | | | | | | | 30,653,779 |
| 70 | Interest | 47,154,227 | | | | | | | 47,154,227 |
| 71 | Current Portion FAS 133 Unrealized Gain/Loss (ST) | 137,529,924 | | | | | | | 137,529,924 |
| 72 | Current Portion of Deferred Income Taxes | - | | | | | | | - |
| 73 | Other current liabilities | 100,859,336 | 3,288,335 | | | | | | 104,147,671 |
| 74 | Total current liabilities | 742,833,464 | | | | | | | 1,127,559,274 |
| 75 | Long-Term Liabilities: | | | | | | | | |
| 76 | Deferred income taxes | 974,815,409 | | 23,500,364 | (1,364,144) | 665,698 | (1,040,882) | | 996,578,445 |
| 77 | FAS 133 Unrealized Gain/Loss (LT) | 89,717,387 | | | | | | | 89,717,387 |
| 78 | Power Cost Adjustment Mechanism | - | | | | | | | - |
| 79 | Regulatory Liabilities | 250,586,318 | | | | | | | 250,586,318 |
| 80 | Other Deferred Credits | 355,334,313 | (13,740,321) | (2,458,686) | | | 1,064,525 | | 360,199,830 |
| 81 | Total long-term liabilities | 1,710,453,427 | | | | | | | 1,717,079,980 |
| 82 | TOTAL CAPITALIZATION AND LIABILITIES: | 8,657,218,586 | 138,878,012 | 21,041,678 | 992,854 | (1,611,775) | 50,388,958 | (50,337,364) | 8,816,570,949 |
| 83 | | | | | | | | | |
| 84 | | | | | | | | | |
| 85 | | | | | | | | | |
| 86 | | | | | | | | | |

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 |
|--|---------------------------------------|----------------------------------|------------------|---|-------------------|----------------------------|-------------------------------|--------------------------|--------------------------|----------------------|----------------------|
| Operating Revenues: | | | | | | | | | | | |
| 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 |
| Total operating revenue | 403,712,186 | 2,921,650,017 | | 138,789 | | 3,099,235 | | | | 2,924,788,041 | 3,328,500,237 |
| Operating Expenses: | | | | | | | | | | | |
| Energy Costs: | | | | | | | | | | | |
| 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 |
| Total operating expenses | 347,883,618 | 2,589,725,772 | | 6,528,690 | | 1,228,571 | | 19,783 | (16,638) | 2,597,482,158 | 2,945,365,776 |
| Operating Income | 65,828,578 | 331,924,245 | | (6,389,901) | | 1,872,664 | | (19,763) | 16,638 | 327,305,863 | 383,134,453 |
| Other Income (Deductions): | | | | | | | | | | | |
| 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) |
| Interest charges: | | | | | | | | | | | |
| 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) |
| Income Before Income Taxes & Extraordinary Items | 42,147,832 | 167,054,293 | | (6,389,974) | 3,467,899 | 1,894,566 | (1,231,467) | (194,193) | 126,226 | 164,747,649 | 226,695,853 |
| Income Taxes | 10,537,020 | 59,413,833 | | (2,901,775) | | 663,099 | | (87,969) | | 57,106,889 | 67,644,009 |
| Net Income Before Extraordinary Items | 31,610,812 | 127,640,660 | | (3,487,999) | 3,467,899 | 1,231,467 | (1,231,467) | (126,226) | 126,226 | 127,640,660 | 159,251,574 |
| Extraordinary Items | | | | | | | | | | | |
| Net Income | 31,610,812 | 127,640,660 | | (3,487,999) | 3,467,899 | 1,231,467 | (1,231,467) | (126,226) | 126,226 | 127,640,660 | 159,251,574 |
| Less Preferred Stock Dividends Accruals | | | | | | | | | | | |
| Preferred Stock Redemption | | | | | | | | | | | |
| Income for Common Stock | 31,610,812 | 127,640,660 | | (3,487,999) | 3,467,899 | 1,231,467 | (1,231,467) | (126,226) | 126,226 | 127,640,660 | 159,251,572 |
| Common Shares Outstanding Weighted Average | | | | | | | | | | | |
| Income Tax Check | 14,751,776 | | | (2,236,386) | | 683,098 | | (67,968) | | | |
| Note: | | | | | | | | | | | |
| (a) and (b) Reclass payroll taxes from Utility O&M to Other Taxes: | | | | | | | | | | | |
| | | Utility O&M | Energy Cost | Total | | | | | | | |
| Jan 2009 PR taxes | | | | January excluded from reclass as it is already included in the January consolidated column above. | | | | | | | |
| 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 | | | | | | | |
| | | | 10,474,720 | 282,346 | | | | | | 10,757,066 | |

(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 |
|---|----------------------|---------------------|
| ASSETS: | | |
| Utility Plant: | | |
| 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> |
| Other Property and Investments: | | |
| Goodwill | 1,656,513 | - |
| Investment in Bonneville Exchange Power Contract | 26,450 | 29,976 |
| Other Property and Investments: | 127,073 | 118,039 |
| Total Other Property and Investments | <u>1,810,036</u> | <u>148,015</u> |
| Current Assets: | | |
| 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 |
| Total Current Assets | <u>1,170,683</u> | <u>974,694</u> |
| Long-Term Assets: | | |
| 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 |
| Total Long-Term Assets | <u>2,119,018</u> | <u>1,023,246</u> |
| TOTAL ASSETS | <u>\$ 11,900,140</u> | <u>\$ 8,434,102</u> |
| CAPITALIZATION AND LIABILITIES: | | |
| Capitalization: | | |
| 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> |
| Total Capitalization | <u>7,464,166</u> | <u>4,795,950</u> |
| Current Liabilities: | | |
| Accounts Payable | 321,287 | 342,254 |
| Short-Term Debt | 105,000 | 964,700 |
| Current Maturities of Long-Term Debt | 232,000 | 158,000 |
| Accrued expenses: | | |
| 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 |
| Total Current Liabilities | <u>1,326,162</u> | <u>1,984,356</u> |
| Long-Term Liabilities: | | |
| 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 |
| Total Long-Term Liabilities | <u>3,109,812</u> | <u>1,653,796</u> |
| TOTAL CAPITALIZATION AND LIABILITIES | <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 | |
| Operating Revenues: | | | | | | | | | | | | | | | |
| 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 | 4,825,924 | - | | | | | | 5,288,498 |
| Total operating revenue | | 403,712,196 | | | | 403,712,196 | 380,574 | 2,924,788,041 | | | | | | | 2,925,148,615 |
| Operating Expenses: | | | | | | | | | | | | | | | |
| Energy Costs: | | | | | | | | | | | | | | | |
| Purchased electricity | | 90,738,717 | | | | 90,738,717 | (528,408) | 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 | | 507,035,357 | - | | | | | | 507,035,357 |
| 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. | | 28,742,421 | | | | 28,742,421 | (188,747) | 308,109,542 | - | | | | | | 308,942,785 |
| 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 | | 268,424,475 | - | | | | | | 268,424,475 |
| Total operating expenses | 20,419,830 | 347,893,618 | | | | 368,303,248 | (147,188,304) | 2,597,482,158 | | | | | | | 2,450,285,854 |
| Operating Income | (20,419,830) | 55,828,578 | | | | 35,408,948 | 147,559,878 | 327,305,883 | | | | | | | 474,862,781 |
| Other Income (Deductions): | | | | | | | | | | | | | | | |
| Charitable Foundation Funding | | | | | | | (5,000,000) | - | - | | | | | | (5,000,000) |
| Other income | 31,835,882 | 3,853,182 | (31,610,912) | (24,769) | | 3,853,182 | 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) |
| Interest charges: | | | | | | | | | | | | | | | |
| AFUDC | | 350,318 | | | | 350,318 | | 8,863,803 | - | | | | | | 8,863,803 |
| Interest expense | | (17,315,418) | | 24,769 | | (17,280,647) | (71,488,297) | (194,188,687) | - | | | | | | (265,874,984) |
| Interest expense on Puget Energy note | | | | | | | | (239,610) | - | 239,610 | | | | | |
| Preferred stock dividends of subsidiary | | | | | | | | | - | | | | | | |
| Income from Continuing Operations b/f | | | | | | | | | | | | | | | |
| 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 |
| Income Taxes | (1,539,594) | 10,537,020 | | | | 8,997,426 | 24,933,777 | 57,108,989 | | | | | | | 82,040,768 |
| Net Income from Continuing Operations | 12,755,845 | 31,610,912 | (31,610,912) | | | 12,755,845 | 174,015,075 | 127,640,860 | (127,640,860) | | | | | | 174,015,075 |
| Discontinued Operations | | | | | | | | | | | | | | | |
| Income (loss) from discontinued operations - InfrastruX | | | | | | | | | | | | | | | |
| Net gain/loss from disposal of discon oper - InfrastruX | | | | | | | | | | | | | | | |
| Minority interest | | | | | | | | | | | | | | | |
| Income b/f extraordinary item / acting change | 12,755,845 | 31,610,912 | (31,610,912) | | | 12,755,845 | 174,015,075 | 127,640,860 | (127,640,860) | | | | | | 174,015,075 |
| Extraordinary items / acting change | | | | | | | | | | | | | | | |
| Less Preferred Stock Dividends Accruals | | | | | | | | | | | | | | | |
| Preferred Stock Redemption | | | | | | | | | | | | | | | |
| Income for Common Stock | 12,755,845 | 31,610,912 | (31,610,912) | | | 12,755,845 | 174,015,075 | 127,640,860 | (127,640,860) | | | | | | 174,015,075 |

PUGET EQUICO LLC

BALANCE SHEET

(Dollars in Thousands)

| | <u>December 31, 2009</u> | <u>December 31, 2008</u> |
|---|--------------------------|--------------------------|
| ASSETS: | | |
| Utility Plant: | | |
| 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> |
| Other Property and Investments: | | |
| Goodwill | 1,656,513 | |
| Investment in Bonneville Exchange Power Contract | 26,450 | |
| Other Property and Investments: | 127,073 | |
| Total Other Property and Investments | <u>1,810,036</u> | <u>-</u> |
| Current Assets: | | |
| 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 | |
| Total Current Assets | <u>1,170,779</u> | <u>100</u> |
| Long-Term Assets: | | |
| 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 |
| Total Long-Term Assets | <u>2,119,018</u> | <u>14,949,225</u> |
| TOTAL ASSETS | <u>\$ 11,900,236</u> | <u>\$ 14,949,325</u> |
| CAPITALIZATION AND LIABILITIES: | | |
| Capitalization: | | |
| 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> |
| Total Capitalization | <u>7,464,272</u> | <u>8,646,024</u> |
| Current Liabilities: | | |
| 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 | 52,540 | |
| Unrealized Loss on Derivative Instruments | 168,783 | |
| Power Contract Acquisition Adjustment Loss | 94,223 | |
| Other | 194,786 | |
| Total Current Liabilities | <u>1,326,162</u> | <u>6,303,301</u> |
| Long-Term Liabilities: | | |
| 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 | |
| Total Long-Term Liabilities | <u>3,109,802</u> | <u>-</u> |
| TOTAL CAPITALIZATION AND LIABILITIES | <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 |
|---|-------------------------------------|----------------------|---------------------------|-------------------------|-------------------------|-----------------------|
| Operating Revenues: | | | | | | |
| 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 |
| Total operating revenue | 2,925,148,615 | | | | | 2,925,148,615 |
| Operating Expenses: | | | | | | |
| Energy Costs: | | | | | | |
| 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 |
| Total operating expenses | 2,450,285,855 | | 13,843 | 97,717,342 | | 2,548,017,040 |
| Operating Income | 474,862,760 | | (13,843) | (97,717,342) | | 377,131,575 |
| Other Income (Deductions): | | | | | | |
| 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) |
| Interest charges: | | | | | | |
| AFUDC | 8,863,603 | | | | | 8,863,603 |
| Interest expense | (265,674,984) | | | | | (265,674,984) |
| Preferred stock dividends of subsidiary | | | | | | |
| Income from Continuing Operations b/f Income Taxes | 258,055,840 | (174,015,074) | 85,658,749 | (97,717,342) | 88,342,483 | 158,324,656 |
| Income Taxes | 82,040,766 | | (15,688) | (9,374,859) | | 72,650,219 |
| Net Income from Continuing Operations | 174,015,074 | (174,015,074) | 85,674,437 | (88,342,483) | 88,342,483 | 85,674,437 |

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 |
|--|----------------------|----------------------|
| ASSETS: | | |
| Utility Plant: | | |
| 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> |
| Other Property and Investments: | | |
| Goodwill | 1,656,513 | |
| Investment in Bonneville Exchange Power Contract | 26,450 | |
| Other Property and Investments: | 127,073 | |
| Total Other Property and Investments | <u>1,810,036</u> | <u>-</u> |
| Current Assets: | | |
| 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 | |
| Total Current Assets | <u>1,119,960</u> | <u>100</u> |
| Long-Term Assets: | | |
| 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 |
| Total Long-Term Assets | <u>2,119,018</u> | <u>14,949,225</u> |
| TOTAL ASSETS | <u>11,849,417</u> | <u>14,949,325</u> |
| CAPITALIZATION AND LIABILITIES: | | |
| Capitalization: | | |
| Common Equity | \$ 1,926,779 | \$ 8,646,024 |
| Total Shareholders' Equity | <u>1,926,779</u> | <u>8,646,024</u> |
| 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 | <u>5,603,680</u> | <u>-</u> |
| Total Capitalization | <u>7,530,459</u> | <u>8,646,024</u> |
| Current Liabilities: | | |
| 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 | |
| Total Current Liabilities | <u>1,326,725</u> | <u>6,303,301</u> |
| Long-Term Liabilities: | | |
| 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 | |
| Total Long-Term Liabilities | <u>2,992,233</u> | <u>-</u> |
| TOTAL CAPITALIZATION AND LIABILITIES | <u>\$ 11,849,417</u> | <u>\$ 14,949,325</u> |

Year to date Ended December 31, 2009 (GAAP)

| | (0480) Puget Intermediate | (0490) Puget Equico | Equico Eliminate | Equico/PE Elimination | Total Puget Intermediate |
|---|---------------------------------|---------------------------|---------------------|--------------------------|-----------------------------|
| Operating Revenues: | | | | | |
| 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 |
| Total operating revenue | | 2,925,148,615 | | | 2,925,148,615 |
| Operating Expenses: | | | | | |
| Energy Costs: | | | | | |
| 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 |
| Total operating expenses | 22,445 | 2,548,017,040 | | | 2,548,039,485 |
| Operating Income | (22,445) | 377,131,575 | | | 377,109,130 |
| Other Income (Deductions): | | | | | |
| 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) |
| Interest charges: | | | | | |
| 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 | | - | | | - |
| Income from Continuing Operations b/f Income Taxes | (104,454,812) | 158,324,656 | (85,674,437) | | (31,804,593) |
| Income Taxes | (68,558,859) | 72,650,219 | | | 6,091,360 |
| Net Income from Continuing Operations | (37,895,953) | 85,674,437 | (85,674,437) | | (37,895,953) |

PUGET HOLDINGS LLC
BALANCE SHEET
(Dollars in Thousands)

| | December 31, 2009 | December 31, 2008 |
|---|----------------------|-------------------|
| ASSETS: | | |
| Utility Plant: | | |
| Electric | \$ 4,705,900 | \$ - |
| Gas | 1,995,219 | - |
| Common | 284,758 | - |
| Less: Accumulated Depreciation and Amortization | (185,474) | - |
| Net Utility Plant | 6,800,403 | - |
| Other Property and Investments: | | |
| Goodwill | 1,656,513 | - |
| Investment in Bonneville Exchange Power Contract | 26,450 | - |
| Other Property and Investments: | 127,073 | - |
| Total Other Property and Investments | 1,810,036 | - |
| Current Assets: | | |
| 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 | - |
| Total Current Assets | 1,119,455 | 79,179 |
| Long-Term Assets: | | |
| 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 |
| Total Long-Term Assets | 2,119,018 | 14,949 |
| TOTAL ASSETS | \$ 11,848,912 | \$ 94,128 |
| CAPITALIZATION AND LIABILITIES: | | |
| Capitalization: | | |
| 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 | - |
| Total Capitalization | 7,538,907 | 87,825 |
| Current Liabilities: | | |
| 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 | - |
| Total Current Liabilities | 1,326,725 | 6,303 |
| Long-Term Liabilities: | | |
| 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 | - |
| Total Long-Term Liabilities | 2,983,280 | - |
| TOTAL CAPITALIZATION AND LIABILITIES | \$ 11,848,912 | \$ 94,128 |

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 |
|---|---------------------|---------------------------------|---------------------|--------------------------|-------------------------|
| Operating Revenues: | | | | | |
| 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 |
| Total operating revenue | | 2,925,148,615 | - | - | 2,925,148,615 |
| Operating Expenses: | | | | | |
| Energy Costs: | | | | | |
| 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 |
| Total operating expenses | 1,961,649 | 2,548,039,485 | - | - | 2,550,001,134 |
| Operating Income | (1,961,649) | 377,109,130 | - | - | 375,147,481 |
| Other Income (Deductions): | | | | | |
| 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) |
| Interest charges: | | | | | |
| 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 | | - | | | - |
| Income from Continuing Operations b/f Income Taxes | (40,135,922) | (31,804,593) | 37,895,953 | - | (34,044,562) |
| Income Taxes | (8,952,982) | 6,091,360 | - | - | (2,861,622) |
| Net Income from Continuing Operations | (31,182,940) | (37,895,953) | 37,895,953 | - | (31,182,940) |

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

EXHIBIT 4



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references

| | | | | |
|-----------|--|--|--|--|
| key words | | | | |
|-----------|--|--|--|--|

approvals

/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 commitments¹ 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

¹ 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:

| Function | Basis of Allocation |
|--|----------------------------|
| 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 |