



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

April 28, 2011

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

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

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, 2010, 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,

A handwritten signature in black ink, appearing to read 'Michael Stranik', is written over a horizontal line.

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, 2010

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

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

2. Financial information for affiliated interests and subsidiary 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, 2010 was 1.1%;

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, 2010.

- 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 or arrangements that were entered into in 2010. All outstanding contracts from previous years have been filed with the commission.

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, 2010

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	\$ 64,972
Reimbursement of labor and other expenses to PSE	\$ 130,185
<u>Puget Intermediate Holdings, Inc.</u>	
Accounts payable to PSE	\$ 1,612
Reimbursement of labor and other expenses to PSE	\$ 37,647
<u>Puget Equico LLC</u>	
Accounts payable to PSE	\$ 810
Reimbursement of labor and other expenses to PSE	\$ 28,104
<u>Puget Energy, Inc.</u>	
Accounts receivable from PSE	\$ 616,351
Note receivable from PSE	\$ 22,597,785
Interest receivable from PSE	\$ 20,793
Reimbursement of labor and other expenses to PSE	\$ 574,515
Dividends received from PSE	\$ 186,732,954
<u>Puget Western, Inc.</u>	
Accounts payable to PSE	\$ 34,308
Reimbursement of labor and other expenses to PSE	\$ 410,147
<u>Hydro Energy Development Corp</u>¹	
Reimbursement of labor and other expenses to PSE	\$ 19,290

¹ Hydro Energy Development Company merged into PSE on May 20, 2010

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

	<u>Amount</u>
<u>Macquarie Capital (USA), Inc.</u>	
Bond Issuance Fees	\$ 142,188

PUGET SOUND ENERGY
AFFILIATED INTEREST AND SUBSIDIARY
TRANSACTIONS REPORT

EXHIBIT 2

EXHIBIT 2

COMPANIES WITH AN AFFILIATED INTEREST

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.

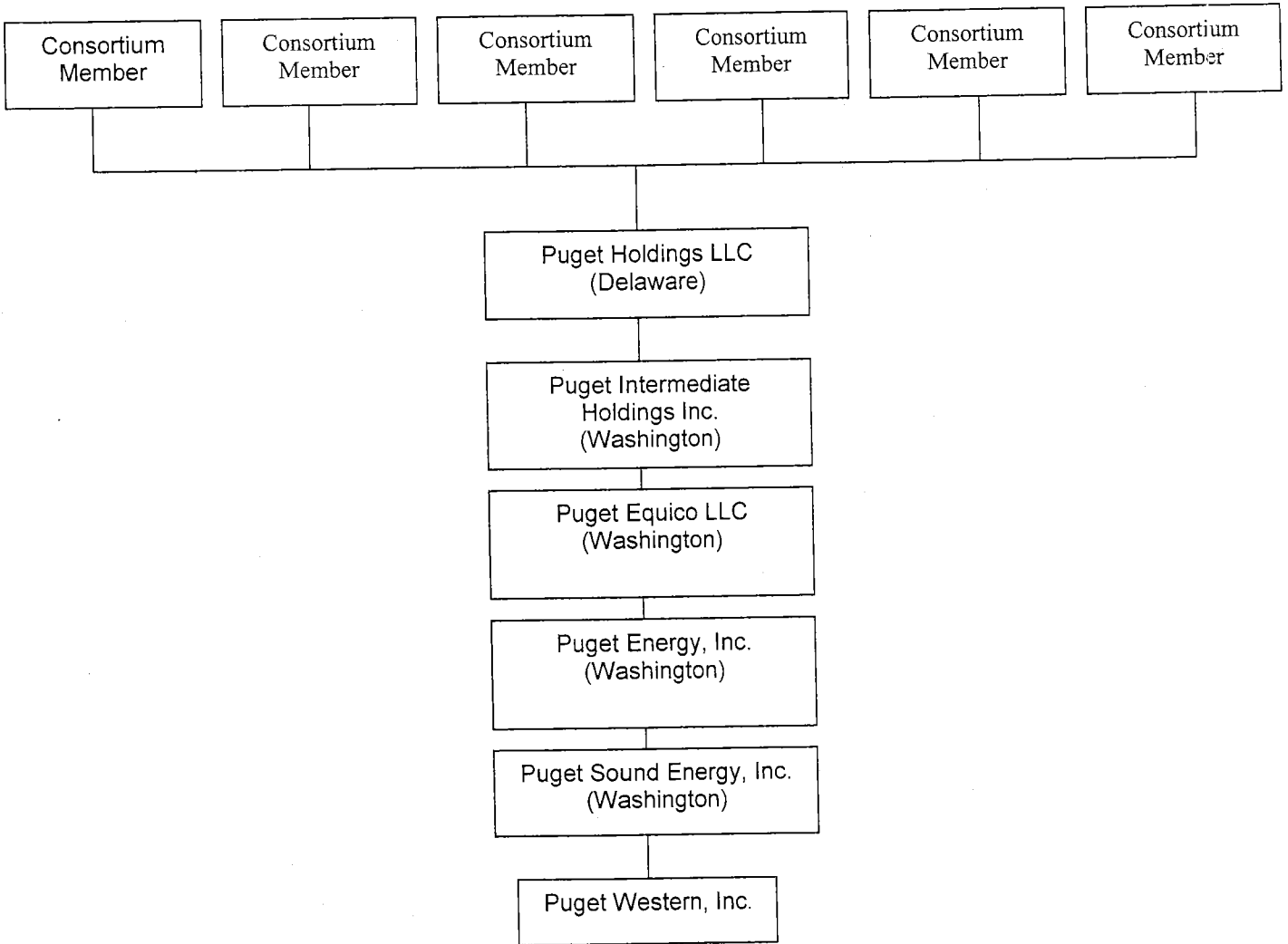
PUGET SOUND ENERGY, INC. (Puget Sound Energy) is a wholly-owned utility incorporated in the State of Washington, which generates purchases and sells electricity and purchases transports and sells natural gas in a service territory covering 6,000 square miles, principally in the Puget Sound region of 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 subsidiary at December 31, 2010.

PUGET WESTERN, INC., a Washington corporation, is a real estate investment and development company. Address: 19515 North Creek Parkway, Suite 310, Bothell, Washington 98011.

COMPANIES THAT MAY HAVE AN AFFILIATED INTEREST

MACQUARIE CAPITAL (USA), INC. (Macquarie Capital (USA)), incorporated in March 1, 1994, is a Delaware Corporation that is a wholly owned subsidiary of Macquarie Holdings (USA), Inc. (the "Parent"), which is an indirect wholly owned subsidiary of Macquarie Group Limited ("MGL"), a non-operating holding company located in Sydney, Australia. Macquarie Capital (USA) principal place of business is at 125 West 55th Street, New York, NY 10019.

PUGET HOLDINGS CORPORATE STRUCTURE



PUGET HOLDINGS LLC LISTING OF SUBSIDIARIES

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

Directors

William Ayer (Chairman)
Andrew Chapman
Benjamin Hawkins
Alan James
Alan Kadic
Christopher Leslie
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
James W. Eldredge, Vice President, Controller, and Chief Accounting Officer
Donald E. Gaines, Vice President Finance and Treasurer
Durga D. Doraisamy, Corporate Secretary
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)
Andrew Chapman
Benjamin Hawkins
Alan James
Alan Kadic
Christopher Leslie
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
James W. Eldredge, Vice President, Controller, and Chief Accounting Officer
Donald E. Gaines, Vice President Finance and Treasurer
Durga D. Doraisamy, Corporate Secretary
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)
Andrew Chapman
Benjamin Hawkins
Alan James
Alan Kadic
Christopher Leslie
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
James W. Eldredge, Vice President, Controller, and Chief Accounting Officer
Donald E. Gaines, Vice President Finance and Treasurer
Durga D. Doraisamy, Corporate Secretary
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)
Andrew Chapman
Benjamin Hawkins
Alan James
Alan Kadic
Christopher Leslie
Stephen Reynolds
Christopher Trumpy
Mark Wiseman
Mark Wong

Officers

Stephen P. Reynolds, Chief Executive Officer
Kimberly J. Harris, President
Eric M. Markell, Executive Vice President and Chief Financial Officer
James W. Eldredge, Vice President, Controller, Chief Accounting Officer and Assistant Corporate Secretary
Donald E. Gaines, Vice President Finance and Treasurer
Durga D. Doraisamy, Corporate Secretary
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)
Andrew Chapman
Benjamin Hawkins
Alan James
Alan Kadic
Christopher Leslie
Stephen Reynolds
Herb Simon
Christopher Trumpy
Mark Wiseman
Mark Wong

Officers

Stephen P. Reynolds, Chief Executive Officer
Kimberly J. Harris, President
James W. Eldredge, Vice President, Controller, Chief Accounting Officer and Assistant Corporate Secretary
Donald E. Gaines, Vice President Finance and Treasurer
Eric M. Markell, Executive Vice President and Chief Financial Officer
Susan McLain, Senior V.P. Operations
Marla Mellies, Vice President Human Resources 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
Durga D. Doraisamy, Corporate Secretary & Director, Investor Relations
Samuel S. Osborne, Assistant Secretary
Michael J. Stranik, Assistant Controller
James D. Sant, Assistant Treasurer

SUBSIDIARY OF PUGET SOUND ENERGY, INC.

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

PUGET SOUND ENERGY
AFFILIATED INTEREST AND SUBSIDIARY
TRANSACTIONS REPORT

EXHIBIT 3

PSE COMPANIES
BALANCE SHEET FOR DECEMBER 2010

A	C	D	I	J	K	L
	(1000)		(1004)	Adjustment and/or		TOTAL
	PSE	Adjustments	Puget Western	Elimination		
ASSETS:						
Utility Plant:						7,586,207,793
Electric	7,586,207,793					7,586,207,793
Gas	2,752,961,641					2,752,961,641
Common	427,227,101					427,227,101
Less: Accumulated deprec and amort	(3,509,276,936)					(3,509,276,936)
Net Plant	7,257,119,599					7,257,119,599
Other Property and Investments:						
Investment in Bonneville Exchange Power Contract	22,922,938					22,922,938
Non-Utility Plant	4,213,318		1,641			4,214,959
Non-Utility Accumulated Depreciation	(863,647)					(863,647)
Non-Utility Property	3,349,671		1,641			3,351,312
Investment in & Advances to Subs.	49,380,155		42,986,822	(49,380,155)	(a)	42,986,822
Other	68,718,285					68,718,285
Total Other Property and Investments	144,371,049		42,988,463	(49,380,155)		137,979,347
Current Assets:						
Cash	36,229,248	(4,736,379)	4,826,794			36,319,663
Restricted cash	-	4,736,379	733,134			5,469,513
Accounts Receivable (Rpt Node)	338,586,758	(1,579,877)	118,324			337,125,205
Less allowance for doubtful accounts	(9,783,913)					(9,783,913)
Secure Pledged Accounts Receivable						194,088,060
Unbilled revenues	194,088,080					5,991,769
Purchased Gas Adjustment Receivable (PGA)	5,991,769					84,221,961
Materials and Supplies	84,221,961					92,222,228
Fuel and Gas Inventory	92,222,228					7,499,503
Current Portion FAS 133 Unrealized Gain/Loss (ST)	7,499,503					62,113,877
Income Taxes		62,113,877				14,412,203
Prepaid Expense and other	13,533,716		878,487			-
Taxes Receivable						80,215,782
Current Portion of Deferred Income Taxes	80,215,782					-
Total Current Assets	842,605,132	60,534,000	6,556,739			909,895,871
Long-Term and Regulatory Assets:						
Regulatory assets:						
Regulatory asset for deferred income taxes	73,336,528					73,336,528
Regulatory asset for PURPA buyout costs	40,628,754					40,628,754
Power Cost Adjustment Mechanism (PCA)	15,617,845					15,617,845
Other Regulatory Assets	729,115,422					729,115,422
Long-Term Assets:						
FAS 133 Unrealized Gain/Loss (LT)	8,232,813		563,574	(563,574)	(b)	-
Deferred Tax Asset						138,857,671
Other Long-Term Assets	137,277,794	1,579,877				1,005,789,033
Total Long-Term and Regulatory Assets	1,004,209,156	1,579,877	563,574	(563,574)		9,310,783,860
TOTAL ASSETS	9,248,504,936	62,113,877	50,108,776	(49,943,729)		9,310,783,860
Capitalization:						
CAPITALIZATION AND LIABILITIES:						
Common equity	2,974,907,868		49,380,155	(49,380,155)	(a)	2,974,907,868
Preferred Stock						-
Preferred stock subject to mandatory redemption						250,000,000
Junior subordinated notes	250,000,000					2,953,860,000
Long-term Debt (acct 221)	3,213,860,000	(260,000,000)				-
Long-term Debt (acct 226)						3,203,860,000
Total redeemable securities and long-term debt	3,463,860,000	(260,000,000)				6,178,767,868
Total capitalization	6,438,767,868					-
Current Liabilities:						
Accounts Payable	291,436,957		327,847			291,764,804
Notes Payable						247,000,000
Short-term Debt	247,000,000					22,597,785
Short Term Debt Owed to Puget Energy	22,597,785					260,000,000
Current maturities of Long-Term Debt		260,000,000				-
Accrued Expenses:						
Purchased gas liability						81,504,780
Taxes	19,834,149	62,113,877	(443,246)			34,452,765
Salaries and wages	34,452,765					54,723,144
Interest	54,723,144					243,053,430
Current Portion FAS 133 Unrealized Gain/Loss (ST)	243,053,430					-
Current Portion of Deferred Income Taxes						49,660,861
Other current liabilities	49,436,086	224,775				1,284,757,569
Total current liabilities	962,534,316	322,338,652	(115,399)			-
Long-Term Liabilities:						
Deferred income taxes	1,035,300,918		(220,665)	(563,574)	(b)	1,034,516,679
FAS 133 Unrealized Gain/Loss (LT)	155,178,788					155,178,788
Power Cost Adjustment Mechanism						296,884,071
Regulatory Liabilities:	296,884,071					360,678,885
Other Deferred Credits	359,838,975	(224,775)	1,064,685			1,847,258,423
Total long-term liabilities	1,847,202,752	(224,775)	844,020	(563,574)		9,310,783,860
TOTAL CAPITALIZATION AND LIABILITIES:	9,248,504,936	62,113,877	50,108,776	(49,943,729)		9,310,783,860
Legend:						
a) Eliminate Investment in Subsidiary						
b) Reclass to Liability						
NOTE: HEDC merged into PSE 5-10						

PUGET SOUND ENERGY, INC.

Twelve Months Ended December 31, 2010 (GAAP)

(Dollars in thousands)

	(1000) PSE	(1002) HEDC	(1004) Pugot Western Eliminate	(1020) PSE Funding	PSE Funding Eliminate	Total
Operating Revenues:						
Electric	2,107,468,523					2,107,468,523
Gas	1,011,530,516					1,011,530,516
Non-utility operating revenue	2,935,009		281,894			3,216,903
Total operating revenue	3,121,934,048		281,894			3,122,215,942
Operating Expenses:						
Energy Costs:						
Purchased electricity	774,325,488	(318,656)				455,669,832
Fuel	268,147,071					268,147,071
Residential/Farm Exchange	(75,109,150)					(75,109,150)
Purchased natural gas	535,932,510					535,932,510
FAS 133 Unrealized Gain/Loss	166,953,097					166,953,097
Utility operations and maintenance	497,959,236	(1,252,371) (a)				496,706,865
Non-utility expense and other	11,249,210		977,834			12,227,044
Mergers Related	292,632,292					292,632,292
Depreciation, and depletion	71,571,822		2,188			73,760,010
Amortization	90,108,391					90,108,391
Conservation amortization	260,527,869	11,571,027 (b)	426,678			272,525,574
Taxes other than income taxes						
Total operating expenses	2,914,286,035	(1,987,778)	1,408,500			2,914,624,757
Operating Income	207,648,013	1,087,778	(1,124,608)			207,591,185
Other Income (Deductions):						
Other income	45,034,347		(144,564)		957,209	45,152,937
Other expenses	(5,673,468)		(684,055)			(6,357,523)
Interest charges:						
AFUDC	14,157,383					14,157,383
Interest expense	(234,792,847)					(234,792,847)
Interest expense on Puget Energy						
Note	(217,697)					(217,697)
Income Before Income Taxes & Extraordinary Items	26,155,713	1,087,778	(1,269,170)		957,209	26,217,475
Income Taxes	60,658	373,723	(311,951)			122,420
Net Income Before Extraordinary Items	26,095,055	694,055	(694,055)		957,209	26,095,055
Extraordinary Items						
The 2010 production tax credit (PTC) regulatory liability deferral of \$(15,890) is recorded in the accompanying Consolidated Balance Sheet and Electric Operating Revenue for GAAP financial statements.						
Net Income	26,095,055	694,055	(694,055)		957,209	26,095,055
Less Preferred Stock Dividends Accruals						
Preferred Stock Redemption						
Income for Common Stock	26,095,055	694,055	(694,055)		957,209	26,095,055
Common Shares Outstanding Weighted Average						
Earnings per share						
Note:						
(a) and (b) Reclassify payroll taxes from Utility O&M to Other Taxes:						
Utility O&M						
Energy Cost						
Total						
Jan 2010 PR taxes	853,976	23,385	877,361			
February 2010 PR taxes	866,843	23,241	890,084			
March 2010 PR taxes	1,069,514	31,157	1,100,671			
Apr 2010 PR taxes	968,678	27,360	996,038			
May 2009 PR taxes	914,338	25,717	940,055			
June 2010 PR taxes	948,088	27,311	975,399			
July 2010 PR taxes	899,697	26,472	926,169			
August 2009 PR taxes	944,173	28,751	972,924			
September 2010 PR taxes	928,397	26,308	954,905			
October 2010 PR taxes	989,070	25,185	1,014,655			
November 2010 PR taxes	948,171	27,298	975,469			
December 2010 PR taxes	931,226	24,071	955,297			
	11,252,371	318,656	11,571,027			

PUGET HOLDINGS, LLC.
BALANCE SHEET FOR DECEMBER 2010

	(0470)		(0480)		Puget Holdings LLC
	Puget Holdings LLC	Adjustment	Puget Intermediate	ELIMINATE	TOTAL
ASSETS:					
Utility Plant:					
Electric			5,253,785,704		5,253,785,704
Gas			2,129,200,012		2,129,200,012
Common			318,614,904		318,614,904
Less: Accumulated depreciation and amortization			(429,036,578)		(429,036,578)
Net Utility Plant			7,272,564,042		7,272,564,042
Other Property and Investments:					
Goodwill			1,656,512,951		1,656,512,951
Investment in BEP			22,922,938		22,922,938
Intangibles			-		-
Non-Utility property			14,629,493		14,629,493
Non-Utility property depreciation			(416,926)		(416,926)
Non-Utility property subtotal			14,212,567		14,212,567
Investment in & Advances to Subs.	1,786,554,733		42,986,822	(1,786,554,733) (a)	42,986,822
Other			68,718,285		68,718,285
Total Other Property and Investments	1,786,554,733		1,805,353,563	(1,786,554,733)	1,805,353,563
Current Assets:					
Cash	192,434		37,185,543		37,377,977
Restricted Cash			5,469,513		5,469,513
Dividends Receivable from PE			337,387,433	(329,622) (b)	337,057,811
Accounts receivable			(9,783,913)		(9,783,913)
Less allowance for doubtful accounts			-		-
Secure Pledged Accounts Receivable			194,088,080		194,088,080
Unbilled revenues			5,991,769		5,991,769
Purchased Gas Adjustment Receivable			85,412,893		85,412,893
Materials and Supplies, at average cost			96,632,625		96,632,625
Fuel and Gas inventory, at average cost			7,499,503		7,499,503
Unrealized Gain/Loss on Derivative Instruments		(111,426) (c)	78,182,966		76,071,540
Income Taxes			14,835,198		14,835,198
Prepaid Expense and other			134,553,147		134,553,147
Power Contract Acquisition Adjustment Gain			-		-
Taxes Receivable			83,085,647		83,085,647
Deferred Income Taxes	192,434	(111,426)	1,068,540,404	(329,622)	1,068,291,790
Total Current Assets	192,434	(111,426)	1,068,540,404	(329,622)	1,068,291,790
Long-Term and Regulatory Assets:					
Restricted cash			-		-
Purchased Gas Adjustment Receivable			73,336,528		73,336,528
Regulatory asset for deferred income taxes			40,628,754		40,628,754
Regulatory asset for PURPA buyout costs			15,617,845		15,617,845
Power Cost Adjustment Mechanism			116,116,486		116,116,486
Regulatory Assets related to Power Contracts			773,974,141		773,974,141
Other Regulatory Assets			8,232,813		8,232,813
Unrealized Gain/Loss on Derivative Instruments (LT)			624,667,190		624,667,190
Power Contract Acquisition Adjustment Gain			-		-
Income Taxes	9,140,172	(9,140,172) (d)	130,920,457		130,920,457
Other Long-Term Assets			1,783,494,214		1,783,494,214
Total Long Term and Regulatory Assets	9,140,172	(9,140,172)	1,783,494,214	(1,786,884,355)	1,783,494,214
TOTAL ASSETS	1,795,887,339	(9,251,598)	11,929,952,223	(1,786,884,355)	11,929,703,609
CAPITALIZATION AND LIABILITIES:					
Common equity	1,795,446,291		1,786,554,733	(1,786,554,733) (a)	1,795,446,291
Preferred Stock			1,786,554,733	(1,786,554,733)	1,795,446,291
Total shareholders' equity	1,795,446,291		-	-	-
Preferred stock subject to mandatory redemption			250,000,000		250,000,000
Junior subordinated Notes			1,680,360,896		1,680,360,896
Long-term Debt - Investors			4,132,712,522		4,132,712,522
Long-term Debt - Other			6,063,073,418		6,063,073,418
Total redeemable securities and long-term debt			7,849,628,151	(1,786,554,733)	7,858,519,709
Total capitalization	1,795,446,291		-	-	-
Minority Interest			-		-
Current Liabilities:					
Accounts Payable	329,622		291,148,453	(329,622) (b)	291,148,453
Dividends Declared to Puget Holdings			-		-
Notes Payable			247,000,000		247,000,000
Short-term Debt			260,000,000		260,000,000
Short-term Debt Owed to Puget Energy			-		-
Current Maturities of LTD			260,000,000		260,000,000
Purchased gas liability			-		-
Taxes	111,426	(111,426) (c)	81,504,780		81,504,780
Salaries and wages			34,452,765		34,452,765
Interest - Investors			562,500		562,500
Interest - Other			59,181,919		59,181,919
Current Portion FAS 133 Unrealized Gain/Loss			273,100,390		273,100,390
Current Portion of Deferred Income Taxes			-		-
Power Contract Acquisition Adjustment Loss			69,914,764		69,914,764
Other			114,408,704		114,408,704
Total current liabilities	441,048	(111,426)	1,431,274,275	(329,622)	1,431,274,275
Long-Term Liabilities:					
Deferred income taxes		(9,140,172) (d)	983,662,542		974,522,370
FAS 133 Unrealized Gain/Loss (LT)			183,134,518		183,134,518
Power Cost Adjustment Mechanism			305,936,086		305,936,086
Regulatory Liabilities			759,220,337		759,220,337
Regulatory Liabilities Related to Power Contracts			46,779,248		46,779,248
Power Contract Fair Value Loss			370,317,066		370,317,066
Power Contract Acquisition Adjustment Loss			2,649,049,797		2,639,909,625
Total long-term liabilities		(9,140,172)	11,929,952,223	(1,786,884,355)	11,929,703,609
TOTAL CAPITALIZATION AND LIABILITIES:	1,795,887,339	(9,251,598)	11,929,952,223	(1,786,884,355)	11,929,703,609
Legend:					
a) Eliminate Investment in Subsidiary					
b) Eliminate Inter-Company A/R &/or A/P					
c) Reclass current tax liability to current assets					
d) reclass L/T tax assets to L/T tax liability					

Year to date Ended December 31, 2010 (GAAP)

	Puget Holdings	(0490) Puget Intermediate	Equico Eliminate	Equico/PE Elimination	Total Puget Holdings
Operating Revenues:					
Electric		2,107,468,523			2,107,468,523
Gas		1,011,530,516			1,011,530,516
Non-utility operating revenue		3,216,903			3,216,903
Total operating revenue		3,122,215,942			3,122,215,942
Operating Expenses:					
Energy Costs:					
Purchased electricity		773,429,296			773,429,296
Fuel		268,147,071			268,147,071
Residential/Farm Exchange		(75,109,150)			(75,109,150)
Purchased natural gas		535,932,510			535,932,510
FAS-133 Unrealized (gain) loss		54,094,721			54,094,721
Utility operations and maintenance		486,700,865			486,700,865
Non-utility expense and other	594,789	24,223,004			24,817,793
Merger and related costs		-			-
Depreciation		292,634,480			292,634,480
Amortization		71,571,822			71,571,822
Conservation amortization		90,108,591			90,108,591
Taxes other than income taxes		292,519,573			292,519,573
Total operating expenses	594,789	2,814,252,783			2,814,847,572
Operating Income	(594,789)	307,963,159			307,368,370
Other Income (Deductions):					
Charitable Foundation Funding		-			-
Other income	(113,987,871)	45,195,616	113,987,871		45,195,616
Other deductions		(5,673,486)			(5,673,486)
Unhedged Interest Rate Derivative Expense		(7,955,355)			(7,955,355)
Interest charges:					
AFUDC		14,157,383			14,157,383
Interest expense - Investors		(222,173,015)			(222,173,015)
Interest expense		(321,166,175)			(321,166,175)
Preferred stock dividends of subsidiary		-			-
Income from Continuing Operations b/f Income Taxes	(114,582,680)	(189,651,873)	113,987,871		(190,246,682)
Income Taxes	(207,971)	(75,664,002)			(75,871,973)
Net Income from Continuing Operations	(114,374,689)	(113,987,871)	113,987,871		(114,374,689)

PUGET ENERGY
BALANCE SHEET FOR DECEMBER 2010

A	C	D	E	F	G	H	I
	(0500)			(1000)			PE
	Puget Energy	Adjustment		Puget Sound Energy	ELIMINATE		TOTAL
1							
2							
3							
4	ASSETS:						
5	Utility Plant:						
6	Electric	(2,332,422,089)		7,586,207,793			5,253,785,704
7	Gas	(623,761,629)		2,752,961,641			2,129,200,012
8	Common	(108,612,197)		427,227,101			318,614,904
9	Less: Accumulated depreciation and amortization	3,080,240,358		(3,509,276,936)			(429,036,578)
10	Net Utility Plant	15,444,443		7,257,119,599			7,272,564,042
11							
12	Other Property and Investments:						
13	Goodwill	1,656,512,951		-			1,656,512,951
14	Investment in BEP contract			22,922,938			22,922,938
15	Intangibles			-			-
16	Non-Utility property	10,414,534		4,214,959			14,629,493
17	Non-Utility property depreciation	446,721		(863,647)			(416,926)
18	Non-Utility property subtotal	10,861,255		3,351,312			14,212,567
19	Investment in & Advances to Subs.	2,974,907,868		42,986,822	(2,974,907,868)	c	42,986,822
20	Other			68,718,285			68,718,285
21	Total Other Property and Investments	4,642,282,074		137,979,357	(2,974,907,868)		1,805,353,563
22	Current Assets:						
23	Cash	237,244		36,319,663			36,556,907
24	Restricted Cash			5,469,513			5,469,513
25	Dividends Receivable from PSE			-			-
26	Accounts receivable	23,509,083		337,125,205	(23,234,929)	d	337,399,359
27	Less allowance for doubtful accounts			(9,783,913)			(9,783,913)
28	Secure Pledged Accounts Receivable			-			-
29	Unbilled revenues			194,088,080			194,088,080
30	Purchased Gas Adjustment Receivable			5,991,769			5,991,769
31	Materials and Supplies, at average cost	1,190,932		84,221,961			85,412,893
32	Fuel and Gas Inventory, at average cost	4,410,397		92,222,228			96,632,625
33	Unrealized Gain/Loss on Derivative Instruments	0		7,499,503			7,499,503
34	Income Taxes		14,069,089	62,113,877			76,182,966
35	Prepaid Expense and other	422,995		14,412,203			14,835,198
36	Power Contract Acquisition Adjustment Gain	134,553,147		-			134,553,147
37	Taxes Receivable			-			-
38	Deferred Income Taxes	2,869,865		80,215,782			83,085,647
39	Total Current Assets	167,193,663	14,069,089	909,895,871	(23,234,929)		1,067,923,694
40	Long-Term and Regulatory Assets:						
41	Restricted cash			-			-
42	Regulatory asset for deferred income taxes			73,336,528			73,336,528
43	Regulatory asset for PURPA buyout costs			40,628,754			40,628,754
44	Power Cost Adjustment Mechanism			15,617,845			15,617,845
45	Regulatory assets related to power contracts		116,116,486	b			116,116,486
46	Other Regulatory Assets	160,975,205	(116,116,486)	b	729,115,422		773,974,141
47	Unrealized Gain/Loss on Derivative Instruments (LT)	0		8,232,813			8,232,813
48	Power Contract Acquisition Adjustment Gain	624,667,190		-			624,667,190
49	Other Long-Term Assets	(7,937,214)		138,857,671			130,920,457
50	Total Long Term and Regulatory Assets	777,705,181	-	1,005,789,033			1,783,494,214
51	TOTAL ASSETS	5,602,625,361	14,069,089	9,310,783,860	(2,998,142,797)		11,929,335,513
52	Capitalization:						
53	CAPITALIZATION AND LIABILITIES:						
54							
55	Common equity	3,322,912,935		2,974,907,868	(2,974,907,868)	c	3,322,912,935
56	Preferred Stock			-			-
57	Total shareholders' equity	3,322,912,935		2,974,907,868	(2,974,907,868)		3,322,912,935
58	Preferred stock subject to mandatory redemption			-			-
59	Junior subordinated Notes			250,000,000			250,000,000
60	Long-term Debt (acct 221)	1,178,852,522		2,953,860,000			4,132,712,522
61	Long-term Debt (acct 226)			-			-
62	Total redeemable securities and long-term debt	1,178,852,522		3,203,860,000			4,382,712,522
63	Total capitalization	4,501,765,457		6,178,767,868	(2,974,907,868)		7,705,625,457
64	Minority interest			-			-
65	Current Liabilities:						
66	Accounts Payable	0		291,764,804	(616,351)	d	291,148,453
67	Dividends Declared - Common Stock			-			-
68	Notes Payable			-			-
69	Short-term Debt			247,000,000			247,000,000
70	Short-term Debt Owed to Puget Energy			22,597,785	(22,597,785)	d	-
71	Current Maturities of LTD			260,000,000			260,000,000
72	Purchased gas liability			-			-
73	Taxes	(14,069,089)	14,069,089	a	81,504,780		81,504,780
74	Salaries and wages			34,452,765			34,452,765
75	Interest	4,479,568		54,723,144	(20,793)	d	59,181,919
76	Current Portion FAS 133 Unrealized Gain/Loss	30,046,960		243,053,430			273,100,390
77	Current Portion of Deferred Income Taxes			-			-
78	Power Contract Acquisition Adjustment Loss	69,914,764		-			69,914,764
79	Other	64,747,843		49,860,861			114,408,704
80	Total current liabilities	155,120,046	14,069,089	1,294,757,569	(23,234,929)		1,430,711,775
81	Long-Term Liabilities:						
82	Deferred income taxes	93,094,347		1,034,516,679			1,127,611,026
83	FAS 133 Unrealized Gain/Loss (LT)	27,955,730		155,178,788			183,134,518
84	Power Cost Adjustment Mechanism			-			-
85	Regulatory Liabilities	9,052,015		296,884,071			305,936,086
86	Liabilities Related to Power Contracts	759,220,337		-			759,220,337
87	Power Contract Acquisition Adjustment Loss	46,779,248		-			46,779,248
88	Other Deferred Credits	9,638,181		360,678,885			370,317,066
89	Total long-term liabilities	945,739,858		1,847,258,423			2,792,998,281
90	TOTAL CAPITALIZATION AND LIABILITIES:	5,602,625,361	14,069,089	9,310,783,860	(2,998,142,797)		11,929,335,513
91							
92	Ledged:						
93	a) Reclass to an Asset Account						
94	b) Reclass Power Contracts						
95	c) Eliminate Investment in Subsidiaries						
96	d) Eliminate Inter-Company A/R &/or A/P						

Year to Date ended December 31, 2010 (GAAP)

	(0500)	Adj.	(1000)	PSE Eliminate	PE/PSE Interco Elimination	Total Puget Energy with Discontinued Operations
Operating Revenues:						
Electric			2,107,468,523			2,107,468,523
Gas			1,011,530,516			1,011,530,516
Non-utility operating revenue			3,216,903			3,216,903
Total operating revenue			3,122,215,942			3,122,215,942
Operating Expenses:						
Energy Costs:						
Purchased electricity	(577,536)		774,006,832			773,429,296
Fuel			288,147,071			288,147,071
Residential/Farm Exchange			(75,109,150)			(75,109,150)
Purchased natural gas			535,932,510			535,932,510
FAS-133 Unrealized (gain) loss	(112,858,376)		166,953,097			54,094,721
Utility operations and maintenance			486,700,865			486,700,865
Non-utility expense and other	12,791,794		11,159,066			23,950,860
Merger and related costs			292,634,480			292,634,480
Depreciation, deplet.			71,571,822			71,571,822
Amortization			90,108,591			90,108,591
Conservation amortization			292,519,573			292,519,573
Taxes other than income taxes						
Total operating expenses	(100,644,118)		2,914,624,757			2,813,980,639
Operating Income	100,644,118		207,591,185			308,235,303
Other Income (Deductions):						
Charitable Foundation Funding					(217,697)	
Other income	26,355,431		45,152,937	(26,095,055)		45,195,616
Other deductions			(5,673,486)			(5,673,486)
Unhedged interest rate derivative expense	(7,955,355)					(7,955,355)
Interest charges:						
AFUDC			14,157,383			14,157,383
Interest expense	(86,373,328)		(235,010,544)		217,697	(321,166,175)
Preferred stock dividends of subsidiary						
Income from Continuing Operations b/f Income Taxes	32,670,866		26,217,475	(26,095,055)		32,793,286
Income Taxes	2,358,894		122,420			2,481,314
Net Income from Continuing Operations	30,311,972		26,095,055	(26,095,055)		30,311,972
Income b/f extraordinary item / acc'ting change	30,311,972		26,095,055	(26,095,055)		30,311,972
Income for Common Stock	30,311,972		26,095,055	(26,095,055)		30,311,972
Common Shares Outstanding Weighted Average						

Puget Western, Inc.
BALANCE SHEET
DECEMBER 31, 2010

	PERIOD ENDED 12/31/10	PERIOD ENDED 12/31/09	\$ CHANGE FROM PRIOR YEAR END
CURRENT ASSETS			
Petty Cash	\$100	\$100	
Schwab Account	26	26	
Cash - Money Market	4,717,268	4,648,509	68,759
Cash - MMkt Snoqualmie	733,134	816,242	(83,108)
Cash - Piper Jaffray Corp. Bonds		847,504	(847,504)
Cash in Bank	109,400	475,631	(366,231)
Accounts Receivable-Other		295	(295)
Notes Receivable	3,700,261	3,877,525	(177,264)
Interest Receivable	118,324	83,438	34,886
Prepaid Rent	10,793	6,900	3,893
Prepaid Misc.	21,918	21,918	
Prepaid Escrow Deposits	837,323	773,000	64,323
Prepaid Insurance	8,453	8,039	414
Total Current Assets	10,257,000	11,559,127	(1,302,127)
Long-Term Assets			
Furniture & Fixtures	283,748	283,748	
Accum Depr FF&E	(282,107)	(279,920)	(2,187)
Sub-total	1,641	3,828	(2,187)
Investments			
Investment in Kinetic Ventures	761,357	868,921	(107,564)
Deferred Tax Asset-Kinetic	563,574	821,753	(258,179)
Sub-total	1,324,931	1,690,674	(365,743)
Property Leased to Others			
Land Held for Sale or Development			
Commercial Land	34,966,661	34,966,661	
Project Development	3,558,543	2,990,421	568,122
Total Long-Term Assets	39,851,776	39,651,584	200,192
TOTAL ASSETS	50,108,776	51,210,711	(1,101,935)

Puget Western, Inc.
BALANCE SHEET
DECEMBER 31, 2010

	PERIOD ENDED 12/31/10	PERIOD ENDED 12/31/09	\$ CHANGE FROM PRIOR YEAR END
CURRENT LIABILITIES			
Accounts Payable	\$5,891		\$5,891
Future Property Obligations	286,956	290,147	(3,191)
Accounts Payable Accruals	35,000	40,000	(5,000)
B & O Tax Payable	965	1,107	(142)
Total Current Liabilities	328,812	331,254	(2,442)
LONG-TERM LIABILITIES			
Intercompany Payable to Parent-FIT	(444,211)	(303,303)	(140,908)
Unearned Income	1,960	1,800	160
Unearned Income-Long Term	1,062,725	1,062,725	
Deferred FIT	(220,665)	(219,129)	(1,536)
Total Long-Term Liabilities	399,809	542,093	(142,284)
TOTAL LIABILITIES	728,621	873,347	(144,726)
EQUITY			
Common Stock	10,200	10,200	
Additional Paid-In-Capital	44,487,244	44,487,244	
Retained Earnings	5,839,920	4,608,451	1,231,469
Y-T-D Net Profit (Loss)	(957,209)	1,231,469	(2,188,678)
TOTAL EQUITY	49,380,155	50,337,364	(957,209)
TOTAL LIABILITIES & EQUITY	50,108,776	51,210,711	(1,101,935)

Puget Western, Inc.
INCOME STATEMENT
FOR THE YTD ENDED DECEMBER 31, 2010

	YTD ENDED 12/31/10	BUDGET YTD ENDED 12/31/10	VARIANCE	YTD ENDED 12/31/09	VARIANCE
INCOME					
Sale Revenue		\$7,392,700	(\$7,392,700)	\$7,018,000	(\$7,018,000)
Cost of Sale		3,360,000	3,360,000	4,692,201	(4,692,201)
Direct Selling Exp		914,400	914,400	489,792	(489,792)
GROSS PROFIT ON SALES		3,118,300	(3,118,300)	1,836,007	(1,836,007)
Rental Income	23,669	24,000	(331)	22,100	1,569
Earnings-Other	(144,564)		(144,564)	21,902	(166,466)
Interest Income	227,172	248,300	(21,128)	361,031	(133,859)
Development Income				653,552	(653,552)
Miscellaneous Income	31,054		31,054	226,543	(195,489)
TOTAL INCOME	137,331	3,390,600	(3,253,269)	3,121,135	(2,983,804)
EXPENSE					
North Creek Rent	40,773	42,000	1,227	76,421	(35,648)
Consulting Fees	63,598	60,000	(3,598)	150,341	(86,743)
Legal Fees		12,000	12,000	600	(600)
Bank Service Charges	30		(30)	223	(193)
B & O/Excise Taxes	3,688	7,200	3,512	5,156	(1,468)
Property Taxes	422,712	420,000	(2,712)	385,028	37,684
Personal Property Tax	277	400	123	215	62
Marketing Expense	21,060		(21,060)		21,060
Storage Expense				3,213	(3,213)
General & Admin. Expense	415,177	732,000	316,823	457,305	(42,128)
Depreciation Expense	2,187	7,200	5,013	6,100	(3,913)
Sub-Total	969,502	1,280,800	311,298	1,084,602	(115,100)
OPERATING EXPENSE					
Misc. Property Mgmt Expense	46,889	62,400	15,511	39,458	7,431
Escrow/Title Fees		2,400	2,400	(155)	155
Employee Expense		400	400		
Travel	6,560	6,600	40	6,300	260
Training Expense		1,200	1,200	100	(100)
Meals & Entertainment	1,014	1,800	786	951	63
Office Supplies & Equipment	13,256	9,600	(3,656)	9,140	4,116
Utilities	20,253	48,000	27,747	21,709	(1,456)
Postage	452	2,400	1,948	2,707	(2,255)
Dues, Subscriptions, Manuals	565	2,400	1,835	1,291	(726)
Donations	200	1,200	1,000	500	(300)
Repair & Maintenance	3,547	9,600	6,053	7,700	(4,153)
Leasing Expense		1,200	1,200		
PSE Strander Lease Expense	42,740	48,000	5,260	41,160	1,580
Insurance Expense	14,077	10,200	(3,877)	10,975	3,102
Licenses	145	1,200	1,055	130	15
Property Option Expense	287,300	300,000	12,700		287,300
TOTAL OPERATING EXP.	436,998	508,600	71,602	141,966	295,032
TOTAL EXPENSES	1,406,500	1,789,400	382,900	1,226,568	179,932
INCOME (LOSS) BEFORE FIT	(1,269,169)	1,601,200	(2,870,369)	1,894,567	(3,163,736)
Federal Income Tax	(311,960)	560,400	872,360	663,099	(975,059)
NET INCOME (LOSS)	(957,209)	1,040,800	(1,998,009)	1,231,468	(2,188,677)

MACQUARIE CAPITAL (USA) INC.

STATEMENT OF FINANCIAL CONDITION

MARCH 31, 2010

ASSETS

Cash and cash equivalents	\$ 188,916,838
Cash segregated under federal regulations	10,000,000
Receivable from brokers, dealers and clearing organizations	102,966,390
Receivable from customers	76,400,281
Securities owned, at fair value (cost of \$1,713,512)	1,615,760
Securities borrowed	874,673,980
Fees receivable (net of allowance for doubtful accounts of \$86,777)	7,925,090
Receivable from affiliates	93,151,053
Goodwill	79,470,505
Intangible assets	12,412,463
Dividends and interest receivable	5,705,028
Other assets	11,337,124

TOTAL ASSETS

\$1,464,574,512

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Payable to brokers, dealers and clearing organizations	\$ 89,731,341
Payable to customers	63,618,633
Securities loaned	868,431,624
Payable to parent and affiliates	79,818,721
Dividends and interest payable	5,628,850
Accrued expenses and other liabilities	21,961,496
Securities sold, not yet purchased	55,033

Total Liabilities

1,129,245,698

Commitments and contingencies (Note 12)

Stockholder's Equity

Common Stock, \$0.01 par value; 1,000,000 shares authorized; 156,386 shares issues and outstanding	1,564
Additional paid-in capital	447,122,327
Accumulated deficit	(111,795,077)

Total Stockholder's Equity

335,328,814

TOTAL LIABILITIES & STOCKHOLDER'S EQUITY

\$1,464,574,512

See accompanying notes to statement of financial condition.

PUGET SOUND ENERGY
AFFILIATED INTEREST AND SUBSIDIARY
TRANSACTIONS REPORT

EXHIBIT 4

Controller's Manual

SUBJECT	Page 1 of 7
CORPORATE AND AFFILIATED INTEREST COST ALLOCATION METHODOLOGY	Date 09/28/10
	Revision 4

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.

Guidelines that existed at the time Order No. 08 in WUTC Docket No. U-072375 was issued were sufficient to maintain the new commitments outline above. These guidelines were based on testimony provided in WUTC Docket No. UE-960195 and are summarized as follows.

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



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service or the other, the costs will be charged to an account for that specific service.

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,



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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.

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