

Puget Sound Energy, Inc.

Affiliated Interest and Subsidiary Transaction Report
For the Year-to-Date December 31, 2011

1. Refer to Exhibit 1 for summary of all transactions, except transactions provided at tariff rates, which 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 Contoller 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, 2011 was 0.71%;
 - 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, 2011.
 - 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. A new affiliated interest contract/arrangement with Macquarie Energy took effect on February 1, 2011; WUTC docket number UE-110058. 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, 2011

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	\$ 130,583
Reimbursement of labor and other expenses to PSE	\$ 176,330
<u>Puget Intermediate Holdings, Inc.</u>	
Accounts payable to PSE	\$ 41,415
Reimbursement of labor and other expenses to PSE	\$ 56,118
<u>Puget Equico LLC</u>	
Accounts payable to PSE	\$ 5,990
Reimbursement of labor and other expenses to PSE	\$ 20,887
<u>Puget Energy, Inc.</u>	
Accounts receivable from PSE	\$ 206,642
Note receivable from PSE	\$ 29,997,785
Interest receivable from PSE	\$ 39,249
Interest income on Puget Energy note from PSE	\$ 204,343
Reimbursement of labor and other expenses to PSE	\$ 457,245
Dividends received from PSE	\$ 212,875,426
<u>Puget Western, Inc.</u>	
Accounts payable to PSE	\$ 39,159
Reimbursement of labor and other expenses to PSE	\$ 420,545
Dividends paid to PSE	\$ 5,000,000

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 Energy</u>	
Gas Transmission Service	\$ 42,678

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.

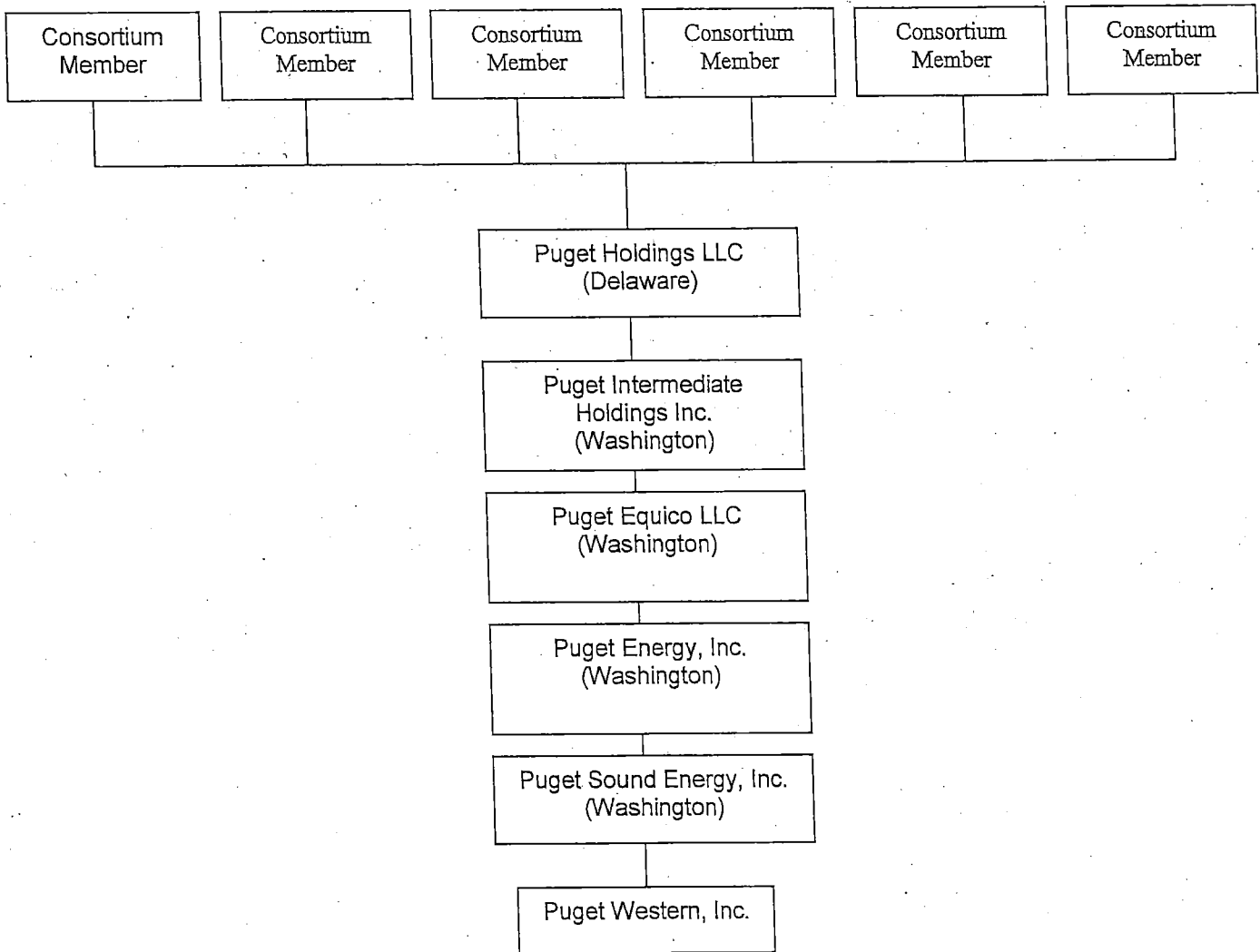
PUGET WESTERN, INC., a Washington corporation, is a real estate investment and development company. Address: 19515 North Creek Parkway, Suite 310, Bothell, Washington 98011.

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.

MACQUARIE ENERGY, LLC (Macquarie Energy), the surviving entity of an internal corporate reorganization that took effect February 1, 2010, pursuant to which the power marketer, Macquarie Cook Power, Incorporated, merged into its affiliated natural gas marketer Macquarie Cook Energy LLC. Macquarie Energy, LLC is an indirect, wholly-owned subsidiary of Macquarie Bank Limited, which in turn is wholly-owned by Macquarie Group Limited ("MGL"), an Australian-based company which is a global provider of banking, financial, advisory, investment and funds management services. Macquarie Energy, LLC is a Delaware limited liability company with its principal place of business at 500 Dallas Street, Suite 3100, Houston, TX 77002.

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
Melanie Dressel
Kimberly Harris
Benjamin Hawkins
Alan James
Alan Kadic
Christopher Leslie
Mary McWilliams
Christopher Trumpy
Mark Wiseman

Officers

Kimberly J. Harris, President and Chief Executive Officer
Daniel A. Doyle, Senior Vice President and Chief Financial Officer
Steve R. Secrist, Vice President and General Counsel
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
Melanie Dressel
Kimberly Harris
Benjamin Hawkins
Alan James
Alan Kadic
Christopher Leslie
Mary McWilliams
Christopher Trumpy
Mark Wiseman

Officers

Kimberly J. Harris, President and Chief Executive Officer
Daniel A. Doyle, Senior Vice President and Chief Financial Officer
Steve R. Secrist, Vice President and General Counsel
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
Melanie Dressel
Kimberly Harris
Benjamin Hawkins
Alan James
Alan Kadic
Christopher Leslie
Mary McWilliams
Christopher Trumpy
Mark Wiseman

Officers

Kimberly J. Harris, President and Chief Executive Officer
Daniel A. Doyle, Senior Vice President and Chief Financial Officer
Steve R. Secrist, Vice President and General Counsel
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
Melanie Dressel
Kimberly Harris
Benjamin Hawkins
Alan James
Alan Kadic
Christopher Leslie
Mary McWilliams
Christopher Trumpy
Mark Wiseman

Officers

Kimberly J. Harris, President and Chief Executive Officer
Daniel A. Doyle, Senior Vice President and Chief Financial Officer
Steve R. Secrist, Vice President, General Counsel and Chief Ethics and Compliance 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 – Financial Reporting
Lisa S. Wilson, Assistant Controller - Accounting
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
Melanie Dressel
Kimberly Harris
Benjamin Hawkins
Alan James
Alan Kadic
Christopher Leslie
Mary McWilliams
Herb Simon
Christopher Trumpy
Mark Wiseman

Officers

Kimberly J. Harris, President and Chief Executive Officer
Daniel A. Doyle, Senior Vice President and Chief Financial Officer
James W. Eldredge, Vice President, Controller, and Chief Accounting Officer
Donald E. Gaines, Vice President Finance and Treasurer
Booga K. Gilbertson, Vice President Operations Services
Eric M. Markell, Senior Vice President and Chief Strategy Officer
Susan McLain, Senior Vice President Delivery Operations
Marla Mellies, Senior Vice President and Chief Administrative Officer
Steve R. Secrist, Vice President, General Counsel and Chief Ethics and Compliance Officer
Calvin E. Shirley, Vice President Energy Efficiency Services
Andrew W. Wappler, Vice President Corporate Affairs
Paul M. Wiegand, Senior Vice President Energy Operations
Rudiger H. Wolf, Vice President and Chief Information Officer
Durga D. Doraisamy, Corporate Secretary
Samuel S. Osborne, Assistant Secretary
Michael J. Stranik, Assistant Controller – Financial Reporting
Lisa S. Wilson, Assistant Controller - Accounting
James D. Sant, Assistant Treasurer

SUBSIDIARY OF PUGET SOUND ENERGY, INC.

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

Directors

James W. Eldredge, Chairman
Eric M. Markell
Donald E. Gaines

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 2011

	A	C	D	I	J	K	L	M
1				(1004)		Adjustment		
2		(1000)		Puget		and/or		
3		PSE	Adjustments	Western		Elimination		TOTAL
4								
5								
6	ASSETS:							
7	Utility Plant:							
8	Electric	8,390,667,154						8,390,667,154
9	Gas	2,855,794,346						2,855,794,346
10	Common	518,317,885						518,317,885
11	Less: Accumulated deprec and amort	(3,714,912,703)						(3,714,912,703)
12	Net Plant	8,049,866,682						8,049,866,682
13								
14	Other Property and Investments:							
15	Investment in Bonneville Exchange Power Contract	19,396,318						19,396,318
16	Other Property and Investments	118,660,084		38,628,238	(4e)	(43,760,155)		113,528,167
17	Total Other Property and Investments	138,056,402		38,628,238		(43,760,155)		132,924,485
18	Current Assets:							
19	Cash	32,430,182	(3,447,837)	2,028,148	(4a)			31,010,493
20	Restricted cash	-	3,447,837	735,357	(4b)			4,183,194
21	Accounts Receivable (Rpt Node)	345,801,530	(998,598)	174,799	(4c)			344,977,731
22	Less allowance for doubtful accounts	(8,495,095)	-					(8,495,095)
24	Unbilled revenues	191,149,545	-					191,149,545
25	Purchased Gas Adjustment Receivable (PGA)	(25,940,163)	25,940,163					-
26	Materials and Supplies	76,068,502						76,068,502
27	Fuel and Gas Inventory	97,073,822						97,073,822
28	Current Portion FAS 133 Unrealized Gain/Loss (ST)	6,647,154						6,647,154
29	Income Taxes	-	11,552,816					11,552,816
30	Prepaid Expense and other	12,850,154		956,500	(4d)			13,806,654
31	Taxes Receivable	-						-
32	Current Portion of Deferred Income Taxes	112,204,406						112,204,406
33	Total Current Assets	839,790,037	36,494,381	3,894,804				880,179,222
34	Long-Term and Regulatory Assets:							
35	Regulatory assets:							
36	Regulatory asset for deferred income taxes	61,343,619						61,343,619
37	Regulatory asset for PURPA buyout costs	-						-
38	Power Cost Adjustment Mechanism (PCA)	6,818,038						6,818,038
45	Other Regulatory Assets	760,585,447						760,585,447
46	Long-Term Assets:							
47	FAS 133 Unrealized Gain/Loss (LT)	10,083,890						10,083,890
48	Deferred Tax Asset	-		760,744	(4f)	(760,744)	(b)	-
49	Other Long-Term Assets	182,747,327	998,598					183,745,925
50	Total Long-Term and Regulatory Assets	1,021,578,321	998,598	760,744		(760,744)		1,022,576,919
51	TOTAL ASSETS	10,049,291,442	37,492,979	43,283,786		(44,520,899)		10,085,547,308
52	Capitalization:							
53	CAPITALIZATION AND LIABILITIES:							
54	Common equity	3,222,219,929		43,760,155	(5e)	(43,760,155)	(a)	3,222,219,929
55	Preferred Stock	-						-
56	Total shareholders' equity	3,222,219,929		43,760,155		(43,760,155)		3,222,219,929
57	Preferred stock subject to mandatory redemption	-						-
58	Junior subordinated notes	250,000,000						250,000,000
59	Long-term Debt (acct 221)	3,523,860,000						3,523,860,000
60	Long-term Debt (acct 226)	(14,646)						(14,646)
62	Total redeemable securities and long-term debt	3,773,845,354						3,773,845,354
63	Total capitalization	6,996,065,283						6,996,065,283
64	Current Liabilities:							
65	Accounts Payable	339,245,256		322,431	(5a)			339,567,687
66	Notes Payable	-						-
67	Short-term Debt	25,000,000						25,000,000
68	Short Term Debt Owed to Puget Energy	29,997,785						29,997,785
69	Current maturities of Long-Term Debt	-						-
70	Accrued Expenses:							
71	Purchased gas liability	-	25,940,163					25,940,163
72	Taxes	79,756,375	11,552,816	(582,222)	(5b)			90,726,969
73	Salaries and wages	40,892,293						40,892,293
74	Interest	55,842,900						55,842,900
75	Current Portion FAS 133 Unrealized Gain/Loss (ST)	301,878,934						301,878,934
76	Current Portion of Deferred Income Taxes	-						-
77	Other current liabilities	62,208,791	6,137,000					68,345,791
78	Total current liabilities	934,822,334	43,629,979	(259,791)				978,192,522
79	Long-Term Liabilities:							
80	Deferred income taxes	1,116,617,971		(218,537)	(5c)	(760,744)	(b)	1,115,638,690
81	FAS 133 Unrealized Gain/Loss (LT)	169,359,103						169,359,103
82	Power Cost Adjustment Mechanism	-						-
85	Regulatory Liabilities:	340,906,665						340,906,665
86	Other Deferred Credits	491,520,086	(6,137,000)	1,959	(5d)			485,385,045
87	Total long-term liabilities	2,118,403,825	(6,137,000)	(216,578)		(760,744)		2,111,289,503
88	TOTAL CAPITALIZATION AND LIABILITIES:	10,049,291,442	37,492,979	43,283,786		(44,520,899)		10,085,547,308
89								
90	Legend:							
91	a) Eliminate Investment in Subsidiary							
92	b) Reclass to Liability							
93								
94	NOTE: HEDC merged into PSE 5-10							

PUGET SOUND ENERGY, INC.

INCOME STATEMENT
(Values in Thousands)

Year to Date Ended December 31, 2011 (GAAP)	(1000) PSE	Adjustments	(1002) HEDC	HEDC Eliminate	(1004) Puget Western	Puget Western Eliminate	(1020) PSE Funding	PSE Funding Eliminate	Total
Operating Revenues:	2,147,219,846								2,147,219,846
Electric	1,168,846,570								1,168,846,570
Gas	3,035,734				897,113				3,732,847
Non-utility operating revenue	3,318,205,149				897,113				3,915,892,262
Total operating revenue									
Operating Expenses:									
Energy Costs:									
Purchased electricity	772,289,920	(315,087)							771,083,023
Fuel	199,471,094								199,471,094
Residential/Farm Exchange	(71,147,374)								(71,147,374)
Purchased natural gas	622,087,912								622,087,912
FAS 133 Unrealized Gain/Loss	54,146,697								54,146,697
Utility operations and maintenance	608,622,167	(11,801,287) (a)			769,039				487,920,870
Non-utility expense and other	10,376,823								11,146,862
Merger Related	299,598,076								299,598,076
Depreciation, deplet.&amort.	72,381,167				810				72,381,167
Amortization	107,846,368								107,846,368
Conservation amortization	31,172,671	11,917,184 (b)			437,344				323,527,089
Taxes other than income taxes									
Total operating expenses	2,887,651,281				1,207,199				2,895,759,480
Operating Income	491,553,868				(516,088)				431,043,772
Other Income (Deductions):									
Other income	67,864,877				(443,780)		619,999		68,041,116
Other expenses	(8,376,930)								(8,376,930)
Interest charges:									
AFUDC	29,948,999								29,948,999
Interest expense	(231,212,165)								(231,212,165)
Interest expense on Puget Energy Note	(284,343)								(284,343)
Income Before Income Taxes & Extraordinary Items	282,671,305				(653,849)		619,999		282,237,459
Income Taxes	78,450,888				(353,647)				78,117,021
Net Income Before Extraordinary Items	204,120,438				(619,899)				204,120,438
Extraordinary Items									
Net Income	204,120,438				(619,899)		619,999		204,120,438
Less Preferred Stock Dividends Accruals									
Preferred Stock Redemption									
Income for Common Stock	204,120,438				(619,899)		619,999		204,120,438
Common Shares Outstanding Weighted Average									
Earnings per share									
Utility O&M		Energy Cost	Total						
Jan 2011 PR taxes	934,684		21,411						976,095
February 2011 PR taxes	917,871		25,201						943,072
March 2011 PR taxes	1,095,580		29,692						1,125,272
April 2011 PR taxes	966,541		25,641						992,182
May 2011 PR taxes	988,000		28,549						1,016,549
June 2011 PR taxes	987,222		27,088						1,014,310
July 2011 PR taxes	877,619		24,283						901,902
August 2011 PR taxes	1,009,617		27,583						1,031,200
September 2011 PR taxes	948,806		29,136						977,944
October 2011 PR taxes	965,045		25,440						990,485
November 2011 PR taxes	926,704		27,183						953,887
December 2011 PR taxes	969,598		24,688						994,286
	11,801,287		315,897						11,917,184

Note: (a) and (b) Reclass payroll taxes from Utility O&M to Other Taxes:

Utility O&M	Energy Cost	Total
Jan 2011 PR taxes	934,684	21,411
February 2011 PR taxes	917,871	25,201
March 2011 PR taxes	1,095,580	29,692
April 2011 PR taxes	966,541	25,641
May 2011 PR taxes	988,000	28,549
June 2011 PR taxes	987,222	27,088
July 2011 PR taxes	877,619	24,283
August 2011 PR taxes	1,009,617	27,583
September 2011 PR taxes	948,806	29,136
October 2011 PR taxes	965,045	25,440
November 2011 PR taxes	926,704	27,183
December 2011 PR taxes	969,598	24,688
	11,801,287	315,897

Puget Western, Inc.
BALANCE SHEET
DECEMBER 31, 2011

	PERIOD ENDED 12/30/11	PERIOD ENDED 12/31/10	\$ CHANGE FROM PRIOR YEAR END
CURRENT ASSETS			
Petty Cash	\$100	\$100	
Schwab Account	26	26	
Cash - Money Market	1,958,026	4,717,268	(2,759,242)
Cash - MMkt Snoqualmie	735,357	733,134	2,223
Cash in Bank	69,996	109,400	(39,404)
Notes Receivable	2,937,217	3,700,261	(763,044)
Interest Receivable	174,799	118,324	56,475
Prepaid Rent	11,175	10,793	382
Prepaid Misc.		21,918	(21,918)
Prepaid Escrow Deposits	937,323	837,323	100,000
Prepaid Insurance	8,002	8,453	(451)
Total Current Assets	6,832,021	10,257,000	(3,424,979)
Long-Term Assets			
Furniture & Fixtures	284,709	283,748	961
Accum Depr FF&E	(282,923)	(282,107)	(816)
Sub-total	1,786	1,641	145
Investments			
Investment in Kinetic Ventures	317,597	761,357	(443,760)
Deferred Tax Asset-Kinetic	760,744	563,574	197,170
Sub-total	1,078,341	1,324,931	(246,590)
Property Leased to Others			
Land Held for Sale or Development			
Commercial Land	31,671,647	34,966,661	(3,295,014)
Project Development	3,699,991	3,558,543	141,448
Total Long-Term Assets	36,451,765	39,851,776	(3,400,011)
TOTAL ASSETS	43,283,786	50,108,776	(6,824,990)

Puget Western, Inc.
BALANCE SHEET
DECEMBER 31, 2011

	PERIOD ENDED 12/30/11	PERIOD ENDED 12/31/10	\$ CHANGE FROM PRIOR YEAR END
CURRENT LIABILITIES			
Accounts Payable		\$5,891	(\$5,891)
Future Property Obligations	286,431	286,956	(525)
Accounts Payable Accruals	36,000	35,000	1,000
B & O Tax Payable	793	965	(172)
Total Current Liabilities	323,224	328,812	(5,588)
LONG-TERM LIABILITIES			
Intercompany Payable to Parent-FIT	(583,015)	(444,211)	(138,804)
Unearned Income	1,960	1,960	
Unearned Income-Long Term		1,062,725	(1,062,725)
Deferred FIT	(218,537)	(220,665)	2,128
Total Long-Term Liabilities	(799,592)	399,809	(1,199,401)
TOTAL LIABILITIES	(476,368)	728,621	(1,204,989)
EQUITY			
Common Stock	10,200	10,200	
Additional Paid-In-Capital	44,487,244	44,487,244	
Retained Earnings	(117,289)	5,839,920	(5,957,209)
Y-T-D Net Profit (Loss)	(620,000)	(957,209)	337,209
TOTAL EQUITY	43,760,155	49,380,155	(5,620,000)
TOTAL LIABILITIES & EQUITY	43,283,787	50,108,776	(6,824,989)

Puget Western, Inc.
INCOME STATEMENT
FOR THE YEAR TO DATE DECEMBER 31, 2011

	YTD ENDED 12/31/11	BUDGET YTD ENDED 12/31/11	VARIANCE	YTD ENDED 12/31/10	VARIANCE
INCOME					
Sale Revenue	\$4,278,058	\$12,250,000	(\$7,971,942)		\$4,278,058
Cost of Sale	3,510,324	10,300,000	6,789,676		3,510,324
Direct Selling Exp	275,811	1,000,000	724,189		275,811
GROSS PROFIT ON SALES	491,923	950,000	(458,077)		491,923
Rental Income	24,520	24,000	520	23,669	851
Earnings-Other	3,975		3,975	(144,564)	148,539
Interest Income	180,669	180,000	669	227,172	(46,503)
Miscellaneous Income				31,054	(31,054)
TOTAL INCOME	701,087	1,154,000	(452,913)	137,331	563,756
EXPENSE					
North Creek Rent	79,380	78,900	(480)	40,773	38,607
Kinetic Value Adjustments	447,735		(447,735)		447,735
Consulting Fees	62,572	81,600	19,028	63,598	(1,026)
Legal Fees		12,000	12,000		
Accounting Fees		25	25		
Bank Service Charges	95		(95)	30	65
B & O/Excise Taxes	3,146	3,120	(26)	3,688	(542)
Property Taxes	433,896	420,000	(13,896)	422,712	11,184
Personal Property Tax	300	17	(283)	277	23
Marketing Expense	10,483	24,000	13,517	21,060	(10,577)
General & Admin. Expense	416,825	600,000	183,175	415,177	1,648
Depreciation Expense	816	792	(24)	2,187	(1,371)
Sub-Total	1,455,248	1,220,454	(234,794)	969,502	485,746
OPERATING EXPENSE					
Misc. Property Mgmt Expense	72,711	80,000	7,289	46,889	25,822
Escrow/Title Fees	144		(144)		144
Travel	5,971	6,600	629	6,560	(589)
Training Expense		1,200	1,200		
Meals & Entertainment	861	6,000	5,139	1,014	(153)
Office Supplies & Equipment	12,311	9,600	(2,711)	13,256	(945)
Utilities	40,327	48,000	7,673	20,253	20,074
Postage	640	2,400	1,760	452	188
Dues, Subscriptions, Manuals	731	2,400	1,669	565	166
Donations	250	1,200	950	200	50
Repair & Maintenance	1,452	9,600	8,148	3,547	(2,095)
Leasing Expense		1,200	1,200		
PSE Strander Lease Expense	50,640	48,000	(2,640)	42,740	7,900
Insurance Expense	13,464	14,400	936	14,077	(613)
Licenses	183		(183)	145	38
Property Option Expense		4,167	4,167	287,300	(287,300)
TOTAL OPERATING EXP.	199,685	234,767	35,082	436,998	(237,313)
TOTAL EXPENSES	1,654,933	1,455,221	(199,712)	1,406,500	248,433
INCOME (LOSS) BEFORE FIT	(953,846)	(301,221)	(652,625)	(1,269,169)	315,323
Federal Income Tax	(333,846)	(105,427)	228,419	(311,960)	(21,886)
NET INCOME (LOSS)	(620,000)	(195,794)	(424,206)	(957,209)	337,209

PUGET ENERGY
BALANCE SHEET FOR DECEMBER 2011

	C (0500)	D	E	F (1000)	G	H	I PE
	Puget Energy	Adjustment		Puget Sound Energy	ELIMINATE		TOTAL
1							
2							
3							
4	ASSETS:						
5	Utility Plant:						
6	Electric	(2,322,995,128)		8,390,667,154			6,067,672,026
7	Gas	(617,053,564)		2,855,794,346			2,238,740,782
8	Common	(100,082,029)		518,317,885			418,235,856
9	Less: Accumulated depreciation and amortization	3,040,130,721		(3,714,912,703)			(674,781,982)
10	Net Utility Plant			8,049,868,682			8,049,868,682
11							
12	Other Property and Investments:						
13	Goodwill	1,656,512,951					1,656,512,951
14	Investment in BEP contract			19,396,318			19,396,318
15	Other Property and Investments	3,232,043,697		113,528,167	(3,222,219,929)		123,351,935
16	Total Other Property and Investments	4,888,556,648		132,924,485	(3,222,219,929)		1,799,261,204
17	Current Assets:						
18	Cash	6,224,236		31,010,493			37,234,729
19	Restricted Cash			4,183,194			4,183,194
20	Accounts receivable	30,291,239		344,977,731	(30,243,676)	d	345,025,294
21	Less allowance for doubtful accounts			(8,495,095)			(8,495,095)
22	Unbilled revenues			191,149,545			191,149,545
23	Purchased Gas Adjustment Receivable						
24	Materials and Supplies, at average cost	0		76,068,502			76,068,502
25	Fuel and Gas Inventory, at average cost	3,417,232		97,073,822			100,491,054
26	Unrealized Gain/Loss on Derivative Instruments	0		6,647,154			6,647,154
27	Income Taxes		a	11,552,816			11,552,816
28	Prepaid Expense and other	162,413		13,806,654			13,969,067
29	Power Contract Acquisition Adjustment Gain	65,096,350					65,096,350
30	Taxes Receivable						
31	Deferred Income Taxes	(10,270,461)		112,204,406			101,933,945
32	Total Current Assets	94,921,009		880,179,222	(30,243,676)		944,856,555
33	Long-Term and Regulatory Assets:						
34	Restricted cash						
35	Regulatory asset for deferred income taxes	960,975		61,343,619			62,304,594
36	Regulatory asset for PURPA buyout costs						
37	Power Cost Adjustment Mechanism			6,818,038			6,818,038
38	Regulatory assets related to power contracts		46,201,720	b			46,201,720
39	Other Regulatory Assets	52,440,660	(46,201,720)	b	760,585,447		766,824,387
40	Unrealized Gain/Loss on Derivative Instruments (LT)	0		10,083,890			10,083,890
41	Power Contract Acquisition Adjustment Gain	517,739,935					517,739,935
42	Other Long-Term Assets	(2,992,848)		183,745,925			180,753,077
43	Total Long-Term and Regulatory Assets	568,148,722		1,022,576,919			1,590,725,641
44	TOTAL ASSETS	5,551,626,379		10,085,547,308	(3,252,463,605)		12,384,710,082
45	Capitalization:						
46	CAPITALIZATION AND LIABILITIES:						
47							
48							
49							
50	Common equity	3,300,922,666		3,222,219,929	(3,222,219,929)	c	3,300,922,666
51	Total shareholders' equity	3,300,922,666		3,222,219,929	(3,222,219,929)		3,300,922,666
52	Junior subordinated Notes			250,000,000			250,000,000
53	Long-term Debt	1,503,522,246		3,523,845,354			5,027,367,600
54	Total redeemable securities and long-term debt	1,503,522,246		3,773,845,354			5,277,367,600
55	Total capitalization	4,804,444,912		6,996,065,283	(3,222,219,929)		8,578,290,266
56	Current Liabilities:						
57	Accounts Payable	0		339,567,687	(206,642)	d	339,361,045
58	Dividends Declared - Common Stock						
59	Notes Payable						
60	Short-term Debt			25,000,000			25,000,000
61	Short-term Debt Owed to Puget Energy			29,997,785	(29,997,785)	d	
62	Current Maturities of LTD						
63	Purchased gas liability			25,940,163			25,940,163
64	Taxes	0	a	90,726,969			90,726,969
65	Salaries and wages			40,892,293			40,892,293
66	Interest	13,525,297		55,842,900	(39,249)	d	69,328,948
67	Current Portion FAS 133 Unrealized Gain/Loss	25,210,268		301,878,934			327,089,202
68	Current Portion of Deferred Income Taxes						
69	Power Contract Acquisition Adjustment Loss	8,547,103					8,547,103
70	Other	6,062,482		68,345,791			74,408,273
71	Total current liabilities	53,345,150		978,192,522	(30,243,676)		1,001,293,996
72	Long-Term Liabilities:						
73	Deferred income taxes	38,116,548		1,115,638,690			1,153,755,238
74	FAS 133 Unrealized Gain/Loss (LT)	27,199,213		169,359,103			196,558,316
75	Power Cost Adjustment Mechanism						
76	Regulatory Liabilities	5,317,986		340,906,665			346,224,651
77	Liabilities Related to Power Contracts	582,836,285					582,836,285
78	Power Contract Acquisition Adjustment Loss	37,654,617					37,654,617
79	Other Deferred Credits	2,711,668		485,385,045			488,096,713
80	Total long-term liabilities	693,836,317		2,111,289,503			2,805,125,820
81	TOTAL CAPITALIZATION AND LIABILITIES:	5,551,626,379		10,085,547,308	(3,252,463,605)		12,384,710,082
82							
83							
84	Ledged:						
85	a) Reclass to an Asset Account						
86	b) Reclass Power Contracts						
87	c) Eliminate Investment in Subsidiaries						
88	d) Eliminate Inter-Company A/R &/or A/P						

Year to Date ended December 31, 2011 (GAAP)

	(0500)	Adj.	(1000)	PSE Eliminate	PE/PSE Interco Elimination	Total Puget Energy with Discontinued Operations
Operating Revenues:						
Electric			2,147,219,845			2,147,219,845
Gas			1,168,849,570			1,168,849,570
Non-utility operating revenue	(1,037,488)		3,732,847			2,695,361
Total operating revenue	(1,037,488.00)		3,319,802,262			3,318,764,776
Operating Expenses:						
Energy Costs:						
Purchased electricity	(577,526)		771,983,023			771,405,497
Fuel			199,471,094			199,471,094
Residential/Farm Exchange			(71,147,374)			(71,147,374)
Purchased natural gas			622,087,912			622,087,912
FAS-133 Unrealized (gain) loss			54,146,597			11,494,030
Utility operations and maintenance	(42,651,567)		497,920,870			497,920,870
Non-utility expense and other	(1,704,450)		11,145,862			9,441,412
Merger and related costs			299,596,892			299,596,892
Depreciation, deplet			72,381,157			72,381,157
Amortization			107,646,358			107,646,358
Conservation amortization			323,527,099			323,527,099
Taxes other than income taxes						
Total operating expenses	(44,933,543)		2,888,758,490			2,843,824,947
Operating Income	43,896,057		431,043,772			474,939,829
Other Income (Deductions):						
Charitable Foundation Funding					(204,343)	58,052,266
Other income	204,335,931		56,041,116	(204,120,438)		(5,379,930)
Other deductions			(5,379,930)			(28,601,092)
Unhedged Interest Rate Derivative Expense	(28,601,092)					
Interest charges:						
AFUDC			29,948,999			29,948,999
Interest expense	(140,697,376)		(231,212,155)			(371,909,531)
Interest expense - PE note			(204,343)		204,343	
Income from Continuing Operations b/f Income Taxes	79,933,520		282,237,459	(204,120,438)		157,050,541
Income Taxes	(44,356,589)		78,117,021			33,760,433
Net Income from Continuing Operations	123,290,108		204,120,438	(204,120,438)		123,290,108
Income b/f extraordinary item / accounting change	123,290,108		204,120,438	(204,120,438)		123,290,108
Income for Common Stock	123,290,108		204,120,438	(204,120,438)		123,290,108
Common Shares Outstanding Weighted Average						

PUGET EQUICO
BALANCE SHEET FOR DECEMBER 2011

	A	C	D	E	F	G	H	I
		(0490)			(0500)			Puget Equico
		Equico	Adjustment		Puget Energy	ELIMINATE		TOTAL
1								
2								
3								
4	ASSETS:							
5	Utility Plant:							
6	Electric				6,067,672,026			6,067,672,026
7	Gas				2,238,740,782			2,238,740,782
8	Common				418,235,856			418,235,856
9	Less: Accumulated depreciation and amortization				(674,781,982)			(674,781,982)
10	Net Utility Plant				8,049,866,682			8,049,866,682
11								
12	Other Property and Investments:							
13	Goodwill				1,656,512,951			1,656,512,951
14	Investment in BEP Contract				19,396,318			19,396,318
15	Other Property and Investments	3,300,922,666			123,351,935	(3,300,922,666)		123,351,935
16	Total Other Property and Investments	3,300,922,666	-		1,799,261,204	(3,300,922,666)		1,799,261,204
17	Current Assets:							
18	Cash	137,396			37,234,729			37,372,125
19	Restricted Cash				4,183,194			4,183,194
21	Accounts receivable				345,025,294	(5,990)	D	345,019,304
22	Less allowance for doubtful accounts				(8,495,095)			(8,495,095)
24	Unbilled revenues				191,149,545			191,149,545
26	Materials and Supplies, at average cost				76,068,502			76,068,502
27	Fuel and Gas Inventory, at average cost				100,491,054			100,491,054
28	Unrealized Gain/Loss on Derivative Instruments				6,647,154			6,647,154
29	Income Taxes			A	11,552,816			11,552,816
30	Prepaid Expense and other				13,969,067			13,969,067
31	Power Contract Acquisition Adjustment Gain				65,096,350			65,096,350
32	Taxes Receivable				-			-
33	Deferred Income Taxes				101,933,945			101,933,945
34	Total Current Assets	137,396	-		944,856,555	(5,990)		944,987,961
35	Long-Term and Regulatory Assets:							
36	Restricted cash				-			-
38	Regulatory asset for deferred income taxes				62,304,594			62,304,594
39	Regulatory asset for PURPA buyout costs				-			-
40	Power Cost Adjustment Mechanism				6,818,038			6,818,038
41	Regulatory Assets related to power contracts				46,201,720			46,201,720
42	Other Regulatory Assets				766,824,387			766,824,387
43	Unrealized Gain/Loss on Derivative Instruments (LT)				10,083,890			10,083,890
44	Power Contract Acquisition Adjustment Gain				517,739,935			517,739,935
45	Income Taxes			B	-			-
46	Other Long-Term Assets				180,753,077			180,753,077
47	Total Long Term and Regulatory Assets				1,590,725,641	-		1,590,725,641
48	TOTAL ASSETS	3,301,060,062	-		12,384,710,082	(3,300,928,656)		12,384,841,488
49	Capitalization:							
50	CAPITALIZATION AND LIABILITIES:							
51								
52	Common equity	3,301,101,236			3,300,922,666	(3,300,922,666)	C	3,301,101,236
53	Preferred Stock				-			-
54	Total shareholders' equity	3,301,101,236	-		3,300,922,666	(3,300,922,666)		3,301,101,236
55	Preferred stock subject to mandatory redemption				-			-
56	Junior subordinated Notes				250,000,000			250,000,000
57	Long-term Debt				5,027,367,600			5,027,367,600
58	Total redeemable securities and long-term debt				5,277,367,600			5,277,367,600
59	Total capitalization	3,301,101,236	-		8,578,290,266	(3,300,922,666)		8,578,468,836
61	Current Liabilities:							
62	Accounts Payable	5,990			339,361,045	(5,990)	D	339,361,045
63	Dividends Declared to Puget Intermediate				-			-
64	Notes Payable				-			-
65	Short-term Debt				25,000,000			25,000,000
66	Short-term Debt Owed to Puget Energy				-			-
67	Current Maturities of LTD				-			-
68	Purchased gas liability				25,940,163			25,940,163
69	Taxes			A	90,726,969			90,726,969
70	Salaries and wages				40,892,293			40,892,293
71	Interest				69,328,948			69,328,948
72	Current Portion FAS 133 Unrealized Gain/Loss				327,089,202			327,089,202
74	Power Contract Acquisition Adjustment Loss				8,547,103			8,547,103
75	Other				74,408,273			74,408,273
76	Total current liabilities	5,990	-		1,001,293,996	(5,990)		1,001,293,996
77	Long-Term Liabilities:							
78	Deferred income taxes	(47,164)		B	1,153,755,238			1,153,708,074
79	FAS 133 Unrealized Gain/Loss (LT)				196,558,316			196,558,316
80	Power Cost Adjustment Mechanism				-			-
81	Regulatory Liabilities				346,224,651			346,224,651
82	Regulatory Liabilities Related to Power Contracts				582,836,285			582,836,285
83	Power Contract Acquisition Adjustment Loss				37,654,617			37,654,617
84	Other Deferred Credits				488,096,713			488,096,713
85	Total long-term liabilities	(47,164)	-		2,805,125,820			2,805,078,656
86	TOTAL CAPITALIZATION AND LIABILITIES:	3,301,060,062	-		12,384,710,082	(3,300,928,656)		12,384,841,488
87								
88								12,384,841,488
89	Legend:							
90	A) Reclass to Asset							
91	B) Recalls to Liability							
92	C) Eliminate investment in Subsidiary							
93	D) Eliminate Inter-Company A/R &/or A/P							

12 Months Ended December 31, 2011 (GAAP)

	(0490) Puget Equico	(0500) Puget Energy	(0501) Merger Sub	Equico Eliminate	Merger Sub Eliminate	Equico/PE Elimination	Total Puget Equico
Operating Revenues:							
Electric		2,147,219,845					2,147,219,845
Gas		1,168,849,570					1,168,849,570
Non-utility operating revenue		2,695,361					2,695,361
Total operating revenue		3,318,764,776					3,318,764,776
Operating Expenses:							
Energy Costs:							
Purchased electricity		771,405,497					771,405,497
Fuel		199,471,094					199,471,094
Residential/Farm Exchange		(71,147,374)					(71,147,374)
Purchased natural gas		622,087,912					622,087,912
FAS-133 Unrealized (gain) loss		11,494,030					11,494,030
Utility operations and maintenance		497,920,870					497,920,870
Non-utility expense and other	41,864	9,441,412					9,483,276
Merger and related costs		-					-
Depreciation		299,596,892					299,596,892
Amortization		72,381,157					72,381,157
Conservation amortization		107,646,358					107,646,358
Taxes other than income taxes		323,527,099					323,527,099
Total operating expenses	41,864	2,843,824,947	-	-	-	-	2,843,866,811
Operating Income	(41,864)	474,939,829	-	-	-	-	474,897,965
Other Income (Deductions):							
Charitable Foundation Funding		-					-
Other income	123,290,109	58,052,268		(123,290,108)			58,052,267
Other deductions		(5,379,930)					(5,379,930)
Unhedged Interest Rate Derivative Expense		(28,601,092)					(28,601,092)
Interest charges:							
AFUDC		29,948,999					29,948,999
Interest expense		(371,909,531)					(371,909,531)
Preferred stock dividends of subsidiary		-					-
Income from Continuing Operations b/f Income Taxes	123,248,245	157,050,541	-	(123,290,108)	-	-	157,008,678
Income Taxes	(14,779)	33,760,433	-	-	-	-	33,745,654
Net Income from Continuing Operations	123,263,024	123,290,108	-	(123,290,108)	-	-	123,263,024

PUGET INTERMEDIATE, INC.
BALANCE SHEET FOR DECEMBER 2011

	A	C	D	E	F	G	I	J
		(0480)			(0490)			Puget Intermediate
		Intermediate	Adjustment		Puget Equico	ELIMINATE		TOTAL
1								
2								
3								
4	ASSETS:							
5	Utility Plant:							
6	Electric				6,067,672,026			6,067,672,026
7	Gas				2,238,740,782			2,238,740,782
8	Common				418,235,856			418,235,856
9	Less: Accumulated depreciation and amortization				(674,781,982)			(674,781,982)
10	Net Utility Plant				8,049,866,682			8,049,866,682
11								
12	Other Property and Investments:							
13	Goodwill				1,656,512,951			1,656,512,951
14	Investment in BEP				19,396,318			19,396,318
15	Other	3,301,101,236			123,351,935	(3,301,101,236)		123,351,935
16	Total Other Property and Investments	3,301,101,236			1,799,261,204	(3,301,101,236)		1,799,261,204
17	Current Assets:							
18	Cash	251,637			37,372,125			37,623,762
19	Restricted Cash				4,183,194			4,183,194
20	Dividends Receivable from PE							
21	Accounts receivable				345,019,304	(41,415)	(b)	344,977,889
22	Less allowance for doubtful accounts				(8,495,095)			(8,495,095)
23	Secure Pledged Accounts Receivable							
24	Unbilled revenues				191,149,545			191,149,545
25	Purchased Gas Adjustment Receivable							
26	Materials and Supplies, at average cost				76,068,502			76,068,502
27	Fuel and Gas Inventory, at average cost				100,491,054			100,491,054
28	Unrealized Gain/Loss on Derivative Instruments				6,847,154			6,847,154
29	Income Taxes			(c)	11,552,816			11,552,816
30	Prepaid Expense and other				13,969,087			13,969,087
31	Power Contract Acquisition Adjustment Gain				65,096,350			65,096,350
32	Taxes Receivable							
33	Deferred Income Taxes				101,933,945			101,933,945
34	Total Current Assets	251,637			944,987,961	(41,415)		945,198,183
35	Long-Term and Regulatory Assets:							
36	Restricted cash							
37	Purchased Gas Adjustment Receivable							
38	Regulatory asset for deferred income taxes				62,304,594			62,304,594
39	Regulatory asset for PURPA buyout costs							
40	Power Cost Adjustment Mechanism				6,818,038			6,818,038
41	Regulatory Assets related to power contracts				46,201,720			46,201,720
42	Other Regulatory Assets				766,824,387			766,824,387
43	Unrealized Gain/Loss on Derivative Instruments (LT)				10,083,890			10,083,890
44	Power Contract Acquisition Adjustment Gain				517,739,935			517,739,935
45	Income Taxes							
46	Other Long-Term Assets				180,753,077			180,753,077
47	Total Long Term and Regulatory Assets				1,590,725,641			1,590,725,641
48	TOTAL ASSETS	3,301,352,873			12,384,841,488	(3,301,142,651)		12,385,051,710
49	Capitalization:							
50	CAPITALIZATION AND LIABILITIES:							
51								
52	Common equity	1,935,052,875			3,301,101,236	(3,301,101,236)	(a)	1,935,052,875
53	Preferred Stock							
54	Total shareholders' equity	1,935,052,875			3,301,101,236	(3,301,101,236)		1,935,052,875
55	Preferred stock subject to mandatory redemption							
56	Junior subordinated Notes				250,000,000			250,000,000
57	Long-term Debt - Investors	1,600,000,000						1,600,000,000
58	Long-term Debt				5,027,367,600			5,027,367,600
59	Total redeemable securities and long-term debt	1,600,000,000			5,277,367,600			6,877,367,600
60	Total capitalization	3,535,052,875			8,578,468,836	(3,301,101,236)		8,812,420,475
61	Minority Interest							
62	Current Liabilities:							
63	Accounts Payable	124,108			339,361,045	(41,415)	(b)	339,443,738
64	Dividends Declared to Puget Holdings							
65	Notes Payable							
66	Short-term Debt				25,000,000			25,000,000
67	Short-term Debt Owed to Puget Energy							
68	Current Maturities of LTD							
69	Purchased gas liability				25,940,163			25,940,163
70	Taxes			(c)	90,726,969			90,726,969
71	Salaries and wages				40,892,293			40,892,293
72	Interest - Investors	7,555,556						7,555,556
73	Interest - Others				69,328,948			69,328,948
74	Current Portion FAS 133 Unrealized Gain/Loss				327,089,202			327,089,202
75	Current Portion of Deferred Income Taxes							
76	Power Contract Acquisition Adjustment Loss				8,547,103			8,547,103
77	Other				74,408,273			74,408,273
78	Total current liabilities	7,679,664			1,001,293,996	(41,415)		1,008,932,245
79	Long-Term Liabilities:							
80	Deferred income taxes	(241,379,666)			1,153,708,074			912,328,408
81	FAS 133 Unrealized Gain/Loss (LT)				196,558,316			196,558,316
82	Power Cost Adjustment Mechanism							
83	Regulatory Liabilities				346,224,651			346,224,651
84	Regulatory Liabilities Related to Power Contracts				582,836,285			582,836,285
85	Power Contract Acquisition Adjustment Loss				37,654,617			37,654,617
86	Other Deferred Credits				488,096,713			488,096,713
87	Total long-term liabilities	(241,379,666)			2,805,078,656			2,563,698,990
88	TOTAL CAPITALIZATION AND LIABILITIES:	3,301,352,873			12,384,841,488	(3,301,142,651)		12,385,051,710
89								
90								
91								
92								
93								
94	Legend:							
95	a) Eliminate Investment in Subsidiary							
96	b) Eliminate Inter-Company A/R &/or A/P							
97	c) Reclass current tax liability							
98								
99								
100	NOTE:							
101	Accounts Payable:							
102	A/P Invoice Accruals	82,693						
103	Accounts Payable - Associated Companies	41,415						
104	Total	124,108						

12 Months Ended December 31, 2011 (GAAP)

	(0480) Puget Intermediate	(0490) Puget Equico	Equico Eliminate	Equico/PE Elimination	Total Puget Intermediate
Operating Revenues:					
Electric		2,147,219,845			2,147,219,845
Gas		1,168,849,570			1,168,849,570
Non-utility operating revenue		2,695,361			2,695,361
Total operating revenue		3,318,764,776			3,318,764,776
Operating Expenses:					
Energy Costs:					
Purchased electricity		771,405,497			771,405,497
Fuel		199,471,094			199,471,094
Residential/Farm Exchange		(71,147,374)			(71,147,374)
Purchased natural gas		622,087,912			622,087,912
FAS-133 Unrealized (gain) loss		11,494,030			11,494,030
Utility operations and maintenance		497,920,870			497,920,870
Non-utility expense and other	565,911	9,483,278			10,049,187
Merger and related costs		-			-
Depreciation,		299,596,892			299,596,892
Amortization		72,381,157			72,381,157
Conservation amortization		107,646,358			107,646,358
Taxes other than income taxes		323,527,099			323,527,099
Total operating expenses	565,911	2,843,866,811			2,844,432,722
Operating Income	(565,911)	474,897,965			474,332,054
Other Income (Deductions):					
Charitable Foundation Funding		-			-
Other income	123,263,024	58,052,267	(123,263,024)		58,052,267
Other deductions		(5,379,930)			(5,379,930)
Unhedged Interest Rate Derivative Expense		(28,601,092)			(28,601,092)
Interest charges:					
AFUDC		29,948,999			29,948,999
Interest charges – Investors	(275,891,477)				(275,891,477)
Interest expense		(371,909,531)			(371,909,531)
Preferred stock dividends of subsidiary		-			-
Income from Continuing Operations b/f Income Taxes	(153,194,364)	157,008,678	(123,263,024)		(119,448,710)
Income Taxes	(97,463,566)	33,745,654			(63,717,912)
Net Income from Continuing Operations	(55,730,798)	123,263,024	(123,263,024)		(55,730,798)

12 Months Ended December 31, 2011 (GAAP)

	Puget Holdings	(0490) Puget Intermediate	Equico Eliminate	Equico/PE Elimination	Total Puget Holdings
Operating Revenues:					
Electric		2,147,219,845			2,147,219,845
Gas		1,168,849,570			1,168,849,570
Non-utility operating revenue		2,695,361			2,695,361
Total operating revenue		3,318,764,776			3,318,764,776
Operating Expenses:					
Energy Costs:					
Purchased electricity		771,405,497			771,405,497
Fuel		199,471,094			199,471,094
Residential/Farm Exchange		(71,147,374)			(71,147,374)
Purchased natural gas		622,087,912			622,087,912
FAS-133 Unrealized (gain) loss		11,494,030			11,494,030
Utility operations and maintenance		497,920,870			497,920,870
Non-utility expense and other	409,026	10,049,187			10,458,213
Merger and related costs					
Depreciation	8,378	299,596,892			299,605,270
Amortization		72,381,157			72,381,157
Conservation amortization		107,646,358			107,646,358
Taxes other than income taxes		323,527,099			323,527,099
Total operating expenses	417,404	2,844,432,722			2,844,850,126
Operating Income	(417,404)	474,332,054			473,914,650
Other Income (Deductions):					
Charitable Foundation Funding					
Other income	(55,730,798)	58,052,267	55,730,798		58,052,267
Other deductions		(5,379,930)			(5,379,930)
Unhedged Interest Rate Derivative Expense		(28,601,092)			(28,601,092)
Interest charges:					
AFUDC		29,948,999			29,948,999
Interest expense - Investors		(275,891,477)			(275,891,477)
Interest expense		(371,909,531)			(371,909,531)
Preferred stock dividends of subsidiary					
Income from Continuing Operations b/f Income Taxes	(55,148,202)	(119,448,710)	55,730,798		(119,866,114)
Income Taxes	(340,506)	(63,717,912)			(64,058,418)
Net Income from Continuing Operations	(55,807,696)	(55,730,798)	55,730,798		(55,807,696)

PUGET SOUND ENERGY
AFFILIATED INTEREST AND SUBSIDIARY
TRANSACTIONS REPORT

EXHIBIT 4



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references		
key words		
approvals		
/s/ James W. Eldredge	/s/ Michael J. Stranik	
Vice President and Controller	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