

Puget Sound Energy, Inc.

Affiliated Interest and Subsidiary Transaction Report For the Year-to-Date December 31, 2012

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

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 subsidiary.
 - 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, 2012 was 0.66%;
 - 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, 2012.
 - 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. 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, 2012

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	\$ 55,869
Reimbursement of labor and other expenses to PSE	\$ 157,420
<u>Puget Intermediate Holdings, Inc.</u>	
Accounts payable to PSE	\$ 754
Reimbursement of labor and other expenses to PSE	\$ 36,114
<u>Puget Equico LLC</u>	
Accounts payable to PSE	\$ 291
Reimbursement of labor and other expenses to PSE	\$ 12,658
<u>Puget Energy, Inc.</u>	
Account payable to PSE	\$ 205,123
Note receivable from PSE	\$ 29,597,785
Interest receivable from PSE	\$ 10,669
Reimbursement of labor and other expenses to PSE	\$ 1,376,519
Interest income on Puget Energy note from PSE	\$ 201,716
Dividends Receivable from PSE	\$ 212,875,426
<u>Puget Western, Inc.</u>	
Accounts payable to PSE	\$ 37,636
Reimbursement of labor and other expenses to PSE	\$ 480,488
Dividends paid to PSE	\$ 5,400,000

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	\$ 9,405

PUGET SOUND ENERGY
AFFILIATED INTEREST AND SUBSIDIARY
TRANSACTIONS REPORT

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.

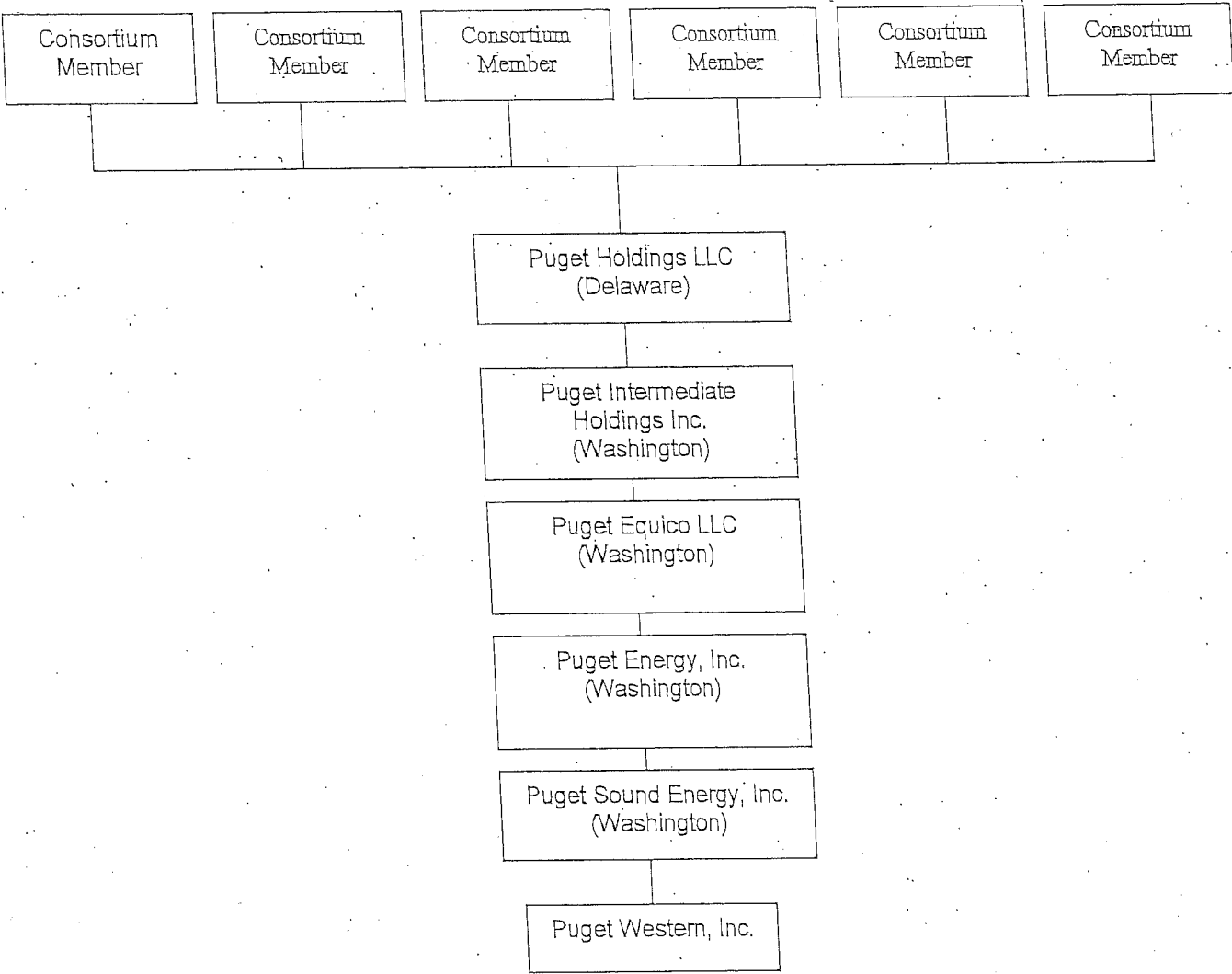
PUGET WESTERN, INC., a Washington corporation, is a real estate investment and development company. Address: 19515 North Creek Parkway, Suite 310, Bothell, Washington 98011.

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 is 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
Daniel Fetter
Kimberly Harris
Benjamin Hawkins
Alan James
Christopher Leslie
David MacMillan
John McMahon
Mary McWilliams
Christopher Trumpy

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
Donald E. Gaines, Vice President Finance and Treasurer
Durga D. Doraisamy, Corporate Secretary
Michael J. Stranik, Controller and Principal Accounting Officer
Samuel S. Osborne, Assistant Secretary
Brandon J. Lohse, Assistant Treasurer

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

Directors

William Ayer (Chairman)
Andrew Chapman
Melanie Dressel
Daniel Fetter
Kimberly Harris
Benjamin Hawkins
Alan James
Christopher Leslie
David MacMillan
John McMahon
Mary McWilliams
Christopher Trumpy

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
Donald E. Gaines, Vice President Finance and Treasurer
Durga D. Doraisamy, Corporate Secretary
Michael J. Stranik, Controller and Principal Accounting Officer
Samuel S. Osborne, Assistant Secretary
Brandon J. Lohse, Assistant Treasurer

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

Directors

William Ayer (Chairman)
Andrew Chapman
Melanie Dressel
Daniel Fetter
Kimberly Harris
Benjamin Hawkins
Alan James
Christopher Leslie
David MacMillan
John McMahon
Mary McWilliams
Christopher Trumpy

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
Donald E. Gaines, Vice President Finance and Treasurer
Durga D. Doraisamy, Corporate Secretary
Samuel S. Osborne, Assistant Secretary
Michael J. Stranik, Controller and Principal Accounting Officer
Brandon J. Lohse, Assistant Treasurer

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

Directors

William Ayer (Chairman)
Andrew Chapman
Melanie Dressel
Daniel Fetter
Kimberly Harris
Benjamin Hawkins
Alan James
Christopher Leslie
David MacMillan
John McMahon
Mary McWilliams
Christopher Trumpy

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
Donald E. Gaines, Vice President Finance and Treasurer
Durga D. Doraisamy, Corporate Secretary
Michael J. Stranik, Controller and Principal Accounting Officer
Samuel S. Osborne, Assistant Secretary
Brandon J. Lohse, 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
Daniel Fetter
Kimberly Harris
Benjamin Hawkins
Alan James
Christopher Leslie
David MacMillan
John McMahon
Mary McWilliams
Herb Simon
Christopher Trumpy

Officers

Kimberly J. Harris, President and Chief Executive Officer
Philip K. Bussey, SVP and Chief Customer Officer
Daniel A. Doyle, Senior Vice President and Chief Financial Officer
Donald E. Gaines, Vice President Finance and Treasurer
Booga K. Gilbertson, Vice President Operations Services
Susan McLain, Senior Vice President Delivery Operations
Marla Mellies, Senior Vice President and Chief Administrative Officer
David Mills, Vice President Energy Supply Operations
Steve R. Secrist, Vice President, General Counsel and Chief Ethics and Compliance Officer
Calvin E. Shirley, Vice President Customer Solutions
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
Michael J. Stranik, Controller and Principal Accounting Officer
Samuel S. Osborne, Assistant Secretary
Brandon J. Lohse, Assistant Treasurer

SUBSIDIARY OF PUGET SOUND ENERGY, INC.

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

Directors

Kimberly J. Harris, Chair
Daniel A. Doyle
Donald E. Gaines

Officers

Gust M. Erikson, President
David Yasuda, Vice President
Daniel A. Doyle, Secretary and Treasurer

PUGET SOUND ENERGY
AFFILIATED INTEREST AND SUBSIDIARY
TRANSACTIONS REPORT

EXHIBIT 3

PSE COMPANIES
BALANCE SHEET FOR DECEMBER 2012

	A	D	F	I	J	L
		(1000)		(1004)	Adjustment	
		PSE	Adjustments	Puget Western	and/or Elimination	TOTAL
ASSETS:						
Utility Plant:						
Electric	9,061,574,281		(13,218,283)			9,048,355,998
Gas	2,998,187,720					2,998,187,720
Common	555,549,265					555,549,265
Less: Accumulated deprec and amort	(4,045,401,817)					(4,045,401,817)
Net Plant	8,569,909,449		(13,218,283)			8,556,691,166
Other Property and Investments:						
Investment in Bonneville Exchange Power Contract						
Other Property and Investments	106,272,782			34,946,925	(37,573,935)	103,645,772
Total Other Property and Investments	106,272,782		-	34,946,925	(37,573,935)	103,645,772
Current Assets:						
Cash	132,971,198		-	2,558,810		135,530,008
Restricted cash	3,068,687		-	631,195		3,699,882
Accounts Receivable (Rpt Node)	297,894,714		-	26,463		297,921,177
Less allowance for doubtful accounts	(9,932,461)		-	-		(9,932,461)
Unbilled revenues	204,358,951		-			204,358,951
Purchased Gas Adjustment Receivable (PGA)	(32,587,139)		32,587,139			-
Materials and Supplies	82,352,601					82,352,601
Fuel and Gas Inventory	85,547,011					85,547,011
Current Portion FAS 133 Unrealized Gain/Loss (ST)	6,868,929		-			6,868,929
Income Taxes	-		4,796,404			4,796,404
Prepaid Expense and other	13,394,435			19,643		13,414,078
Taxes Receivable	-					-
Current Portion of Deferred Income Taxes	68,015,030		-			68,015,030
Total Current Assets	851,951,956		37,383,543	3,236,111	-	892,571,610
Long-Term and Regulatory Assets:						
Regulatory assets:						
Regulatory asset for deferred income taxes	119,279,154					119,279,154
Regulatory asset for PURPA buyout costs	-					-
Power Cost Adjustment Mechanism (PCA)	3,773,433		-			3,773,433
Other Regulatory Assets	813,170,598		-			813,170,598
Long-Term Assets:						
FAS 133 Unrealized Gain/Loss (LT)	14,813,761					14,813,761
Deferred Tax Asset	-			804,321	(804,321)	-
Other Long-Term Assets	90,329,791		-			90,329,791
Total Long-Term and Regulatory Assets	1,041,366,737		-	804,321	(804,321)	1,041,366,737
TOTAL ASSETS	10,569,500,924		24,165,260	38,987,357	(38,378,256)	10,594,275,285
Capitalization:						10,594,275,285
CAPITALIZATION AND LIABILITIES:						
Common equity	3,404,144,680			37,573,935	(37,573,935)	3,404,144,680
Preferred Stock	-					-
Total shareholders' equity	3,404,144,680		-	37,573,935	(37,573,935)	3,404,144,680
Preferred stock subject to mandatory redemption	-					-
Junior subordinated notes	250,000,000					250,000,000
Long-term Debt	3,523,860,000		(13,000,000)	2,411,777		3,513,271,777
Long-term Debt (acct 226 - Unamortized Debt Discount)	(14,144)					(14,144)
Total redeemable securities and long-term debt (Grand Total)	3,773,845,856		(13,000,000)	2,411,777	-	3,763,257,633
Total capitalization	7,177,990,536					7,167,402,313
Current Liabilities:						
Accounts Payable	288,075,366		-	181,968		288,257,334
Notes Payable	-					-
Short-term Debt	181,000,000					181,000,000
Short Term Debt Owed to Puget Energy	29,597,785					29,597,785
Current maturities of Long-Term Debt	-		13,000,000			13,000,000
Accrued Expenses:						
Purchased gas liability	-		32,587,139			32,587,139
Taxes	90,826,718		4,796,404			95,623,122
Salaries and wages	38,437,549					38,437,549
Interest	55,805,752					55,805,752
Current Portion FAS 133 Unrealized Gain/Loss (ST)	170,948,104					170,948,104
Current Portion of Deferred Income Taxes	-					-
Other current liabilities	64,842,737		5,040,000			69,882,737
Total current liabilities	919,534,011		55,423,543	181,968	-	975,139,522
Long-Term Liabilities:						
Deferred income taxes	1,276,587,919			(1,181,323)	(804,321)	1,274,602,275
FAS 133 Unrealized Gain/Loss (LT)	68,322,592					68,322,592
Power Cost Adjustment Mechanism	-		-			-
Regulatory Liabilities:						
Other Deferred Credits	530,741,883		(18,258,283)	1,000		512,484,600
Total long-term liabilities	2,471,976,377		(18,258,283)	(1,180,323)	(804,321)	2,451,733,450
TOTAL CAPITALIZATION AND LIABILITIES:	10,569,500,924		24,165,260	38,987,357	(38,378,256)	10,594,275,285

PUGET SOUND ENERGY, INC.

INCOME STATEMENT

(Dollar in Thousands)

Year to Date Ended December 31, 2012 (GAAP)

	(1000) PSE	Adjustments	(1002) HEDC	HEDC Eliminate	(1004) Puget Western	Puget Western Eliminate	(1020) PSE Funding	PSE Funding Eliminate	Total
Operating Revenues:									
Electric	2,128,229,974								2,128,229,974
Gas	1,086,095,042								1,086,095,042
Non-utility operating revenue	1,550,229				383,288				1,933,517
Total operating revenue	3,215,875,245				383,288				3,216,258,533
Operating Expenses:									
Energy Costs:									
Purchased electricity	622,610,940	(322,844)							622,288,096
Fuel	204,965,672								204,965,672
Residential/Farm Exchange	(73,554,903)								(73,554,903)
Purchased natural gas	538,611,726								538,611,726
FAS 133 Unrealized Gain/Loss	(119,120,362)								(119,120,362)
Utility operations and maintenance	524,240,208								524,240,208
Non-utility expense and other	8,998,109								8,998,109
Merger Related					979,438				979,438
Depreciation, deplet. & amort.	337,951,542				760				337,952,302
Amortization	55,919,152								55,919,152
Conservation amortization	114,177,295								114,177,295
Taxes other than income taxes	307,152,435	11,797,619 (b)			449,065				319,399,119
Total operating expenses	2,821,841,794				1,428,293				2,823,271,047
Operating Income	694,033,461				(1,045,975)				692,987,486
Other Income (Deductions):									
Other income	48,433,738				(163,588)	786,214			48,656,364
Other expenses	(11,770,243)								(11,770,243)
Interest charges:									
AFUDC	22,215,570								22,215,570
Interest expense	(246,810,509)								(246,810,509)
Interest expense on Puget Energy Note	(201,716)								(201,716)
Income Before Income Taxes & Extraordinary Items	595,990,301				(1,209,563)	786,214			595,479,952
Income Taxes	149,731,605				(423,348)				149,308,256
Net Income Before Extraordinary Items	356,158,696				(786,214)				355,166,696
Extraordinary Items									
Net Income	356,158,696				(786,214)	786,214			356,158,696
Less Preferred Stock Dividends Accruals									
Preferred Stock Redemption									
Income for Common Stock	356,158,696				(786,214)	786,214			356,158,696
Common Shares Outstanding Weighted Average									
Earnings per share									
Utility O&M									
Energy Cost									
Total									
Jan 2012 PR taxes	943,355	24,654							968,009
February 2012 PR taxes	929,785	24,139							953,924
March 2012 PR taxes	1,045,011	28,715							1,073,726
April 2012 PR taxes	982,875	26,007							1,008,882
May 2012 PR taxes	1,001,630	27,046							1,028,676
June 2012 PR taxes	949,634	27,224							976,858
July 2012 PR taxes	934,564	28,785							963,349
August 2012 PR taxes	966,233	29,364							995,597
September 2012 PR taxes	831,582	24,960							856,542
October 2012 PR taxes	1,047,878	31,854							1,079,732
November 2012 PR taxes	916,623	25,671							942,294
December 2012 PR taxes	905,605	24,425							930,030
	11,474,775	322,844							11,797,619

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

Puget Western, Inc.
BALANCE SHEET
DECEMBER 31, 2012

	PERIOD ENDED 12/31/2012	PERIOD ENDED 12/31/11	\$ CHANGE FROM PRIOR YEAR END
CURRENT ASSETS			
Petty Cash	100	100	0
Schwab Account	26	26	0
Cash - Money Market	2,554,079	1,958,026	596,053
Cash - MMkt Snoqualmie	631,195	735,357	(104,162)
Cash in Bank	4,605	69,996	(65,391)
Notes Receivable		2,937,217	(2,937,217)
Accounts Receivable-Other	26,463	0	26,463
Interest Receivable	0	174,799	(174,799)
Prepaid Rent	11,539	11,175	364
Prepaid Escrow Deposits	0	937,323	(937,323)
Prepaid Insurance	8,104	8,002	102
Prepaid Property Tax	0	0	0
Total Current Assets	3,236,111	6,832,021	(3,595,910)
Long-Term Assets			
Furniture & Fixtures	284,709	284,709	0
Accum Depr FF&E	(283,684)	(282,923)	(761)
Sub-total	1,025	1,786	(761)
Investments			
Investment in Kinetic Ventures	109,009	317,597	(208,588)
Deferred Tax Asset-Kinetic	804,321	760,744	43,577
Sub-total	913,330	1,078,341	(165,011)
Land Held for Sale or Development			
Commercial Land	31,217,524	31,671,647	(454,123)
Project Development	3,619,367	3,699,991	(80,624)
Total Long-Term Assets	35,751,246	36,451,765	(700,519)
TOTAL ASSETS	38,987,357	43,283,786	(4,296,429)

Puget Western, Inc.
BALANCE SHEET
DECEMBER 31, 2012

	PERIOD ENDED 12/31/2012	PERIOD ENDED 12/31/11	\$ CHANGE FROM PRIOR YEAR END
CURRENT LIABILITIES			
Accounts Payable	750	0	750
Future Property Obligations	80,370	286,431	(206,061)
Notes Payable Interest	50,848	0	50,848
Accounts Payable Accruals	40,000	36,000	4,000
Earnest Money Payable	10,000	0	10,000
B & O Tax Payable	0	793	(793)
Total Current Liabilities	181,968	323,224	(141,256)
LONG-TERM LIABILITIES			
Intercompany Payable to Parent-FIT	(1,135,357)	(583,016)	(552,341)
Notes Payable	2,411,777	0	2,411,777
Unearned Income	1,000	1,960	(960)
Deferred FIT	(45,966)	(218,537)	172,571
Total Long-Term Liabilities	1,231,454	(799,593)	2,031,047
TOTAL LIABILITIES	1,413,422	(476,369)	1,889,791
EQUITY			
Common Stock	10,200	10,200	0
Additional Paid-In-Capital	44,487,244	44,487,244	0
Retained Earnings	(6,137,289)	(117,289)	(6,020,000)
Y-T-D Net Profit (Loss)	(786,220)	(620,000)	(166,220)
TOTAL EQUITY	37,573,935	43,760,155	(6,186,220)
TOTAL LIABILITIES & EQUITY	38,987,357	43,283,786	(4,296,429)

Puget Western Inc
Income Statement
 FOR THE YEAR TO DATE ENDED
 DECEMBER 31, 2012

	BUDGET		VARIANCE	YTD ENDED	
	YTD ENDED 12/31/12	YTD ENDED 12/31/12		YTD ENDED 12/31/11	VARIANCE
INCOME					
Sales Revenue	\$8,385,791	\$14,900,000	(\$6,514,209)	\$4,278,058	\$4,107,733
Cost of Sale	7,479,040	10,359,490	\$2,880,450	3,510,324	\$3,968,716
Direct Selling Exp	1,390,318	2,235,000	\$844,682	275,811	\$1,114,507
GROSS PROFIT ON SALES	(483,567)	2,305,510	(2,789,077)	491,923	(975,490)
Rental Income	24,020	25,200	(\$1,180)	24,520	(500)
Earnings - Other	807,009	3,600	803,409	3,975	803,034
Interest Income	8,168	179,500	(171,332)	180,669	(172,501)
Miscellaneous Income	27,653		27,653		27,653
TOTAL INCOME	383,283	2,513,810	(2,130,527)	701,087	(317,804)
EXPENSE					
North Creek Rent	84,332	85,200	868	79,380	4,952
Kinetic Value Adjustments	163,588	99,600	(63,988)	447,735	(284,147)
Consulting Fees	25,823	23,700	(2,123)	62,572	(36,749)
Legal Fees		9,600	9,600		
Accounting Fees	25,968	30,000	4,032		25,968
Uncollectible Acct. Allowance	201,709		(201,709)		201,709
Interest Expense	-		-		0
Bank Service Charges	45		(45)	95	(50)
B & O/Excise Taxes	506	3,600	3,094	3,146	(2,640)
Property Taxes	448,328	500,400	52,072	433,896	14,432
Personal Property Tax	233		(233)	300	(67)
Marketing Expense		15,600	15,600	10,483	(10,483)
General & Admin. Expense	482,040	500,400	18,360	416,825	65,215
Depreciation Expense	761		(761)	816	(55)
Sub-Total	1,433,333	1,268,100	(165,233)	1,455,248	(21,915)
OPERATING EXPENSE					
Misc. Prop Mgmt Expense	36,780	85,200	48,420	72,711	(35,931)
Escrow/Title Fees	(100)		100	144	(244)
Travel Expense	6,882	7,200	318	5,971	911
Meals & Entertainment	735	4,800	4,065	861	(126)
Office Supplies & Equipment	12,462	9,600	(2,862)	12,311	151
Utilities	34,437	39,600	5,163	40,327	(5,890)
Postage	750	1,200	450	640	110
Dues, Subscriptions, Manuals	674	1,200	526	731	(57)
Donations	935	1,200	265	250	685
Repairs & Maintenance	1,176	4,800	3,624	1,452	(276)
Leasing Expense	152	1,200	1,048		152
PSE Strander Lease Expense	50,640	55,200	4,560	50,640	0
Insurance Expense	13,790	15,600	1,810	13,464	326
Licenses	205		(205)	183	22
Property Option Expense		50,400	50,400		
TOTAL OPERATING EXP.	159,518	277,200	117,682	199,685	(40,167)
TOTAL EXPENSES	1,592,851	1,545,300	(47,551)	1,654,933	(62,082)
INCOME (LOSS) BEFORE FIT	(1,209,568)	968,510	(2,178,078)	(953,846)	(255,722)
Federal Income Tax	(423,348)	342,950	768,942	(333,846)	(89,502)
NET INCOME	(786,220)	625,560	(1,411,780)	(620,000)	(166,220)

PUGET ENERGY
BALANCE SHEET FOR DECEMBER 2012

	A	D	E	H	J	L
		(0500)		(1000)		PE
		Puget Energy	Adjustment	Puget Sound Energy	ELIMINATION	TOTAL
1						
2						
3						
4	ASSETS:					
5	Utility Plant:					
6	Electric	(2,297,956,169)		9,048,355,998		6,750,399,829
7	Gas	(612,403,942)		2,998,187,720		2,385,783,778
8	Common	(67,618,539)		555,549,265		487,930,726
9	Less: Accumulated depreciation and amortization	2,977,978,650		(4,045,401,817)		(1,067,423,167)
10	Net Utility Plant	-	-	8,556,691,166	-	8,556,691,166
11						
12	Other Property and Investments:					
13	Goodwill	1,656,512,951		-		1,656,512,951
14	Investment in BEP contract			-		-
15	Other Property and Investments	3,412,865,528		103,645,772	(3,404,144,680)	112,366,620
16	Total Other Property and Investments	5,069,378,479	-	103,645,772	(3,404,144,680)	1,768,879,571
17	Current Assets:					
18	Cash	12,339		135,530,008		135,542,347
19	Restricted Cash		-	3,699,882		3,699,882
21	Accounts receivable	29,608,454		297,921,177	(29,813,577)	297,716,054
22	Less allowance for doubtful accounts			(9,932,461)		(9,932,461)
24	Unbilled revenues			204,358,951		204,358,951
25	Purchased Gas Adjustment Receivable			-		-
26	Materials and Supplies, at average cost	0		82,352,601		82,352,601
27	Fuel and Gas Inventory, at average cost	3,405,669		85,547,011		88,952,680
28	Unrealized Gain/Loss on Derivative Instruments	0		6,868,929		6,868,929
29	Income Taxes		-	4,796,404		4,796,404
30	Prepaid Expense and other	157,602		13,414,078		13,571,680
31	Power Contract Acquisition Adjustment Gain	50,784,576		-		50,784,576
32	Taxes Receivable			-		-
33	Deferred Income Taxes	(14,578,131)		68,015,030		53,436,899
34	Total Current Assets	69,390,509	-	892,571,610	(29,813,577)	932,148,542
35	Long-Term and Regulatory Assets:					
36	Restricted cash		-	-		-
37	Regulatory asset for deferred income taxes	564,453		119,279,154		119,843,607
38	Regulatory asset for PURPA buyout costs			-		-
39	Power Cost Adjustment Mechanism			3,773,433		3,773,433
40	Regulatory assets related to power contracts	37,654,615				37,654,615
41	Other Regulatory Assets	2,614,035	-	813,170,598		815,784,633
42	Unrealized Gain/Loss on Derivative Instruments (LT)	0		14,813,761		14,813,761
43	Power Contract Acquisition Adjustment Gain	456,224,563				456,224,563
44	Other Long-Term Assets	5,434,770		90,329,791		95,764,561
45	Total Long Term and Regulatory Assets	502,492,436	-	1,041,366,737	-	1,543,859,173
46	TOTAL ASSETS	5,641,261,424	-	10,594,275,285	(3,433,958,257)	12,801,578,452
47	Capitalization:					
48	CAPITALIZATION AND LIABILITIES:					
49						
50	Common equity	3,484,227,862		3,404,144,680	(3,404,144,680)	3,484,227,862
54	Junior subordinated Notes			250,000,000		250,000,000
57	Long-term Debt	1,569,942,424		3,513,257,633		5,083,200,057
58	Total redeemable securities and long-term debt	1,569,942,424	-	3,763,257,633	(3,404,144,680)	1,929,055,377
59	Total capitalization	5,054,170,286		7,167,402,313	(3,404,144,680)	8,817,427,919
61	Current Liabilities:					
64	Accounts Payable	7,000		288,257,334	(205,123)	288,059,211
65	Dividends Declared -- Common Stock					-
66	Notes Payable					-
67	Short-term Debt			181,000,000		181,000,000
68	Short-term Debt Owed to Puget Energy			29,597,785	(29,597,785)	-
69	Current Maturities of LTD			13,000,000		13,000,000
70	Purchased gas liability			32,587,139		32,587,139
71	Taxes	0		95,623,122		95,623,122
72	Salaries and wages			38,437,549		38,437,549
73	Interest	26,466,421		55,805,752	(10,669)	82,261,504
74	Current Portion FAS 133 Unrealized Gain/Loss	6,570,747		170,948,104		177,518,851
75	Current Portion of Deferred Income Taxes			-		-
76	Power Contract Acquisition Adjustment Loss	3,901,657				3,901,657
82	Other	2,916,792		69,882,737	-	72,799,529
83	Total current liabilities	39,862,617	-	975,139,522	(29,813,577)	985,188,562
84	Long-Term Liabilities:					
85	Deferred income taxes	(12,965,901)		1,274,602,275		1,261,636,374
86	FAS 133 Unrealized Gain/Loss (LT)	14,953,588		68,322,592		83,276,180
87	Power Cost Adjustment Mechanism			-		-
88	Regulatory Liabilities	4,372,697		596,323,983		600,696,680
89	Liabilities Related to Power Contracts	507,009,139				507,009,139
90	Power Contract Acquisition Adjustment Loss	33,752,958		-		33,752,958
91	Other Deferred Credits	106,040		512,484,600		512,590,640
92	Total long-term liabilities	547,228,521	-	2,451,733,450	-	2,998,961,971
93	TOTAL CAPITALIZATION AND LIABILITIES:	5,641,261,424	-	10,594,275,285	(3,433,958,257)	12,801,578,452
94						
95						

Year to Date ended December 31, 2012 (GAAP)

	(0500) Puget Energy	Adj.	(1000) PSE	PSE Eliminate	PE/PSE Interco Elimination	Total Puget Energy with Discontinued Operations
Operating Revenues:						
Electric			2,128,229,974			2,128,229,974
Gas			1,086,095,042			1,086,095,042
Non-utility operating revenue	(1,102,916)		1,933,517			830,601
Total operating revenue	(1,102,916.00)	-	3,216,258,533	-	-	3,215,155,617
Operating Expenses:						
Energy Costs:						
Purchased electricity			622,288,096			622,288,096
Fuel			204,955,672			204,955,672
Residential/Farm Exchange			(73,554,903)			(73,554,903)
Purchased natural gas			538,611,726			538,611,726
FAS-133 Unrealized (gain) loss	(14,485,500)		(119,120,362)			(133,605,862)
Utility operations and maintenance			512,765,433			512,765,433
Non-utility expense and other	(9,166,652)		9,977,547			810,895
Merger and related costs						
Depreciation, deplet.			337,952,302			337,952,302
Amortization			55,819,152			55,819,152
Conservation amortization			114,177,265			114,177,265
Taxes other than income taxes			319,399,119			319,399,119
Total operating expenses	(23,652,152)	-	2,523,271,047	-	-	2,499,618,895
Operating Income	22,549,236	-	692,987,486	-	-	715,536,722
Other Income (Deductions):						
Charitable Foundation Funding					(201,716)	
Other income	356,382,779		49,056,364	(356,168,696)		49,068,731
Other deductions			(11,770,243)			(11,770,243)
Unhedged Interest Rate Derivative Expense	(4,288,393)					(4,288,393)
Interest charges:						
AFUDC			22,215,570			22,215,570
Interest expense	(145,405,712)		(246,810,509)			(392,216,221)
Interest expense - PE note			(201,716)		201,716	
Income from Continuing Operations b/f Income Taxes	229,237,910	-	505,476,952	(356,168,696)	-	378,546,166
Income Taxes	(44,583,208)		149,308,256			104,725,048
Net Income from Continuing Operations	273,821,118	-	356,168,696	(356,168,696)	-	273,821,118
Income b/f extraordinary item / acct'g change	273,821,118	-	356,168,696	(356,168,696)	-	273,821,118
Income for Common Stock	273,821,118	-	356,168,696	(356,168,696)	-	273,821,118

Common Shares Outstanding Weighted Average

PUGET EQUICO
BALANCE SHEET FOR DECEMBER 2012

	A	D	E	H	I	K
		(0490)		(0500)		Puget Equico
		Equico	Adjustment	Puget Energy	ELIMINATION	TOTAL
1						
2						
3						
4	ASSETS:					
5	Utility Plant:					
6	Electric			6,750,399,829		6,750,399,829
7	Gas			2,385,783,778		2,385,783,778
8	Common			487,930,726		487,930,726
9	Less: Accumulated depreciation and amortization			(1,067,423,167)		(1,067,423,167)
10	Net Utility Plant		-	8,556,691,166	-	8,556,691,166
11						
12	Other Property and Investments:					
13	Goodwill			1,656,512,951		1,656,512,951
14	Investment in BEP Contract			-		-
15	Other Property and Investments	3,484,227,862		112,366,620	(3,484,227,862)	112,366,620
16	Total Other Property and Investments	3,484,227,862	-	1,768,879,571	(3,484,227,862)	1,768,879,571
17	Current Assets:					
18	Cash	80,060		135,542,347		135,622,407
19	Restricted Cash			3,699,882		3,699,882
21	Accounts receivable			297,716,054	(291)	297,715,763
22	Less allowance for doubtful accounts			(9,932,461)		(9,932,461)
24	Unbilled revenues			204,358,951		204,358,951
26	Materials and Supplies, at average cost			82,352,601		82,352,601
27	Fuel and Gas Inventory, at average cost			88,952,680		88,952,680
28	Unrealized Gain/Loss on Derivative Instruments			6,868,929		6,868,929
29	Income Taxes		-	4,796,404		4,796,404
30	Prepaid Expense and other			13,571,680		13,571,680
31	Power Contract Acquisition Adjustment Gain			50,784,576		50,784,576
32	Taxes Receivable			-		-
33	Deferred Income Taxes			53,436,899		53,436,899
34	Total Current Assets	80,060	-	932,148,542	(291)	932,228,311
35	Long-Term and Regulatory Assets:					
36	Restricted cash			-		-
38	Regulatory asset for deferred income taxes			119,843,607		119,843,607
39	Regulatory asset for PURPA buyout costs			-		-
40	Power Cost Adjustment Mechanism			3,773,433		3,773,433
41	Regulatory Assets related to power contracts			37,654,615		37,654,615
42	Other Regulatory Assets			815,784,633		815,784,633
43	Unrealized Gain/Loss on Derivative Instruments (LT)			14,813,761		14,813,761
44	Power Contract Acquisition Adjustment Gain			456,224,563		456,224,563
45	Income Taxes		-	-		-
46	Other Long-Term Assets			95,764,561		95,764,561
47	Total Long Term and Regulatory Assets		-	1,543,859,173	-	1,543,859,173
48	TOTAL ASSETS	3,484,307,922	-	12,801,578,452	(3,484,228,153)	12,801,658,221
49	Capitalization:					
50	CAPITALIZATION AND LIABILITIES:					
51						
52	Common equity	3,484,372,928		3,484,227,862	(3,484,227,862)	3,484,372,928
54	Total shareholders' equity	3,484,372,928	-	3,484,227,862	(3,484,227,862)	3,484,372,928
56	Junior subordinated Notes			250,000,000		250,000,000
57	Long-term Debt			5,083,200,057		5,083,200,057
58	Total redeemable securities and long-term debt		-	5,333,200,057	-	5,333,200,057
59	Total capitalization	3,484,372,928	-	8,817,427,919	(3,484,227,862)	8,817,572,985
61	Current Liabilities:					
62	Accounts Payable	291		288,059,211	(291)	288,059,211
63	Dividends Declared to Puget Intermediate			-	-	-
64	Notes Payable			-		-
65	Short-term Debt			181,000,000		181,000,000
66	Short-term Debt Owed to Puget Energy			-		-
67	Current Maturities of LTD			13,000,000		13,000,000
68	Purchased gas liability			32,587,139		32,587,139
69	Taxes		-	95,623,122		95,623,122
70	Salaries and wages			38,437,549		38,437,549
71	Interest			82,261,504		82,261,504
72	Current Portion FAS 133 Unrealized Gain/Loss			177,518,851		177,518,851
74	Power Contract Acquisition Adjustment Loss			3,901,657		3,901,657
75	Other			72,799,529	-	72,799,529
76	Total current liabilities	291	-	985,188,562	(291)	985,188,562
77	Long-Term Liabilities:					
78	Deferred income taxes	(65,297)	-	1,261,636,374		1,261,571,077
79	FAS 133 Unrealized Gain/Loss (LT)			83,276,180		83,276,180
80	Power Cost Adjustment Mechanism			-		-
81	Regulatory Liabilities			600,696,680		600,696,680
82	Regulatory Liabilities Related to Power Contracts			507,009,139		507,009,139
83	Power Contract Acquisition Adjustment Loss			33,752,958		33,752,958
84	Other Deferred Credits			512,590,640		512,590,640
85	Total long-term liabilities	(65,297)	-	2,998,961,971	-	2,998,896,674
86	TOTAL CAPITALIZATION AND LIABILITIES:	3,484,307,922	-	12,801,578,452	(3,484,228,153)	12,801,658,221
87						

Year to date Ended December 31, 2012 (GAAP)

	(0490) Puget Equico	(0500) Puget Energy	(0501) Merger Sub	Equico Eliminate	Merger Sub Eliminate	Equico/PE Elimination	Total Puget Equico
Operating Revenues:							
Electric		2,128,229,974					2,128,229,974
Gas		1,086,095,042					1,086,095,042
Non-utility operating revenue		830,601					830,601
Total operating revenue		3,215,155,617					3,215,155,617
Operating Expenses:							
Energy Costs:							
Purchased electricity		622,288,096					622,288,096
Fuel		204,955,672					204,955,672
Residential/Farm Exchange		(73,554,903)					(73,554,903)
Purchased natural gas		538,611,726					538,611,726
FAS-133 Unrealized (gain) loss		(133,605,862)					(133,605,862)
Utility operations and maintenance		512,765,433					512,765,433
Non-utility expense and other	51,637	810,895					862,532
Merger and related costs		-					-
Depreciation		337,952,302					337,952,302
Amortization		55,819,152					55,819,152
Conservation amortization		114,177,265					114,177,265
Taxes other than income taxes		319,399,119					319,399,119
Total operating expenses	51,637	2,499,618,895					2,499,670,532
Operating Income	(51,637)	715,536,722					715,485,085
Other Income (Deductions):							
Charitable Foundation Funding							
Other income	273,821,117	49,068,731		(273,821,118)			49,068,730
Other deductions		(11,770,243)					(11,770,243)
Unhedged Interest Rate Derivative Expense		(4,288,393)					(4,288,393)
Interest charges:							
AFUDC		22,215,570					22,215,570
Interest expense		(392,216,221)					(392,216,221)
Preferred stock dividends of subsidiary							
Income from Continuing Operations b/f Income Taxes	273,769,480	378,546,186		(273,821,118)			378,494,528
Income Taxes	(18,133)	104,725,048					104,706,915
Net Income from Continuing Operations	273,787,613	273,821,118		(273,821,118)			273,787,613

PUGET INTERMEDIATE, INC.
BALANCE SHEET FOR DECEMBER 2012

	A	D	E	H	I	K
		(0490)		(0490)		Puget Intermediate
		Intermediate	Adjustment	Puget Equico	ELIMINATE	TOTAL
4	ASSETS:					
5	Utility Plant:					
6	Electric			6,750,399,829		6,750,399,829
7	Gas			2,385,783,778		2,385,783,778
8	Common			487,930,726		487,930,726
9	Less: Accumulated depreciation and amortization			(1,067,423,167)		(1,067,423,167)
10	Net Utility Plant	-	-	8,556,691,166	-	8,556,691,166
11						
12	Other Property and Investments:					
13	Goodwill			1,656,512,951		1,656,512,951
14	Investment in BEP			-		-
15	Other	3,484,372,929		112,366,620	(3,484,372,928)	112,366,621
16	Total Other Property and Investments	3,484,372,929	-	1,768,879,571	(3,484,372,928)	1,768,879,572
17	Current Assets:					
18	Cash	37,577		135,622,407		135,659,984
19	Restricted Cash			3,699,882		3,699,882
20	Dividends Receivable from PE			-		-
21	Accounts receivable			297,715,763	(754)	297,715,009
22	Less allowance for doubtful accounts			(9,932,461)		(9,932,461)
24	Unbilled revenues			204,358,951		204,358,951
25	Purchased Gas Adjustment Receivable			-		-
26	Materials and Supplies, at average cost			82,352,601		82,352,601
27	Fuel and Gas Inventory, at average cost			88,952,680		88,952,680
28	Unrealized Gain/Loss on Derivative Instruments			6,868,929		6,868,929
29	Income Taxes			4,796,404		4,796,404
30	Prepaid Expense and other			13,571,680		13,571,680
31	Power Contract Acquisition Adjustment Gain			50,784,576		50,784,576
32	Taxes Receivable			-		-
33	Deferred Income Taxes			53,436,899		53,436,899
34	Total Current Assets	37,577	-	932,228,311	(754)	932,265,134
35	Long-Term and Regulatory Assets:					
36	Restricted cash			-		-
37	Purchased Gas Adjustment Receivable			-		-
38	Regulatory asset for deferred income taxes			119,843,607		119,843,607
40	Power Cost Adjustment Mechanism			3,773,433		3,773,433
41	Regulatory Assets related to power contracts			37,654,615		37,654,615
42	Other Regulatory Assets			815,784,633		815,784,633
43	Unrealized Gain/Loss on Derivative Instruments (LT)			14,813,761		14,813,761
44	Power Contract Acquisition Adjustment Gain			456,224,563		456,224,563
45	Income Taxes			-		-
46	Other Long-Term Assets			95,764,561		95,764,561
47	Total Long Term and Regulatory Assets			1,543,859,173	-	1,543,859,173
48	TOTAL ASSETS	3,484,410,506	-	12,801,658,221	(3,484,373,682)	12,801,695,045
49	Capitalization:					
50	CAPITALIZATION AND LIABILITIES:					
51						
52	Common equity	2,100,469,588		3,484,372,928	(3,484,372,928)	2,100,469,588
54	Total shareholders' equity	2,100,469,588	-	3,484,372,928	(3,484,372,928)	2,100,469,588
56	Junior subordinated Notes			250,000,000		250,000,000
57	Long-term Debt - Investors	1,682,822,716				1,682,822,716
60	Long-term Debt			5,083,200,057		5,083,200,057
61	Total redeemable securities and long-term debt	1,682,822,716	-	5,333,200,057	-	7,016,022,773
62	Total capitalization	3,783,292,304	-	8,817,572,985	(3,484,372,928)	9,116,492,361
63	Minority Interest			-		-
64	Current Liabilities:					
65	Accounts Payable	754		288,059,211	(754)	288,059,211
66	Dividends Declared to Puget Holdings			-		-
67	Notes Payable			-		-
68	Short-term Debt			181,000,000		181,000,000
69	Short-term Debt Owed to Puget Energy			-		-
70	Current Maturities of LTD			13,000,000		13,000,000
71	Purchased gas liability			32,587,139		32,587,139
72	Taxes			95,623,122		95,623,122
73	Salaries and wages			38,437,549		38,437,549
74	Interest - Investors			-		-
75	Interest - Others			82,261,504		82,261,504
76	Current Portion FAS 133 Unrealized Gain/Loss			177,518,851		177,518,851
77	Current Portion of Deferred Income Taxes			-		-
78	Power Contract Acquisition Adjustment Loss			3,901,657		3,901,657
79	Other			72,799,529		72,799,529
80	Total current liabilities	754	-	985,188,562	(754)	985,188,562
81	Long-Term Liabilities:					
82	Deferred income taxes	(298,882,552)	-	1,261,571,077		962,688,525
83	FAS 133 Unrealized Gain/Loss (LT)			83,276,180		83,276,180
84	Power Cost Adjustment Mechanism			-		-
85	Regulatory Liabilities			600,696,680		600,696,680
86	Regulatory Liabilities Related to Power Contracts			507,009,139		507,009,139
87	Power Contract Acquisition Adjustment Loss			33,752,958		33,752,958
88	Other Deferred Credits			512,590,640		512,590,640
89	Total long-term liabilities	(298,882,552)	-	2,998,896,674	-	2,700,014,122
90	TOTAL CAPITALIZATION AND LIABILITIES:	3,484,410,506	-	12,801,658,221	(3,484,373,682)	12,801,695,045

Year to date Ended December 31, 2012 (GAAP)

	(0480) Puget Intermediate	(0490) Puget Equico	Equico Eliminate	Equico/PE Elimination	Total Puget Intermediate
Operating Revenues:					
Electric		2,128,229,974			2,128,229,974
Gas		1,086,085,042			1,086,085,042
Non-utility operating revenue		830,601			830,601
Total operating revenue		3,215,155,617			3,215,155,617
Operating Expenses:					
Energy Costs:					
Purchased electricity		622,288,096			622,288,096
Fuel		204,955,672			204,955,672
Residential/Farm Exchange		(73,554,903)			(73,554,903)
Purchased natural gas		538,611,726			538,611,726
FAS-133 Unrealized (gain) loss		(133,605,862)			(133,605,862)
Utility operations and maintenance		512,765,433			512,765,433
Non-utility expense and other	140,706	862,532			1,003,238
Merger and related costs		-			-
Depreciation,		337,952,302			337,952,302
Amortization		55,819,152			55,819,152
Conservation amortization		114,177,265			114,177,265
Taxes other than income taxes		319,399,119			319,399,119
Total operating expenses	140,706	2,499,670,532			2,499,811,238
Operating Income	(140,706)	715,485,085			715,344,379
Other Income (Deductions):					
Charitable Foundation Funding		-			-
Other income	273,787,614	49,068,730	(273,787,613)		49,068,731
Other deductions		(11,770,243)			(11,770,243)
Unhedged Interest Rate Derivative Expense		(4,288,393)			(4,288,393)
Interest charges:					
AFUDC		22,215,570			22,215,570
Interest charges -- Investors	(163,711,605)				(163,711,605)
Interest expense		(392,216,221)			(392,216,221)
Preferred stock dividends of subsidiary		-			-
Income from Continuing Operations b/f Income Taxes	109,935,303	378,494,526	(273,787,613)		214,642,216
Income Taxes	(57,502,886)	104,706,915			47,204,029
Net Income from Continuing Operations	167,438,189	273,787,613	(273,787,613)		167,438,189

PUGET HOLDINGS, LLC.
BALANCE SHEET FOR DECEMBER 2012

A	D	E	H	I	K
	(0470)		(0480)		Puget Holdings LLC
	Puget Holdings LLC	Adjustment	Puget Intermediate	ELIMINATE	TOTAL
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Year to date Ended December 31, 2012 (GAAP)

	Puget Holdings	(0490) Puget Intermediate	Equico Eliminate	Equico/PE Elimination	Total Puget Holdings
Operating Revenues:					
Electric		2,128,229,974			2,128,229,974
Gas		1,086,095,042			1,086,095,042
Non-utility operating revenue		830,601			830,601
Total operating revenue		3,215,155,617			3,215,155,617
Operating Expenses:					
Energy Costs:					
Purchased electricity		622,288,096			622,288,096
Fuel		204,955,672			204,955,672
Residential/Farm Exchange		(73,554,903)			(73,554,903)
Purchased natural gas		538,611,726			538,611,726
FAS-133 Unrealized (gain) loss		(133,605,862)			(133,605,862)
Utility operations and maintenance		512,765,433			512,765,433
Non-utility expense and other	271,225	1,003,238			1,274,463
Merger and related costs					
Depreciation	67,023	337,952,302			338,019,325
Amortization		55,819,152			55,819,152
Conservation amortization		114,177,265			114,177,265
Taxes other than income taxes		319,399,119			319,399,119
Total operating expenses	338,248	2,499,811,238			2,500,149,486
Operating Income	(338,248)	715,344,379			715,006,131
Other Income (Deductions):					
Charitable Foundation Funding					
Other income	167,438,188	49,068,731	(167,438,189)		49,068,730
Other deductions		(11,770,243)			(11,770,243)
Unhedged Interest Rate Derivative Expense		(4,288,393)			(4,288,393)
Interest charges:					
AFUDC		22,215,570			22,215,570
Interest expense - Investors		(163,711,605)			(163,711,605)
Interest expense		(392,216,221)			(392,216,221)
Preferred stock dividends of subsidiary					
Income from Continuing Operations b/f Income Taxes	167,099,940	214,642,218	(167,438,189)		214,303,969
Income Taxes	(118,724)	47,204,029			47,085,305
Net Income from Continuing Operations	167,218,664	167,438,189	(167,438,189)		167,218,664

PUGET SOUND ENERGY
AFFILIATED INTEREST AND SUBSIDIARY
TRANSACTIONS REPORT

EXHIBIT 4



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references

key words				
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Approvals

/s/ Michael J. Stranik
Controller & Principle Accounting Officer

/s/ Susan Free
Manager Revenue Requirements

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 outlined 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 supporting the utility employee. This methodology as discussed in 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 upon an allocation using causal relationship. Any related transactions will be charged on a monthly basis to the appropriate company.

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



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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, or causal or general allocation
PSE independent Directors' Fees/Expenses	Direct charging, or causal or general allocation
Reimbursements of expenses of non-independent directors of PSE	Direct or causal allocation
Directors' & Officers Liability Insurance	Direct charging, or causal or general allocation
SEC and Other Regulatory Filing Fees	Direct charging, or causal or general allocation
Audit Fees	Direct charging, or causal or general allocation
Consultants and contract labor costs	Direct charging, or causal or general allocation
Line of Credit Fees and interest payments	Direct charging, or causal or general allocation
Legal Fees	Direct charging, or causal or general allocation
Impacts related to FAS-141R business combination accounting requirements	Direct charging, or causal or general allocation
Rating Agency Fees	Direct charging, or causal or general allocation