

PUGET SOUND ENERGY, INC.

Report of Affiliated Interest Transactions For the Year Ended September 30, 2003

Transactions between Puget Sound Energy, Inc. and wholly owned subsidiaries of Puget Sound Energy, Inc. did not meet the definition of affiliated interest, as provided by RCW 80.16.010, in accordance with the Commission's determination and letter dated June 2, 1995.

The following is submitted for Puget Sound Energy affiliated interests with transactions:

- I. See the organization chart attached as Exhibit 1. Affiliate was majority owned by Puget Energy, Inc.
 - A. Directors and officers common to Puget Sound Energy and affiliated interests during October 1, 2002 through September 30, 2003:
 1. Stephen P. Reynolds
(Effective 01/07/2002)

	Puget Sound Energy and Puget Energy – President, Chief Executive Officer and Director
	InfrastruX Group, Inc. – Director
 2. Stephen A. McKeon

	Puget Sound Energy and Puget Energy – Senior Vice President Finance and Chief Financial Officer
	InfrastruX Group, Inc. – Director
 3. John D. Durbin

	Puget Sound Energy and Puget Energy – Director
	InfrastruX Group, Inc. – Chief Executive Officer and Chairman of the Board
 - B. See attached Exhibit 1 for a narrative description of each affiliate.
 - C. Balance sheets and income statements for the affiliated interests for the year ended September 30, 2003 are presented in Exhibit 1.
- II. Puget Sound Energy provided services to affiliated interests as shown in paragraph V below.

III. Loans to and from affiliates:

A. The September 30, 2003 account balances for Puget Sound Energy were as follows:

Accounts Receivable from InfrastruX	\$ 7,703
Accounts Payable to InfrastruX	0

IV. There were no guarantees of debt of affiliates by Puget Sound Energy.

V. Corporate common costs were allocated on a monthly basis. Corporate policy regarding the allocation of common costs is outlined in PSE's Controller's Manual CTM-8, attached hereto as Exhibit 2.

A. Any services provided to affiliate are directly charged. Please see, attached as Exhibit 3, the letter dated January 12, 2001 to the Washington Commission charging methodology.

B. There were no corporate costs incurred by affiliated entity which were transferred or billed to PSE.

PUGET ENERGY, INC.
LISTING OF SUBSIDIARIES
FOR THE YEAR ENDED 9/30/03

PUGET ENERGY, INC. TIN #91-1969407

Directors

Douglas P. Beighle, Chairman
Charles W. Bingham
Phyllis J. Campbell
Craig W. Cole
Robert L. Dryden
Stephen E. Frank
Tomio Moriguchi
Kenneth P. Mortimer
Sally G. Narodick
Stephen P. Reynolds

Officers

Stephen Reynolds, President and Chief Executive Officer
Stephen A. McKeon, Sr Vice President Finance and CFO
Jennifer L. O'Connor, Vice President and General Counsel
James W. Eldredge, Corporate Secretary & Chief Accounting Officer
Donald E. Gaines, Vice President Finance and Treasurer

SUBSIDIARIES OF PUGET ENERGY, INC.

I. PUGET SOUND ENERGY, INC. TIN #91-0374630

Directors

Douglas P. Beighle, Chairman
Charles W. Bingham
Phyllis J. Campbell
Craig W. Cole
Robert L. Dryden
Stephen E. Frank
Tomio Moriguchi
Kenneth P. Mortimer
Sally G. Narodick
Stephen P. Reynolds

Officers

Stephen P. Reynolds, President and CEO
Darren P. Brady, V. P. Customer Service
Philip K. Bussey, V. P. Regional and Public Affairs
Michelle N. Clements, V.P. Human Resources & Labor Relations
James W. Eldredge, V.P., Corporate Secretary & Controller
Donald E. Gaines, V.P. Finance and Treasurer
William A. Gaines, V.P. Energy Supply
Kimberly J. Harris, V.P. Regulatory and Government Affairs
Jerry Henry, Sr. V.P. Energy Efficiency and Customer Service
Eric M. Markell, Sr. V.P. Energy Resources
Susan McLain, Sr. V.P. Operations
Jennifer L. O'Connor, Vice President and General Counsel
Julia M. Ryan, V.P. Energy Portfolio Management
Paul M. Wiegand, V.P. Project Development and Contract Management
Stephen A. McKeon, Sr Vice President Finance and CFO
Gary B. Swofford, Sr, V.P.and Chief Operating Officer
Timothy J. Hogan, Sr. V.P.Regional Svc & Comm Affrs--through July 2003
Dorothy A. Graham, V.P. Human Resources – through July 2003
Penny J. Gullekson, V.P. Customer Services – through December 2002

II. INFRASTRUX GROUP, INC. (formed 6/23/00) TIN #91-2063014

Directors

John D. Durbin, Chairman
Michael T. Lennon
Stephen P. Reynolds
Stephen A. McKeon

Officers

John D. Durbin – Chairman
Michael T. Lennon – President and Chief Executive Officer
Richard Schwartz, Chief Operating Officer
Allan G. Lee - Controller
Douglas R. Madison – CFO, Secretary and Treasurer
John Higgins, Vice President
Ronald A. Cindrlich, Jr., Sr. VP, Eastern Region
David W. Estes, Regional Vice President
Jack Gabrielse, Regional Vice President
John Pultan, Regional Vice President
Dorothy Mrzlock, Vice President Human Resources - through May 2003

PUGET SOUND ENERGY, INC.
TIN #91-0374630
LISTING OF SUBSIDIARIES
FOR THE YEAR ENDED 9/30/03

1. **GP Acquisition Corp.** (formed 9/21/99) TIN #91-1990922 – General partner in the Encogen Northwest, L.P.

Directors

William A. Gaines
Stephen A. McKeon

Officers

William A. Gaines - President
Stephen A. McKeon – Vice President
James W. Eldredge – Secretary

2. **LP Acquisition Corp.** (formed 9/21/99) TIN #91-1990923 – Limited partner in the Encogen Northwest, L.P.

Directors

William A. Gaines
Stephen A. McKeon

Officers

William A. Gaines - President
Stephen A. McKeon – Vice President
James W. Eldredge – Secretary and Treasurer

3. **Encogen Northwest, L.P.** (acquired 11/10/99) TIN #91-0175687. – Encogen partnership owned by PSE's subsidiaries GP and LP Acquisition Corp.

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

Directors

Gary B. Swofford, Chairman
James W. Eldredge

Officers

Robert M. Braukus - President
James W. Eldredge - Secretary & Treasurer
Cheryl Krueger - Controller

Subsidiaries of HEDC

Black Creek Hydro, Inc., TIN #91-1526997

5. **PSE Utility Solutions, Inc.** (Formed 4/8/99 and administratively dissolved 7/21/03) TIN #91-1978454

Directors

Gary B. Swofford (Chairman)
James W. Eldredge

Officers

Robert M. Braukus - President
James W. Eldredge - Secretary & Treasurer
Cheryl Krueger - Controller

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

Directors

James W. Eldredge (Chairman)
Timothy J. Hogan – through July 2003
Stephen A. McKeon

Officers

Robert B. Boyd - President
Gust M. Erikson - Vice President
James W. Eldredge - Secretary & Treasurer
Cindy A. McKinney - Controller

7. **Puget Sound Energy Services, Inc.** (previously the Salish Lodge Company) (originally formed 4/1/87, name change 12/17/97 and administratively dissolved 7/31/03) TIN #91-1341975

Directors

Timothy J. Hogan (Chairman)
James W. Eldredge

Officers

Timothy J. Hogan - President
James W. Eldredge - Secretary & Treasurer
Cindy A. McKinney - Controller

8. **Rainier Receivables, Inc.** (formed 12/23/02) EIN #55-0809952

Directors

Stephen A. McKeon
Donald E. Gaines
Orlando Figueroa, Independent Director
Tommy G. Leong – through January 2003

Officers

Donald E. Gaines - President
Tommy Leong – Secretary – through January 2003

9. **Washington Energy Gas Marketing Company** (inactive company formed 3/2/94) TIN #91-1931538

Directors

William A. Gaines (Chairman)
James W. Eldredge

Officers

William A. Gaines - President
James W. Eldredge - Corporate Secretary

10. **WNG CAP I, Inc.** (formed 9/1/93) TIN #91-1629628

Directors

Julia M. Ryan (Chairman)
James W. Eldredge

Officers

President – Julia M. Ryan
James W. Eldredge – Corporate Secretary

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

- ConneXt (Administratively dissolved on March 26, 2002)
- HEDC Subsidiaries (sold on March 11, 2002 to Balaton Power)
 - Calligan Hydro, Inc.
 - Cascade River Hydro, Inc.
 - Hancock Hydro, Inc.
 - Nooksack River Hydro, Inc.
 - Skagit River Hydro, Inc.
 - Skookum Hydro, Inc.
 - Skykomish River Hydro, Inc.
 - Snoqualmie River Hydro, Inc.
 - Warm Creek Hydro, Inc.
 - Washington Hydro Development Corp.
- Hydro-West Group LLC (Sold to Alaska Power and Telephone Company on 9/6/2000)
- InfrastruX Group, Inc. became a subsidiary of Puget Energy, Inc. on January 1, 2001
- North American Energy Services Company (NAESCO) (Sold 11/4/92)
- Puget Energy Services, Inc. (Sold 2/28/92 to Proven Alternatives, Inc. 7/31/92)
- Puget Enterprises, Inc. (Administratively dissolved 6/25/90)
- Puget Sound Energy Company (Name changed to Puget Disappearing Company 2/10/97 then administratively dissolved on July 3, 1997)
- Puget Energy, Inc. (Administratively dissolved July 3, 1997)
- PSE Security Assets, Inc. (was previously Homeguard Security Services, Inc.) was administratively dissolved on December 22, 2000.
- Tellus, Inc. (Merged into ConneXt, Inc. on 1/1/97). After being acquired by ConneXt, Tellus, Inc. was administratively dissolved, with the Trade Name registered with the Washington State Secretary of State.
- Thermal Energy, Inc. (Administratively dissolved October 13, 1997)
- Thermal Resources, Inc. (Administratively dissolved October 13, 1997)
- Thermrail, Inc. (Administratively dissolved October 13, 1997)
- Washington Energy Services Company (Sold October 24, 1997 to Northwest Water Heater)
- WECO Finance Company (Administratively dissolved October 13, 1997)
- WNG CAP II, Inc. (Administratively dissolved October 13, 1997)

EXHIBIT 1

EXHIBIT 1

PUGET ENERGY, INC. (claimant) is a Washington corporation and has its principal executive office at 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004. Claimant is a holding company, which acquires and holds securities of other corporations. Claimant has the following subsidiaries:

SUBSIDIARIES OF PUGET ENERGY, INC.

A. INFRASTRUX GROUP, INC. (InfrastruX)

A Washington corporation, formed to acquire and operate providers of specialized contracting services, offering end-to-end network infrastructure solutions to the electric power, telecommunications, natural gas and cable television industries, including the design, installation, repair and maintenance of network infrastructure such as electrical transmission lines, natural gas pipelines, fiber optic cable and other utility distribution systems. Puget Energy owns approximately 90.9% of the shares of InfrastruX outstanding at September 30, 2003. Address: 10900 NE 4th Street, Suite 1900, Bellevue, Washington 98004. InfrastruX has the following subsidiaries:

SUBSIDIARIES OF INFRASTRUX GROUP, INC.

1. GI Acquisition, Inc., a Delaware corporation, was formed to hold assets acquired from General Industries of Naples, Inc. The subsidiary is currently inactive. Address: 10900 NE 4th Street, Suite 1900, Bellevue, Washington 98004.
2. Utilx Corporation, a Delaware corporation, provides specialty services to electric, telecommunications, natural gas, water, sewer, and other utilities in the United States and in certain foreign countries, and drilling equipment to contractors and other users outside of the United States. The company's primary business is the installation, replacement and restoration of underground infrastructure for power and telecommunication companies. Address: 22820 Russell Road, Kent, Washington 98032. Utilx has the following subsidiary:
 - a) Utilx Ltd., an international subsidiary of Utilx Corporation, sells drilling equipment and parts in Europe. Address: Unit 3, Trafalgar Business Park, Corby, Northamptonshire, NN17 52A, United Kingdom.
3. Lineal Holdings, Inc., a Delaware corporation, acquires utility infrastructure repair and construction companies. Address: 10900 NE 4th Street, Suite 1900, Bellevue, Washington 98004. Lineal Holdings, Inc. has the following subsidiaries:
 - a) Lineal Industries, Inc., a Pennsylvania corporation, provides design, installation, repair and maintenance of natural gas pipelines. Address: 3651 Steubenville Pike, McKees Rock, Pennsylvania 15136.
 - b) InterCon Construction, Inc., a Wisconsin corporation, provides infrastructure services including natural gas pipeline, electric and telecommunications construction as well as large-diameter, long-length directional drilling. Address: 2880 Commerce Park Drive, Madison, Wisconsin 53719. InterCon Construction, Inc. has the following subsidiaries:
 - 1) InterCon Construction Trucking, Inc., a Wisconsin corporation, is a wholly-owned trucking company. Address: 2880 Commerce Park Drive, Madison, Wisconsin 53719.
 - 2) InterPower Line Services Corporation, a Delaware corporation, provides emergency repair, installation and maintenance services for overhead and underground electrical distribution systems. Address: 2880 Commerce Park Drive, Madison, Wisconsin 53719.
 - c) Trafford Corporation, a Pennsylvania corporation, provides pipeline construction services to the natural gas industry, including proprietary turnkey pipeline installation, directional drilling, vacuum excavation, replacement and rehabilitation. Address: 550 Fifth Street Extension, Trafford, Pennsylvania 15085.

- d) Skibeck Pipeline Company, Inc., a New York corporation, provides gas transmission pipeline construction services throughout the eastern United States. Address: Rt. 394 Randolph-Jamestown Road, Randolph, New York, 14772.
 - e) Skibeck PLC, Inc., a New York corporation, provides gas transmission pipeline construction services throughout the eastern United States. Address: Rt. 394 Randolph-Jamestown Road, Randolph, New York, 14772.
4. Texas Electric Utility Construction Management, L.L.C., a Texas limited liability company, was formed to hold 1% interest in Texas Electric Utility Construction, Ltd. (InfrastruX Group, Inc. is the limited partner holding 99% interest in Texas Electric Utility Construction, Ltd.) Address: 4613 HWY 1417 N, Sherman, Texas 75092.
5. Texas Electric Utility Construction, Ltd., a Texas limited partnership, provides distribution oriented overhead electric construction services to electric utilities and cooperatives, and with its commercial electrician capabilities has provided underground electrical services. Address: 4613 HWY 1417 N, Sherman, Texas 75092. Texas Electric Utility Construction, Ltd. has the following subsidiary:
- a) Flowers Holding, Inc., a Texas corporation, was formed to hold an interest in Flowers Management Co., Inc. and Flowers Limited Partner, Inc. Address: Highway 81 South, PO Box 1207, Hillsboro, Texas 76645. Flowers Holding, Inc. has the following subsidiaries:
 - 1) Flowers Limited Partner, Inc., a Nevada corporation, was formed to hold interest in Flowers Construction Co., L.P. Address 6100 Neil Road, Suite 500, Reno, Nevada 89520. Flowers Limited Partner, Inc. is a 99% limited partner of the following entity:
 - Flowers Construction Co., L.P., a Texas limited partnership, specializes in underground and overhead powerline construction, maintenance and repair. Address: Highway 81 South, PO Box 1207, Hillsboro, Texas 76645.
 - 2) Flowers Management Co., Inc., a Texas corporation, was formed to hold interest in Flowers Construction Co., L.P. Address: Highway 81 South, PO Box 1207, Hillsboro, Texas 76645. Flowers Management Co., Inc. is a 1% general partner of Flowers Construction Co., L.P.
6. Chapman Holding Co., Inc., a Nevada corporation, was formed to hold interest in Chapman Construction Co., L.P. Address: 3320 West Sahara Avenue, Suite 380, Las Vegas, Nevada 89102. Chapman Holding Co., Inc. is a 99% limited partner of the following entity:
- a) Chapman Construction Co., L.P., a Texas limited partnership, is a provider of high-voltage transmission line construction, electric substation construction and wireless transceiver station and fiber-optic system construction. Address: 10011 West University Drive, McKinney, Texas 75070. Chapman Construction Co., L.P. owns a 40% interest in the following entity:
 - 1) Brenda Perkins & Associates, L.L.P., a Texas limited liability partnership, which provides maintenance and repair services to Texas Utilities. Address: 5408 Summit Ridge Trail, Arlington, Texas 76017.
7. Chapman Construction Management Co., Inc., a Texas corporation, was formed to hold interest in Chapman Construction Co., L.P. Address: 10011 West University Drive, McKinney, Texas 75070. Chapman Construction Management Co., Inc. is a 1% general partner of Chapman Construction Co., L.P.
8. Gill Electric Management, L.L.C., a Texas limited liability company, was formed to hold 1% interest in Gill Electric Service, Ltd. (InfrastruX Group, Inc. is the limited partner holding 99% interest in Gill Electric Service Ltd.) Address: 612 East Omega, Henrietta, Texas 76365.
9. Gill Electric Service Ltd., a Texas limited partnership, is engaged in municipal and electric utility construction, electrification of oil field units and other commercial electrical installation. Address: 612 East Omega, Henrietta, Texas 76365.

10. B&H Maintenance and Construction, Inc., a New Mexico corporation, provides gas pipeline maintenance and construction services. Address: P.O. Box 970, Eunice, New Mexico 88231.

B. PUGET SOUND ENERGY, INC. (Puget Sound Energy)

A wholly-owned public utility incorporated in the State of Washington furnishing electric and gas service in a territory covering 6,000 square miles, principally in the Puget Sound region of Washington state. Puget Sound Energy's utility business includes the generation, purchase, transmission, distribution and sale of electric energy plus the purchase, transportation, distribution and sale of natural gas. Address: 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004. Puget Sound Energy has the following subsidiaries:

SUBSIDIARIES OF PUGET SOUND ENERGY, INC.:

1. Puget Western, Inc., a Washington corporation, is primarily involved in real estate investment and development. Address: 19515 North Creek Parkway, Suite 310, Bothell, Washington 98011.
2. Hydro Energy Development Corp., a Washington corporation, is the parent of Black Creek Hydro, Inc. Black Creek Hydro, Inc.'s only asset is a small hydroelectric power plant licensed by the Federal Energy Regulatory Commission in the Pacific Northwest. The plant is an EWG described in section 4 of this statement. Address: 10885 NE 4th Street, Suite 800, Bellevue, Washington 98004.
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EXHIBIT 2



Controller's Manual

CTM-8

SUBJECT

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION
METHODOLOGY**

Page 1 of 4
Date 01/01/01
Revision 1

references

key words

approvals

Vice President, Corporate Secretary & Controller

Assistant Controller

BACKGROUND

Effective January 1, 2001, Puget Sound Energy, Inc (PSE) formed a public utility holding company, Puget Energy, Inc. (Puget Energy) through a corporate reorganization. As a result, PSE and InfrastruX Group, Inc. (a previous subsidiary of PSE) became subsidiaries of Puget Energy.

On August 15, 2000, the Washington Utilities and Transportation Commission approved the formation of a holding company per Docket No. UE-991779. Shareholder and FERC approvals had been obtained prior to this date. As part of the requirements of the Docket No. UE-991779, PSE must adhere to the following excerpts from the stipulation regarding allocation of costs:

1. *PSE and Puget Energy, Inc. shall exclude from all ratemaking treatment the transaction costs associated with the corporate reorganization to create a holding company, Puget Energy, Inc. Transaction costs include corporate organizational and filing fees and any fees paid for legal, accounting, consulting, and financial advisory services related to the formation of Puget Energy, Inc.*
3. *PSE and Puget Energy, Inc shall maintain the necessary books and records so as to provide an audit trail for all corporate, affiliate, or subsidiary transactions that impact PSE's regulated utility operations.*
8. *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 order in this proceeding.*
11. *PSE and Puget Energy, Inc. affirm that PSE, in a general rate case, bears the burden to prove that any corporate and affiliate cost allocation methodology it proposes is reasonable for retail ratemaking purposes. Neither PSE nor Puget Energy, Inc. contests the Commission's authority to disallow, for retail ratemaking purposes in a*



Controller's Manual

CTM-8

SUBJECT

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION
METHODOLOGY**

Page 2 of 4

Date 01/01/01

Revision 1

general rate case, unsupported, unreasonable, or misallocated costs from nonregulated or affiliate business to PSE's regulated utility operations.

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

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

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

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

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

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

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 his testimony:



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**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION
METHODOLOGY**

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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 nonregulatory activities of PSE or Puget Energy. The following guidelines are intended to establish procedures for allocating costs that are corporate in nature among and between PSE, Puget Energy 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 Energy, affiliates or subsidiaries, utility personnel will directly charge their time. In addition to their direct labor, labor overheads will be applied along with a facility overhead. Labor overheads will include the following overhead rates that are applied on direct labor: benefits, payroll tax, PTO, and incentives. Facility overhead includes an allocation for building rental, telephone service, purchasing support, payroll support, and accounting support that is applied on direct labor.



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

Function	Basis of Allocation
Salaries/Employee Expenses	Direct charging
Directors' Fees/Expenses	Direct charging
Directors' & Officers Liability Insurance	Gross assets, per Docket UE-921262
NYSE annual fee*	Direct or Causal: Based upon cause of outstanding Puget Energy, Inc. common stock
SEC and Other Regulatory Filing Fees*	Direct or Causal: Based upon cause of outstanding Puget Energy, Inc. common stock
Shareholder Recordkeeping Fees*	Causal: Based upon cause of outstanding Puget Energy, Inc. common stock
Annual Shareholder Meeting Costs*	Causal: Based upon cause of outstanding Puget Energy, Inc. common stock
Audit Fees	Direct charging
Line of Credit Fees	Direct charging
Legal Fees	Direct charging

* Upon formation of the holding company structure on January 1, 2001 such costs were allocated 100% to Puget Sound Energy.



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SUBJECT

UNCLAIMED PROPERTY

Page 1 of 6
Date 12/04/02
Revision 8

references

Uniform Unclaimed Property Act of 1983 (R.C.W. 53.92) State of Washington
Lost and Unclaimed Property

key words

approvals

Vice President, Corporate Secretary & Controller

Assistant Controller

DISCUSSION: The Washington Unclaimed Property Act protects unclaimed property until it is returned to its rightful owner or their heir. The Department of Revenue acts as custodian for safe keeping of the property until the rightful owner can be located. Once reported to the Department, abandoned property is available for refund to the owner or legal claimant indefinitely.

Washington State law requires Puget Sound Energy (commonly referred to as "HOLDER") to review their records each year to determine whether they hold any funds, securities or other property that has been unclaimed for the required abandonment period. PSE must file an annual report and deliver the property to the state before November 1 of each year. The length of time property must be abandoned before being turned over to the state varies by the type of property (see exhibit 1). The report must include all property that has gone unclaimed for the required dormancy period, as of the preceding June 30 (see exhibit 2).

Since Puget Sound Energy is incorporated in the State of Washington only one Unclaimed Property Report must be filed with the State of Washington. However, if Puget Sound Energy holds property due to an address located outside of Washington State, they may have to submit a separate Unclaimed Property Report to each state to which property is owed.

If PSE is unable to submit a report by the November 1 due date, an extension may be requested. Send a written request stating the reason why the extension is needed.

Any inquiries made to the Company regarding unclaimed property filings should be directed to a Financial Reporting Analyst of the Financial Reporting Department.

INFRASTRUX GROUP, INC.

CORPORATE STRUCTURE AND OFFICERS AND DIRECTORS

INFRASTRUX GROUP, INC., a Washington corporation

UBI 602 043 443

EIN 91-2063014

Formed 6/23/00

Directors	Officers
John D. Durbin	John D. Durbin, Chairman
Michael T. Lennon	Michael T. Lennon, President and Chief Executive Officer
Stephen A. McKeon	Rich Schwartz, Chief Operating Officer
Stephen P. Reynolds	Douglas Madison, Chief Financial Officer, Secretary & Treasurer
	John Higgins, Vice President
	Ronald A. Cindrich, Jr., Senior Vice President, Eastern Region
	David W. Estes, Regional Vice President
	Jack Gabrielse, Regional Vice President
	John Pultan, Regional Vice President
	Dorothy M. Mrzlock, Vice President Human Resources – through May 2003

WHOLLY OWNED SUBSIDIARIES OF INFRASTRUX GROUP, INC.

- 1. GI ACQUISITION, INC., a Delaware corporation**
(holds assets acquired from General Industries of Naples, Inc.)
Delaware ID 3283726
EIN 91-2116544
Formed 9/6/00

Directors	Officers
John D. Durbin	John D. Durbin, President & Chief Executive Officer
Michael T. Lennon	Douglas Madison, Secretary & Treasurer

- 2. LINEAL HOLDINGS, INC., a Delaware corporation**
Delaware ID 3292621
EIN 91-2116542
Formed 9/25/00

Directors	Officers
John D. Durbin	John D. Durbin, President & Chief Executive Officer
Michael T. Lennon	Douglas Madison, Secretary & Treasurer

WHOLLY OWNED SUBSIDIARIES OF INFRASTRUX GROUP, INC.
(continued)

3. UTILX CORPORATION, a Delaware corporation

Delaware ID 2045364
 EIN 91-1171716
 Purchased 9/15/00
 Formed 10/1/84

Directors	Officers
John D. Durbin	Ronald A. Cindrich, Jr. and Tom Van Horn, Co-Presidents
Michael T. Lennon	Richard Schwartz, Vice President
	David Zurn, Vice President and Assistant Secretary
	Paul Baker, Vice President
	Kris Rubino, Vice President
	Gus Derezes, Vice President
	Douglas Madison, Treasurer
	Anne G. Cameron, Secretary
	Claudia La Rose, Assistant Secretary

4. TEXAS ELECTRIC UTILITY CONSTRUCTION, LTD., a Texas limited partnership

EIN 75-1954534
 Formed 6/1/02
 Purchased 8/17/01

Partners
InfrastruX Group, Inc., limited partner
Texas Electric Utility Construction Management, L.L.C., general partner

5. TEXAS ELECTRIC UTILITY CONSTRUCTION MANAGEMENT, L.L.C., a Texas limited liability company

EIN 74-3048178
 Formed 6/1/02

Manager	Officers
David W. Estes	David W. Estes, President
	Gary Kohlschmidt, Vice President of Finance and Secretary
	John Holtz, Vice President of Operations, General Manager and Assistant Secretary
	Douglas Madison, Assistant Secretary & Treasurer

WHOLLY OWNED SUBSIDIARIES OF INFRASTRUX GROUP, INC.
(continued)

6. CHAPMAN HOLDING CO., INC., a Nevada corporation

Nevada ID
EIN 75-2614906
Purchased 2/05/02

Directors	Officers
John D. Durbin	Richard L. Scoggins, President
Michael T. Lennon	John C. Hargrave, Vice President
	Nicholas Mehl, Secretary & Treasurer
	Douglas Madison, Assistant Secretary

7. CHAPMAN CONSTRUCTION MANAGEMENT CO., INC., a Texas corporation

Texas Filing No. 157956300
EIN 75-2874802
Purchased 2/5/02

Directors	Officers
John D. Durbin	Richard L. Scoggins, President & Chief Executive Officer
Michael T. Lennon	John C. Hargrave, Vice President & Chief Operating Officer
	Nicholas Mehl, Secretary, Treasurer & Chief Financial Officer
	Douglas Madison, Assistant Secretary

8. GILL ELECTRIC SERVICE LTD, a Texas limited partnership

EIN 75-1328206
Purchased 12/2/02
Partnership Formed: 2/28/03

Partners
InfrastruX Group, Inc., limited partner
Gill Electric Management, LLC, general partner

9. GILL ELECTRIC MANAGEMENT, L.L.C., a Texas limited liability company

EIN 71-0938115
LLC Formed: 2/28/03

Manager	Officers
John R. Gill	John R. Gill, President, Vice President, Secretary and Treasurer
	Douglas R. Madison, Assistant Treasurer

WHOLLY OWNED SUBSIDIARIES OF INFRASTRUX GROUP, INC.
(continued)

10. B&H MAINTENANCE & CONSTRUCTION, INC., a New Mexico corporation

New Mexico ID 01-765715-006
 EIN 85-0213695
 Purchased 5/30/03
 Formed 7/29/71

Directors	Officers
John D. Durbin	Dale Bettis, President
Michael T. Lennon	Billy Thrash, Senior Vice President
	Gary Bettis, Vice President, Secretary and Treasurer
	Mike Wright, Vice President
	J.P. Smith, Vice President
	Louis Hoover, Vice President
	Douglas R. Madison, Assistant Secretary and Assistant Treasurer

WHOLLY OWNED SUBSIDIARIES OF LINEAL HOLDINGS, INC.

1. LINEAL INDUSTRIES, INC., a Pennsylvania corporation

Pennsylvania Tax Account No. 3647-030
 EIN 25-1219876
 Purchased 9/28/00

Directors	Officers
John D. Durbin	Ronald A. Cindrich, Jr., President
Michael T. Lennon	Paul Cortez, Vice President
	Douglas Madison, Secretary & Treasurer

2. INTERCON CONSTRUCTION, INC., a Wisconsin corporation

Wisconsin ID 39-1499349
 EIN 39-1499349
 Purchased 3/29/01

Directors	Officers
John D. Durbin	Jack Gabrielse, President
Michael T. Lennon	Brian Gabrielse, Executive Vice President – Utility Construction Group & Treasurer
	Bruce Gabrielse, Executive Vice President – Directional Drilling Group & Secretary
	Tom Breunig, Vice President – Directional Drilling Operations -
	George Taylor, Vice President – Directional Drilling Customer Relations
	Jeff Hillebrandt, Vice President – Utility Construction Operations
	Jamie De Bruin, Vice President – Business Administration
	Carl Makuch, Contoller
	Douglas Madison, Assistant Secretary & Assistant Treasurer

WHOLLY OWNED SUBSIDIARIES OF LINEAL HOLDINGS, INC.
(continued)

3. SKIBECK PIPELINE COMPANY INC., a New York corporation

EIN 16-1167382
Purchased 12/7/01

Directors	Officers
John D. Durbin	William C. Schettine, President, Secretary & Treasurer
Michael T. Lennon	Heather A. Meyers, Vice President of Administration
	J.J. Connor, Vice President of Operations
	Douglas Madison, Assistant Secretary

4. SKIBECK PLC, INC., a New York corporation

New York ID 16-1390748
EIN 16-1390748
Purchased 12/7/01

Directors	Officers
John D. Durbin	William C. Schettine, President, Secretary & Treasurer
Michael T. Lennon	Douglas Madison, Assistant Secretary

5. TRAFFORD CORPORATION, a Pennsylvania corporation

Pennsylvania ID 0908507
EIN 25-1568874
Formed 12/27/1987
Purchased 4/18/01

Directors	Officers
John D. Durbin	John Pultan, President and Secretary
Michael T. Lennon	Mark Miller, Vice President, Chief Financial Officer, Treasurer & Assistant Secretary
	Douglas Madison, Assistant Secretary & Assistant Treasurer

WHOLLY OWNED SUBSIDIARIES OF INTERCON CONSTRUCTION, INC.

1. INTERCON CONSTRUCTION TRUCKING, INC., a Wisconsin corporation

Wisconsin ID N/A
 EIN 75-3021189
 Formed: 10/21/99
 Purchased: 3/29/01

Directors	Officers
John D. Durbin	Jack Gabrielse, President
Michael T. Lennon	Brian Gabrielse, Executive Vice President – Utility Construction Group & Treasurer
	Bruce Gabrielse, Executive Vice President – Directional Drilling Group & Secretary
	Jamie De Bruin, Vice President – Business Administration
	Carl Makuch, Controller
	Douglas Madison, Assistant Secretary & Assistant Treasurer

2. INTERPOWER LINE SERVICES CORPORATION, a Delaware corporation

Delaware ID 1187859
 EIN 91-2133012
 Formed 6/20/01

Director	Officers
Michael T. Lennon	Jack Gabrielse, President
	Brian Gabrielse, Vice President
	Jamie De Bruin, Vice President – Business Administration
	Carl Makuch, Controller
	Anne G. Cameron, Secretary

SUBSIDIARY OF CHAPMAN HOLDING CO., INC. AND CHAPMAN CONSTRUCTION MANAGEMENT CO., INC.

1. CHAPMAN CONSTRUCTION CO., L.P. a Texas limited partnership

Texas ID No. 13424510
 EIN 75-2614906
 Purchased: 2/5/02

Partners
Chapman Construction Management, Inc., general partner (EIN: 75-2874802) Formed 04/18/2000)
Chapman Holding Co., Inc., limited partner(EIN : 75-2614906) Formed 01/15/1973

**WHOLLY OWNED SUBSIDIARY OF TEXAS ELECTRIC UTILITY
CONSTRUCTION, LTD.**

1. FLOWERS HOLDING, INC., a Texas corporation

Texas ID No. 0156306500
 EIN 74-2940022
 Purchased: 6/28/02

Directors	Officers
John D. Durbin	Gregory M. Schroeder, President
Michael T. Lennon	Christopher S. Schroeder, Vice President
	Katherine B. Brigman, Secretary-Treasurer
	Douglas Madison, Assistant Secretary

WHOLLY OWNED SUBSIDIARIES OF FLOWERS HOLDING, INC.

1. FLOWERS MANAGEMENT CO., INC., a Texas corporation

Texas ID No. 156306600
 EIN 74-2940719
 Purchased : 6/28/02

Directors	Officers
John D. Durbin	Gregory M. Schroeder, President
Michael T. Lennon	Christopher S. Schroeder, Vice President
	Katherine B. Brigman, Secretary-Treasurer
	Douglas Madison, Assistant Secretary

2. FLOWERS LIMITED PARTNER, INC., a Nevada corporation

Nevada ID 26324-1999
 EIN 74-2940720
 Purchased 6/28/02

Directors	Officers
John D. Durbin	Gregory M. Schroeder, President
Michael T. Lennon	Christopher S. Schroeder, Vice President
	Katherine B. Brigman, Secretary-Treasurer
	Douglas Madison, Assistant Secretary

**SUBSIDIARY OF FLOWERS MANAGEMENT CO., INC. AND FLOWERS
LIMITED PARTNER, INC.**

1. FLOWERS CONSTRUCTION CO., L.P. a Texas limited partnership

Texas Filing No. 12872710
 EIN 74-2213922
 Purchased 6/28/02

Partners

Flowers Management Co., Inc., general partner
 Flowers Limited Partner, Inc., limited partner

INTERNATIONAL SUBSIDIARY OF UTILX CORPORATION

1. UTILX Ltd.

Registration No. 2083272
 Formed: 12/11/86
 Purchased: 9/15/00

Directors

Tom Van Horn
 Colin Tickle

Officer

Douglas Iles (from Toller Hales & Colcutt, solicitors), Company Secretary

1a. CableCure Ndl. Deutschland (Branch of UTILX Ltd.)

Registration No. 44/279/00010
 Formed: 11/05/99
 Purchased: 9/15/00

Directors

Tom Van Horn
 Colin Tickle

Officer

Colin Tickle (Branch Manager)
 Carsten Werner and Martin Hesse (Active Managers)

EXHIBIT 3



January 12, 2001

Ms. Carole J. Washburn, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Re: Notification of a Subsidiary of PSE Becoming a Subsidiary of Puget Energy

Dear Ms. Washburn:

On August 14, 2000, in Docket No. UE-991779, Puget Sound Energy ("PSE" or the "Company") received authorization to create a holding company structure through a corporate reorganization. Shareholders of PSE approved the formation of a holding company structure and plan of exchange on June 23, 1999. Per the Order, the Company is to notify the Commission within thirty days of any subsidiary of PSE becoming a subsidiary of the new holding company, Puget Energy, Inc. ("Puget Energy"). The Order also states that PSE will provide proposed corporate and affiliate cost allocation methodologies. This letter is intended to provide such notification as well as to serve as documentation regarding cost allocation methodologies.

The holding company corporate reorganization became effective January 1, 2001. Under the reorganization, Puget Energy, the holding company, will initially have two subsidiaries – PSE and InfrastruX Group, Inc. (referred to herein, together with its operating subsidiaries, as "InfrastruX"). Prior to January 1, 2001, InfrastruX was a subsidiary of PSE. Effective January 1, 2001, InfrastruX was transferred to Puget Energy. All other existing subsidiaries of PSE remain subsidiaries of PSE after the corporate reorganization on January 1, 2001. This letter serves as notification of the change in organizational structure, with respect to InfrastruX, as required by the Order issued in Docket No. UE-991779.

InfrastruX, was formed as a wholly owned subsidiary of PSE in June 2000. InfrastruX, has ownership in companies that provide design, construction, and engineering services primarily to telephone, electric, gas and

water utility industries. InfrastruX operates from its own facilities, and it has its own employees, equipment, and fixed assets. Services will be provided largely to utilities other than PSE and as a result, there will be few affiliated transactions between InfrastruX and PSE. It is expected that substantially all of InfrastruX's costs will be incurred directly by InfrastruX or directly assigned to InfrastruX in the few circumstances in which PSE or Puget Energy incur a cost on behalf of InfrastruX. Utilx, a subsidiary of InfrastruX, provides services to PSE which include underground trenching and restoration of underground electric cable through a silicone injection process. The services are provided to PSE at competitive market rates. The Company proposes to continue to record amounts paid to Utilx at the market prices charged by Utilx. The amounts paid to Utilx for such services in 2000, 1999, and 1998 were \$1 million (year to date, September 30, 2000), \$192 thousand, and \$1.3 million, respectively. Utilx's annual revenues are approximately \$100 million.

PSE's corporate cost allocation guidelines regarding affiliated transactions, as well as other intra-company transactions, include the utilization of methods authorized as part of the merger proceeding in Docket No. UE-960195. Cost allocation methods authorized include direct charging and allocation using causal relationships. Direct charging is the Company's preferred method for assigning costs. Allocation using causal relationships is the method that will be utilized for costs that cannot be directly charged to one company or the other. Costs will be allocated based upon a common cause of the cost.

Regarding non regulated subsidiaries specifically, also presented in Docket No. UE-960195, the Company's cost allocation guidelines include the utilization of the following methodology: "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 services to the nonregulated subsidiary, the subsidiary will be billed for the salary, employee benefits and facility costs associated with supporting the employee. Facility costs will include an allocation for building rental, telephone service, purchasing support, payroll support, human resource and administration support. Charges by the subsidiary to the regulated company would have a similar overhead applied to its labor costs."¹ Except for the services charged by Utilx (which will be accounted for as discussed above), these procedures will be followed for charges between Puget Sound Energy and InfrastruX.

¹ Docket UE-960195, undisputed direct testimony of John Story, Exhibit T-21, Page 8.