

Puget Sound Energy, Inc.

Affiliated Interest and Subsidiary Transaction Report For the Year-to-Date December 31, 2008

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

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

2. Financial information for affiliated interests and subsidiaries with total transactions with PSE that equal or exceed \$100,000 during the reporting period:

- A. Refer to Exhibit 3 for balance sheets and income statements for affiliated interests and subsidiaries.

- B. Refer to Exhibit 2 for a description of the products or services provided to or from PSE and each affiliated interest or subsidiary.

- C. Refer to Exhibit 4 for a description of the pricing basis or costing method, and procedures for allocating costs for such products or services. Corporate common costs were allocated on a monthly basis. Corporate policy regarding the allocation of common costs is outlined in PSE's Controller Manual CTM-8, attached as Exhibit 4. Refer to Exhibit 1 for the amount and accounts changed during the year.

- D. Affiliated interest loan terms are as follows:

Puget Energy loan to PSE: maximum loan amount is \$30.0 million;

Average interest rate for the twelve months ended December 31, 2008 was 3.25%;

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, 2008.

- F. Refer to Exhibit 2 for a description of activities of each affiliated interest or subsidiary having transactions with PSE.

- G. Refer to Exhibit 2 for a list of officers and directors common to PSE and affiliated interests and subsidiaries.

3. Not Applicable

4. There are no new affiliated interest contracts that were entered into in 2008. All outstanding contracts have been filed.

EXHIBIT 1

EXHIBIT 1

Puget Sound Energy, Inc.
Summary of Transactions
For Year-to-Date December 31, 2008

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 as of December 31, 2008.

Puget Energy, Inc.

Accounts payable to PSE	\$	4,213,916
Accounts payable to PSE for Federal Income Taxes	\$	2,031,346
Note receivable from PSE	\$	26,053,395
Interest receivable from PSE	\$	38,567
Interest income on Puget Energy note from PSE	\$	814,333
Reimbursement of labor and other expenses to PSE	\$	1,603,819
Federal income tax refund paid to PSE	\$	35,502,010
Dividends Received from PSE	\$	145,840,137

Puget Western, Inc.

Salaries and related expense	\$	756,429
Federal income tax paid to PSE	\$	605,000
Accounts receivable from PSE for Federal income taxes	\$	999,637
Accounts payable to PSE	\$	27,004
Dividends paid to PSE	\$	6,000,000

Hydro Energy Development Corp

Accounts payable to PSE	\$	12,242
Reimbursement of labor and other expenses to PSE	\$	157,293
Federal income tax refund received from PSE	\$	54,217

PSE Funding, Inc.

Accounts receivable from PSE	\$	2,953,683
Accounts payable to PSE	\$	1,879,647
Servicing fees earned by PSE	\$	932,813
Sales of PSE accounts receivable to PSE Funding	\$	4,555,105,947
Return of Capital to PSE	\$	4,514,158,178
Federal income tax refund received from PSE	\$	2,952,683

EXHIBIT 2

EXIHIBIT 2

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 subsidiaries, Puget Sound Energy, Inc. (PSE), a utility company. Puget Energy has no significant assets other than the stock of PSE. Puget Energy has its principal executive office at 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004. Puget Energy had the following subsidiary at September 30, 2007:

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

Puget Sound Energy is a wholly-owned public 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. Address: 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004. Puget Sound Energy has the following subsidiaries at September 30, 2007:

SUBSIDIARIES OF PUGET SOUND ENERGY, INC.:

1. Puget Western, Inc., a Washington corporation, is a real estate investment and development company. Address: 19515 North Creek Parkway, Suite 310, Bothell, Washington 98011.
2. Hydro Energy Development Corp., a Washington corporation, is the holding company for a small non-utility wholesale generator, Black Creek Hydro, Inc. Black Creek Hydro, Inc.'s only asset is a small hydroelectric power plant licensed by the Federal Energy Regulatory Commission in the Pacific Northwest. Address: 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004.
3. PSE Funding, Inc., a Washington Corporation, formed for the purpose of purchasing customers' accounts receivables, both billed and unbilled, of Puget Sound Energy, Inc. Address: 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004.

ORGANIZATIONAL CHART

- I. Puget Energy, Inc.
 1. Puget Sound Energy, Inc.
 - A. Hydro Energy Development Corporation
 - 1) Black Creek Hydro, Inc. (EWG)
 - B. Puget Western, Inc.
 - C. PSE Funding, Inc.

PUGET ENERGY, INC. LISTING OF SUBSIDIARIES

Puget Energy, Inc. TIN #91-1969407

Directors

Stephen P. Reynolds, Chairman
William S. Ayer
Phyllis J. Campbell
Craig W. Cole
Stephen E. Frank
Tomio Moriguchi
Kenneth P. Mortimer
Sally G. Narodick
Herbert B. Simon
George W. Watson

Officers

Stephen P. Reynolds, Chairman, President and
Chief Executive Officer
Eric M. Markell, Executive Vice President and Chief Financial Officer
Jennifer L. O'Connor, Sr. Vice President General Counsel, Corporate
Secretary and Chief Ethics and Compliance Officer
James W. Eldredge, Vice President, Controller and
Assistant Corporate Secretary
Donald E. Gaines, Vice President Finance and Treasurer

SUBSIDIARY OF PUGET ENERGY, INC.

Puget Sound Energy TIN #91-0374630

Directors

Stephen P. Reynolds, Chairman
William S. Ayer
Phyllis J. Campbell
Craig W. Cole
Stephen E. Frank
Tomio Moriguchi
Kenneth P. Mortimer
Sally G. Narodick
Herbert B. Simon
George W. Watson

Officers

Stephen P. Reynolds, Chairman, President and
Chief Executive Officer
Philip K. Bussey, Senior Vice President Corporate Affairs
James W. Eldredge, Vice President, Controller and
Assistant Corporate Secretary
Donald E. Gaines, Vice President Finance and Treasurer
Kimberly J. Harris, Executive Vice President and Chief Resource
Officer
Eric M. Markell, Executive Vice President and Chief Financial Officer
Susan McLain, Senior V.P. Operations
Marla Mellies, Vice President Human Resources
Jennifer L. O'Connor, Senior Vice President General Counsel,
Corporate Secretary and Chief Ethics and Compliance Officer
Calvin E. Shirley, Vice President Energy Efficiency Services
Bertrand A. Valdman, Executive Vice President and Chief Operating
Officer
Paul M. Wiegand, Vice President Power Generation
Rudiger H. Wolf, Vice President and Chief Information Officer

PUGET SOUND ENERGY, INC.
TIN #91-0374630
LISTING OF SUBSIDIARIES

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

Directors

Jerry L. Henry, Chairman
Michael J. Richardson

Officers

Michael L. Richardson - President
Thomas P. Kerfonta – Vice President
Nicole A. O'Donnell - Secretary and Treasurer

Subsidiaries of HEDC

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

Directors

Jerry L. Henry, Chairman
Michael J. Richardson

Officers

Michael L. Richardson - President
Thomas P. Kerfonta – Vice President
Nicole A. O'Donnell - Secretary and Treasurer

2. PSE Funding, Inc. (formed December 14, 2005) EIN 20-3949361

Directors

Eric M. Markell
Donald E. Gaines
Orlando Figueroa, Independent Director

Officers

Donald E. Gaines – President and Treasurer
Samuel S. Osborne - Secretary
James D. Sant – Assistant Treasurer

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

Directors

James W. Eldredge, Chairman
Eric M. Markell
Bertrand A. Valdman

Officers

Gust M. Erikson - President
David Yasuda - Vice President
James W. Eldredge - Secretary & Treasurer
Cindy A. McKinney - Controller

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

- WNG CAP I, Inc. (merged into PSE on May 6, 2008)

EXHIBIT 3

PUGET ENERGY, INC.

	(0500)	Adj.	(1000)	PSE Eliminate	PE/PSE Interco Elimination	Total Puget Energy with Discontinued Operations
12 Months Ended December 31, 2008 (GAAP)	Puget Energy		PSE			
Operating Revenues:						
Electric			2,129,462,955			2,129,462,955
Gas			1,216,868,256			1,216,868,256
Non-utility operating revenue			11,442,365			11,442,365
Total operating revenue	-		3,357,773,576			3,357,773,576
Operating Expenses:						
Energy Costs:						
Purchased electricity			903,316,971			903,316,971
Fuel			212,332,676			212,332,676
Residential/Farm Exchange			(40,663,861)			(40,663,861)
Purchased natural gas			737,851,058			737,851,058
FAS-135 Unrealized (gain) loss			7,537,999			7,537,999
Utility operations and maintenance			461,631,731			461,631,731
Non-utility expense and other	380,133	6,200	12,399,811			12,786,144
Merger and related costs	9,252,034					9,252,034
Depreciation, depletion & amort.			312,127,801			312,127,801
Conservation amortization			61,649,712			61,649,712
Taxes other than income taxes			297,203,184			297,203,184
Total operating expenses	9,632,168	6,200	2,965,387,082			2,975,025,450
Operating Income	(9,632,168)	(6,200)	392,386,494			382,748,126
Other Income (Deductions):						
Charitable Foundation Funding						
Other income	163,584,623	(b)	33,239,468	(162,735,519)	(814,333)	33,274,239
Other deductions			(7,215,666)			(7,215,666)
Interest charges:						
AFUDC	6,536		8,609,798		814,333	8,609,798
Interest expense			(203,402,484)			(202,581,615)
Preferred stock dividends of subsidiary						
Income from Continuing Operations b/f Income Taxes	153,958,992	(6,200)	223,617,610	(162,735,519)		214,834,883
Income Taxes	(973,937)	(2,170)	60,882,091			59,905,984
Net Income from Continuing Operations	154,932,929	(4,030)	162,735,519	(162,735,519)		154,928,899
Discontinued Operations						
Income (loss) from discontinued operations - InfrastruX	(4,030)	4,030 (b)				
Net gain/loss from disposal of discon oper - InfrastruX						
Minority interest						
Income b/f extraordinary item / acc'ting change	154,928,899	-	162,735,519	(162,735,519)		154,928,899
Extraordinary items / acc'ting change						
Less Preferred Stock Dividends Accruals						
Preferred Stock Redemption						
Income for Common Stock	154,928,899	-	162,735,519	(162,735,519)		154,928,899
Common Shares Outstanding Weighted Average						
Earnings per share						

**PUGET ENERGY
BALANCE SHEET FOR DEC 2008**

Revised on 4/30/08

	A	B	C	D	E	F
		(0500)		(1000)		PE
		Puget Energy	Adjustment	Puget Sound Energy	ELIMINATE	TOTAL
1						
2						
3						
4	ASSETS:					
5	Utility Plant:					
6	Electric			6,596,359,376		6,596,359,376
7	Gas			2,500,235,704		2,500,235,704
8	Common			550,367,827		550,367,827
9	Less: Accumulated depreciation and amortization			(3,358,816,434)		(3,358,816,434)
10	Net Utility Plant	-	-	6,288,146,473	-	6,288,146,473
11						
12	Other Property and Investments:					
13	Investment in BEP contract			29,976,178		29,976,178
14	Goodwill			-		-
15	Intangibles			-		-
16	Non-Utility property			8,180,365		8,180,365
17	Investment in & advances to Subs.	923,462,382		(1)	(923,462,382)	(1)
18	Other			109,859,103		109,859,103
19	Total Other Property and Investments	923,462,382	-	148,015,644	(923,462,382)	148,015,644
20	Current Assets:					
21	Cash	56,686		69,700		38,526,386
22	Restricted Cash			18,888,802		18,888,802
23	Accounts receivable	26,091,962		214,168,475		209,954,559
24	Less allowance for doubtful accounts			(6,392,175)		(6,392,175)
25	Secure Pledged Accounts Receivable			158,000,000		158,000,000
26	Unbilled revenues			248,648,600		248,648,600
27	Materials and Supplies, at average cost			62,024,181		62,024,181
28	Fuel and Gas Inventory, at average cost			120,204,624		120,204,624
29	Unrealized Gain/Loss on Derivative Instruments			15,618,403		15,618,403
30	Prepaid Income Taxes		1,803,775	17,317,324		17,317,324
31	Prepaid Expense and other	545,113		14,419,644		14,964,757
32	Taxes Receivable			-		-
33	Deferred Income Taxes			9,439,050		9,439,050
34	Total Current Assets	26,693,761	1,803,775	910,806,628	(30,305,878)	908,304,525
35	Long-Term and Regulatory Assets:					
36	Restricted cash	-		-		-
37	Purchased Gas Adjustment Receivable			-		-
38	Regulatory asset for deferred income taxes			95,417,086		95,417,086
39	Regulatory asset for PURPA buyout costs			110,837,754		110,837,754
40	Power Cost Adjustment Mechanism			3,126,417		3,126,417
41	Other Regulatory Assets			766,731,548		766,731,548
42	Unrealized Gain/Loss on Derivative Instruments (LT)			6,711,573		6,711,573
43	Other Long-Term Assets	56,045.40		40,365,567		40,421,613
44	Total Long Term and Regulatory Assets	56,045.40	-	1,023,189,945	-	1,023,245,991
45	TOTAL ASSETS	950,212,189	1,803,775	8,370,158,691	(953,768,259)	8,368,406,395
46	Capitalization:			8,370,158,691		
47	CAPITALIZATION AND LIABILITIES:					
48						
49	Common equity	947,476,939		2,249,186,150	(923,462,382)	2,273,200,707
50	Preferred Stock			-		-
51	Total shareholders' equity	947,476,939	-	2,249,186,150	(923,462,382)	2,273,200,707
52	Preferred stock subject to mandatory redemption			1,889,400		1,889,400
53	Junior subordinated Notes			250,000,000		250,000,000
54	Junior subordinated debentures of the corporation payable to a subsidiary trust holding mandatorily redeemable preferred securities			-		-
55	Long-term Debt			2,270,860,000		2,270,860,000
56	Total redeemable securities and long-term debt			2,522,749,400		2,522,749,400
57	Total capitalization	947,476,939	-	4,771,935,550	(923,462,382)	4,795,950,107
58	Minority Interest			-		-
59	Current Liabilities:					
60	Accounts Payable	5,213,325		341,254,629		342,254,038
61	Dividends Declared – Common Stock			-		-
62	Notes Payable			-		-
63	Short-term Debt			964,700,000		964,700,000
64	Short-term Debt Owed to Puget Energy			26,053,395	(26,053,395)	0
65	Current Maturities of LTD			158,000,000		158,000,000
66	Purchased gas liability			8,891,908		8,891,908
67	Taxes	(1,803,775)	1,803,775	85,068,320		85,068,320
68	Salaries and wages			35,280,188		35,280,188
69	Interest			36,112,296		36,073,729
70	Current Portion FAS 133 Unrealized Gain/Loss			236,865,820		236,865,820
71	Current Portion of Deferred Income Taxes			-		-
72	Other			117,222,165		117,222,165
73	Total current liabilities	3,409,550	1,803,775	2,009,448,721	(30,305,878)	1,984,946,618
74	Long-Term Liabilities:					
75	Deferred income taxes	(674,300)		750,440,396		749,766,096
76	FAS 133 Unrealized Gain/Loss (LT)			158,422,984		158,422,984
77	Power Cost Adjustment Mechanism			-		-
78	Regulatory Liabilities			219,220,660		219,220,660
79	Other Deferred Credits			460,690,379		460,690,379
80	Total long-term liabilities	(674,300)	-	1,588,774,419	-	1,588,100,119
81	TOTAL CAPITALIZATION AND LIABILITIES:	950,212,189	1,803,775	8,370,158,691	(953,768,259)	8,368,406,395
82						

Puget Western, Inc.
 COMPARATIVE STATEMENT OF INCOME
 YEAR TO DATE ENDING
 December 31, 2008

	YTD ENDED 12/31/08	BUDGET YTD ENDED 12/31/08	VARIANCE	YTD ENDED 12/31/07	VARIANCE
INCOME					
Sale Revenue	\$8,323,866	\$22,462,500	(\$14,138,634)	\$33,194,832	(\$24,870,966)
Cost of Sale	2,813,764	11,841,200	9,027,436	21,236,333	(18,422,569)
Direct Selling Exp	278,421	3,369,400	3,090,979	965,162	(686,741)
GROSS PROFIT ON SALES	5,231,681	7,251,900	(2,020,219)	10,993,337	(5,761,656)
Rental Income	26,350	21,600	4,750	27,300	(950)
Earnings-Other	(315,661)		(315,661)	(488,495)	172,834
Interest Income	702,650	615,000	87,650	1,782,817	(1,080,167)
Earnest Money Revenue	160,000		160,000		160,000
Development Income	510,182		510,182	42,272	467,910
Miscellaneous Income	21,192		21,192	95,918	(74,726)
TOTAL INCOME	6,336,394	7,888,500	(1,552,106)	12,453,149	(6,116,755)
EXPENSE					
North Creek Rent	86,498	84,000	(2,498)	83,607	2,891
Consulting Fees	90,532	150,000	59,468	86,833	3,699
Legal Fees	3,216	24,000	20,784	763	2,453
Accounting Fees		40,000	40,000		
Bank Service Charges	282		(282)		282
B & O/Excise Taxes	6,169	26,400	20,231	20,308	(14,139)
Property Taxes	266,116	528,200	262,084	379,982	(113,866)
Personal Property Tax	434	400	(34)	183	251
Kimball Creek Infrastructure				483,190	(483,190)
Storage Expense	3,772	4,800	1,028	3,997	(225)
General & Admin. Expense	536,952	648,000	111,048	745,969	(209,017)
Depreciation Expense	7,540	8,400	860	669	6,871
FF&E Depreciation Expense				7,360	(7,360)
Operating Expense	184,526	471,300	286,774	207,011	(22,485)
Miscellaneous	30	1,200	1,170	37,238	(37,208)
TOTAL EXPENSE	1,186,067	1,986,700	800,633	2,057,110	(871,043)
INCOME (LOSS) BEFORE FIT	5,150,327	5,901,800	(751,473)	10,396,039	(5,245,712)
Federal Income Tax	1,802,614	2,071,200	268,586	3,440,352	(1,637,738)
NET INCOME (LOSS)	3,347,713	3,830,600	(482,887)	6,955,687	(3,607,974)

Puget Western, Inc.
BALANCE SHEET
DECEMBER 31, 2008

	PERIOD ENDED 12/31/08	PERIOD ENDED 12/31/07	\$ CHANGE FROM PRIOR YEAR END
CURRENT ASSETS			
Petty Cash	\$100	\$100	
Schwab Account	26		26
Cash - Money Market	582,454	445,192	137,262
Cash - MMkt Snoqualmie	809,791	798,453	11,338
Cash - Piper Jaffray Corp. Bonds	4,903,352	9,272,185	(4,368,833)
Cash in Bank	265,888	159,922	105,966
Accounts Receivable-Other	502	309	193
Notes Receivable	5,244,285	9,317,812	(4,073,527)
Interest Receivable	48,551	47,528	1,023
Prepaid Rent	10,873	10,569	304
Prepaid Misc.	21,918	60,806	(38,888)
Prepaid Escrow Deposits	415,000		415,000
Prepaid Insurance	5,233	7,077	(1,844)
Total Current Assets	12,307,973	20,119,953	(7,811,980)
Long-Term Assets			
Furniture & Fixtures	283,004	283,004	
Accum Depr FF&E	(273,820)	(266,280)	(7,540)
Sub-total	9,184	16,724	(7,540)
Investments			
Investment in Kinetic Ventures	997,019	1,546,293	(549,274)
Deferred Tax Asset-Kinetic	843,325	784,281	59,044
Sub-total	1,840,344	2,330,574	(490,230)
Property Leased to Others			
Land Held for Sale or Development			
Commercial Land	34,839,377	30,229,832	4,609,545
Project Development	2,190,288	2,451,061	(260,773)
Total Long-Term Assets	38,879,193	35,028,191	3,851,002
TOTAL ASSETS	51,187,166	55,148,144	(3,960,978)

Puget Western, Inc.
BALANCE SHEET
DECEMBER 31, 2008

	PERIOD ENDED 12/31/08	PERIOD ENDED 12/31/07	\$ CHANGE FROM PRIOR YEAR END
CURRENT LIABILITIES			
Accounts Payable	\$796	\$69,750	(\$68,954)
Future Property Obligations	295,560	393,249	(97,689)
Accounts Payable Accruals	27,004		27,004
Earnest Money Payable		120,000	(120,000)
Salary & Wage Accrual	64,364	274,622	(210,258)
B & O Tax Payable	544	3,409	(2,865)
Total Current Liabilities	388,268	861,030	(472,762)
LONG-TERM LIABILITIES			
Intercompany Payable to Parent-FIT	999,637	(92,721)	1,092,358
Unearned Income-Long Term	1,062,725	2,955,276	(1,892,551)
Deferred FIT	(369,359)	(333,626)	(35,733)
Total Long-Term Liabilities	1,693,003	2,528,929	(835,926)
TOTAL LIABILITIES	2,081,271	3,389,959	(1,308,688)
EQUITY			
Common Stock	10,200	10,200	
Additional Paid-In-Capital	44,487,244	44,487,244	
Retained Earnings	1,260,739	305,056	955,683
Y-T-D Net Profit (Loss)	3,347,712	6,955,683	(3,607,971)
TOTAL EQUITY	49,105,895	51,758,183	(2,652,288)
TOTAL LIABILITIES & EQUITY	51,187,166	55,148,142	(3,960,976)

Hydro Energy Development Corporation
Consolidated Balance Sheets
December 31, 2008

ASSETS	HEDC	Black Creek Hydro	Eliminations	Consolidated December 31, 2008	Consolidated December 31, 2007
Current Assets					
Regular checking	\$ 285,674.19	\$ -	\$ -	285,674.19	\$ 480,210.94
Accts Rec Taxes	(430.84)	70,703.24	-	70,272.40	1,930.75
Intercompany A/R - PSE					-
Total Current Assets	285,243.35	70,703.24	-	355,946.59	482,141.69
Property and Equipment					
330 Land and land rights	-	243,968.21	-	243,968.21	243,968.21
331 Structures & improvements	-	1,150,393.95	-	1,150,393.95	1,150,393.95
332 Reservoirs, dams & waterwy	-	5,721,580.03	-	5,721,580.03	5,721,580.03
333 Water wheels, turbs & gens	-	1,146,933.75	-	1,146,933.75	1,146,933.75
334 Accessory electric equip	-	629,826.48	-	629,826.48	629,826.48
336 Roads, Railroads & Bridges	-	254,731.43	-	254,731.43	254,731.43
352 Structures and improvmts	-	143,360.75	-	143,360.75	143,360.75
353 Station equipment	-	120,433.61	-	120,433.61	120,433.61
358 Undergr conductors & devic	-	327,335.18	-	327,335.18	327,335.18
Accumulated depreciation	-	(2,864,200.53)	-	(2,864,200.53)	(2,664,132.53)
Total Property and Equipment	0.00	6,874,362.86	0.00	6,874,362.86	7,074,430.86
Other Assets					
Inv--Black Creek Hydro	5,562,482.67	-	(5,562,482.67)	0.00	-
Total Other Assets	5,562,482.67	0.00	(5,562,482.67)	0.00	-
Total Assets	\$ 5,847,726.02	\$ 6,945,066.10	\$(5,562,482.67)	\$ 7,230,309.45	\$ 7,556,572.55
LIABILITIES AND CAPITAL					
Current Liabilities					
Accounts payable	\$ 12,241.89		\$ -	\$ 12,241.89	\$ 11,348.10
Property Taxes Payable		49,536.00	-	49,536.00	467,399.46
FIT Payable	\$ -	-	-	-	25,761.16
Total Current Liabilities	12,241.89	49,536.00	-	61,777.89	504,508.72
Long-Term Liabilities					
Deferred taxes	-	1,333,047.43	-	1,333,047.43	1,176,721.91
Total Liabilities	12,241.89	1,382,583.43	-	1,394,825.32	1,681,230.63
Capital					
Capital stock (par value \$1)	1,500.00	500.00	(500.00)	1,500.00	1,500.00
Additional paid-in capital	33,453,161.22	8,762,815.45	(8,762,815.45)	33,453,161.22	33,507,378.22
Retained earnings	(27,633,536.30)	(3,201,395.62)	3,201,395.62	(27,633,536.30)	(27,755,893.33)
Dividends Paid	-	(12,996.69)	12,996.69	-	-
Net Income	14,359.21	13,559.53	(13,559.53)	14,359.21	122,357.03
Total Capital	5,835,484.13	5,562,482.67	(5,562,482.67)	5,835,484.13	5,875,341.92
Total Liabilities & Capital	\$ 5,847,726.02	\$ 6,945,066.10	\$(5,562,482.67)	\$ 7,230,309.45	\$ 7,556,572.55

Year - (M) - Date	PUGET SOUND ENERGY, INC.									
	(1000)	(1000)	(1000)	(1000)	(1000)	(1000)	(1000)	(1000)	(1000)	(1000)
	PSE	Adjustments	HEDC	HEDC	HEDC	Puget Western	Puget Western	PSE Funding	PSE Funding	Total
			Eliminate	Eliminate	Eliminate	Eliminate	Eliminate	Eliminate	Eliminate	
Operating Revenues:										
Electric	2,129,462,955									2,129,462,955
Gas	1,216,868,256									1,216,868,256
Other	3,346,331,211									6,652,053
Total operating revenue										3,352,996,261
Operating Expenses:										
Energy Costs:										
Purchased electricity	903,599,147	(282,176)								903,316,971
Fuel	212,332,676									212,332,676
Residential/Farm Exchange	(40,663,861)									(40,663,861)
Purchased natural gas	737,851,058									737,851,058
FAS 133 Unrealized Gain/Loss	7,537,999									7,537,999
Utility operations and maintenance	472,029,132	(10,401,901)(a)								461,631,731
Other operations and maintenance	311,920,193									311,920,193
Depreciation, deplet.&amort.	61,649,712									61,649,712
Conservation amortization	286,542,452	10,684,077(b)								297,226,529
Taxes other than income taxes	58,417,707									58,417,707
Income Taxes	3,011,216,215									3,011,216,215
Total operating expenses										3,012,755,920
Operating Income										340,240,341
Other Income (Deductions):										
Other income	38,773,227									38,773,227
Other expenses	(18,293,719)									(18,293,719)
Income Taxes	(2,551,722)									(2,551,722)
Interest charges:										
AFUDC	8,609,798									8,609,798
Interest expense	(198,102,728)									(198,102,728)
Interest expense on Puget Energy Note	(814,333)									(814,333)
Income Before Extraordinary Items										162,735,519
Extraordinary Items										
Net Income	162,735,519									162,735,519
Less Preferred Stock Dividends Accruals										
Preferred Stock Redemption										
Income for Common Stock										162,735,519
Note:										
(a) and (b) Reclass payroll taxes from Utility O&M to Other Taxes:										
	Utility O&M	Energy Cost	Total							
Jan 2008 PR taxes	758,900	17,934	776,834							
Feb 2008 PR taxes	794,538	23,881	818,419							
Mar 2008 PR taxes	870,338	23,015	893,353							
Apr 2008 PR taxes	863,423	26,732	890,155							
May 2008 PR taxes	903,095	24,613	927,708							
June 2008 PR taxes	842,715	21,468	864,183							
July 2008 PR taxes	852,485	21,060	873,545							
August 2008 PR taxes	857,547	23,780	881,327							
September 2008 PR taxes	846,961	25,530	872,491							
October 2008 PR taxes	975,774	28,421	1,004,195							
November 2008 PR taxes	871,002	22,626	893,628							
December 2008 PR taxes	965,123	23,116	988,239							
Total	10,401,901	282,176	10,684,077							

PSE COMPANIES
BALANCE SHEET FOR DEC 2008

	A	C	D	E	F	G	H	I	J	K
		(1000)		(1002)		(1004)		(1020)		
		PSE	Adjustment	HEDC	ELIMINATE	Puget Western	ELIMINATE	PSE Funding	ELIMINATE	TOTAL
1										
2										
3										
4										
5										
6	ASSETS:									
7	Utility Plant:									
8	Electric	6,596,359,376								6,596,359,376
9	Gas	2,500,235,704								2,500,235,704
10	Common	550,367,827								550,367,827
11	Less: Accumulated deprec and amort	(3,358,816,434)								(3,358,816,434)
12	Net Plant	6,288,146,473								6,288,146,473
13										
14	Other Property and Investments:									
15	Investment in Bonneville Exchange Power Contract	29,976,178								29,976,178
16	Non-Utility Plant	1,743,539		6,874,363		9,184				8,622,086
17	Non-Utility Accumulated Depreciation	(446,721)								(446,721)
18	Non-Utility Property	1,296,818								1,296,818
19	Investment in Advances to Subs.	443,838,568			(5,835,484)		(49,105,895)		(388,897,190)	(1)
20	Other	66,588,134				43,270,969				109,859,103
21	Total Other Property and Investments	541,699,698								148,015,644
22	Current Assets:									
23	Cash	45,099,060	(12,666,854)	285,674		5,751,820				38,469,700
24	Restricted cash		18,079,011			809,791				18,888,802
25	Accounts Receivable (Rpt Node)	78,353,625	(4,850,998)	70,272	(70,272)	49,053		389,179,895	(248,563,101)	139,746,077
26	Less allowance for doubtful accounts	(1,473,346)							(4,918,829)	(6,392,175)
27	Secure Pledged Accounts Receivable							158,000,000		158,000,000
28	Unbilled revenues								248,648,600	248,648,600
29	Materials and Supplies	62,024,181								62,024,181
30	Fuel and Gas Inventory	120,204,624								120,204,624
31	Current Portion FAS 133 Unrealized Gain/Loss (ST)	15,618,403								15,618,403
32	Prepaid Income Taxes		17,317,324							17,317,324
33	Prepaid Expense and other	13,966,620				453,024				14,419,644
34	Taxes Receivable									
35	Current Portion of Deferred Income Taxes	9,439,050								9,439,050
36	Total Current Assets	343,232,217								910,806,628
37	Long-Term and Regulatory Assets:									
38	Regulatory assets:									
39	Purchased Gas Adjustment Receivable	(8,891,908)	8,891,908							
40	Regulatory asset for deferred income taxes	95,417,086								95,417,086
41	Regulatory asset for PURPA buyout costs	110,837,754								110,837,754
42	Power Cost Adjustment Mechanism	3,126,417								3,126,417
43	Other Regulatory Assets	767,444,410	(712,862)							766,731,548
44	Long-Term Assets:									
45	FAS 133 Unrealized Gain/Loss (LT)	6,711,573								6,711,573
46	Other Long-Term Assets	35,194,745	5,032,735					138,087		40,365,567
47	Total Long-Term and Regulatory Assets	1,009,840,077								1,023,189,945
48	TOTAL ASSETS	8,182,918,465	31,090,265	7,230,309	(5,905,757)	50,343,841	(49,105,895)	547,317,982	(393,730,520)	8,370,158,691
49	Capitalization:									
50	CAPITALIZATION AND LIABILITIES:									
51	Common equity	2,249,186,150		5,835,484	(5,835,484)	49,105,895	(49,105,895)	388,897,190	(388,897,190)	2,249,186,150
52	Preferred Stock									
53	Total shareholders' equity	2,249,186,150								2,249,186,150
54	Preferred stock subject to mandatory redemption	1,889,400								1,889,400
55	Junior subordinated notes	250,000,000								250,000,000
56	Long-term Debt (acct 221)	2,428,860,000	(158,000,000)							2,270,860,000
57	Total redeemable securities and long-term debt	2,680,749,400								2,522,749,400
58	Total capitalization	4,929,935,550								4,771,935,550
59	Current Liabilities:									
60	Accounts Payable	343,872,710		12,242		323,360		1,879,647	(4,833,330)	341,254,629
61	Notes Payable									
62	Short-term Debt	806,700,000						158,000,000		964,700,000
63	Short Term Debt Owed to Puget Energy	26,053,395								26,053,395
64	Current maturities of Long-Term Debt		158,000,000							158,000,000
65	Accrued Expenses:									
66	Purchased gas liability		8,891,908							8,891,908
67	Taxes	68,669,509	17,317,324	49,536	(70,272)	1,000,181		(1,897,957)		85,068,320
68	Salaries and wages	35,215,824				64,364				35,280,188
69	Interest	35,673,194						439,102		36,112,296
70	Current Portion FAS 133 Unrealized Gain/Loss (ST)	236,865,820								236,865,820
71	Current Portion of Deferred Income Taxes									
72	Other	107,579,527	9,642,638							117,222,165
73	Total current liabilities	1,660,629,979								2,009,448,721
74	Long-Term Liabilities:									
75	Deferred income taxes	750,320,033		1,333,047		(1,212,684)				750,440,396
76	FAS 133 Unrealized Gain/Loss (LT)	158,422,984								158,422,984
77	Power Cost Adjustment Mechanism									
78	Regulatory Liabilities	219,220,660								219,220,660
79	Other Deferred Credits	464,389,259	(4,761,605)			1,062,725				460,690,379
80	Total Long-term Liabilities	1,592,352,936								1,588,774,419
81	TOTAL CAPITALIZATION AND LIABILITIES:	8,182,918,465	31,090,265	7,230,309	(5,905,757)	50,343,841	(49,105,895)	547,317,982	(393,730,520)	8,370,158,691
82										
83	Note: GP Acquisition Corp (1015) and LP Acquisition Corp (1016) were eliminated with the merger of Encogen in May 2005.									
84	Rainier Receivables ceased operations in December 2005.									
85										

EXHIBIT 4



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approvals

/s/ James W. Eldredge

Vice President, Corporate Secretary & Controller

/s/ Michael J. Stranik

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*



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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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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-040640
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.