

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, 2013

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>
<b><u>Puget Holdings LLC</u></b>	
Accounts payable to PSE	\$ 81,510
Reimbursement of labor and other expenses to PSE	\$ 226,365
<b><u>Puget Intermediate Holdings, Inc.</u></b>	
Accounts payable to PSE	\$ 7,525
Reimbursement of labor and other expenses to PSE	\$ 39,048
<b><u>Puget Equico LLC</u></b>	
Accounts payable to PSE	\$ 5,027
Reimbursement of labor and other expenses to PSE	\$ 20,161
<b><u>Puget Energy, Inc.</u></b>	
Account payable to PSE	\$ 315,307
Note receivable from PSE	\$ 29,597,785
Interest receivable from PSE	\$ 7,268
Reimbursement of labor and other expenses to PSE	\$ 1,023,924
Interest income on Puget Energy note from PSE	\$ 112,275
Dividends Receivable from PSE	\$ 410,977,148
<b><u>Puget Western, Inc.</u></b>	
Accounts payable to PSE	\$ 43,335
Reimbursement of labor and other expenses to PSE	\$ 589,802

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>
<b><u>Macquarie Capital (USA), Inc.</u></b>	
	\$ -
<b><u>Macquarie Energy, LLC</u></b>	
Electric Transmission Service	\$ 25,912

PUGET SOUND ENERGY  
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EXHIBIT 2

## EXHIBIT 2

### COMPANIES WITH AN AFFILIATED INTEREST

PUGET HOLDINGS, LLC. (Puget Holdings) is a limited liability energy services holding company formed on October 11, 2007 in the State of Delaware, which directly owns Puget Intermediate Holdings, Inc. (Puget Intermediate). All of the operations of Puget Holdings are conducted through its indirect subsidiary Puget Sound Energy (PSE). Puget Holdings has its principal executive office at 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004.

PUGET INTERMEDIATE HOLDINGS, INC. (Puget Intermediate) is an energy services holding company formed on October 24, 2007 in the State of Washington that directly owns Puget Equico, LLC. All of the operations of PIH are conducted through its indirect subsidiary PSE. Puget Intermediate has its principal executive office at 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004.

PUGET EQUICO, LLC (Puget Equico) is a limited liability energy services holding company formed on October 1, 2008 in the State of Washington, which directly owns Puget Energy. All of the operations of Puget Equico are conducted through its indirect subsidiary, PSE. Puget Equico has its principal executive office at 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004.

PUGET ENERGY, INC. (Puget Energy) is an energy services holding company incorporated in the State of Washington in 1999. All of its operations are conducted through its direct subsidiary PSE. Puget Energy has its principal executive office at 10885 NE 4th Street, Suite 1200, Bellevue, Washington 98004.

PUGET SOUND ENERGY, INC. (Puget Sound Energy) is a wholly-owned utility incorporated in the State of Washington, which generates purchases and sells electricity and purchases transports and sells natural gas in a service territory covering 6,000 square miles, principally in the Puget Sound region of Washington State. PSE has its principal executive office at Address: 10885 NE 4<sup>th</sup> Street, Suite 1200, Bellevue, Washington 98004. Puget Sound Energy had the following subsidiary at December 31, 2010.

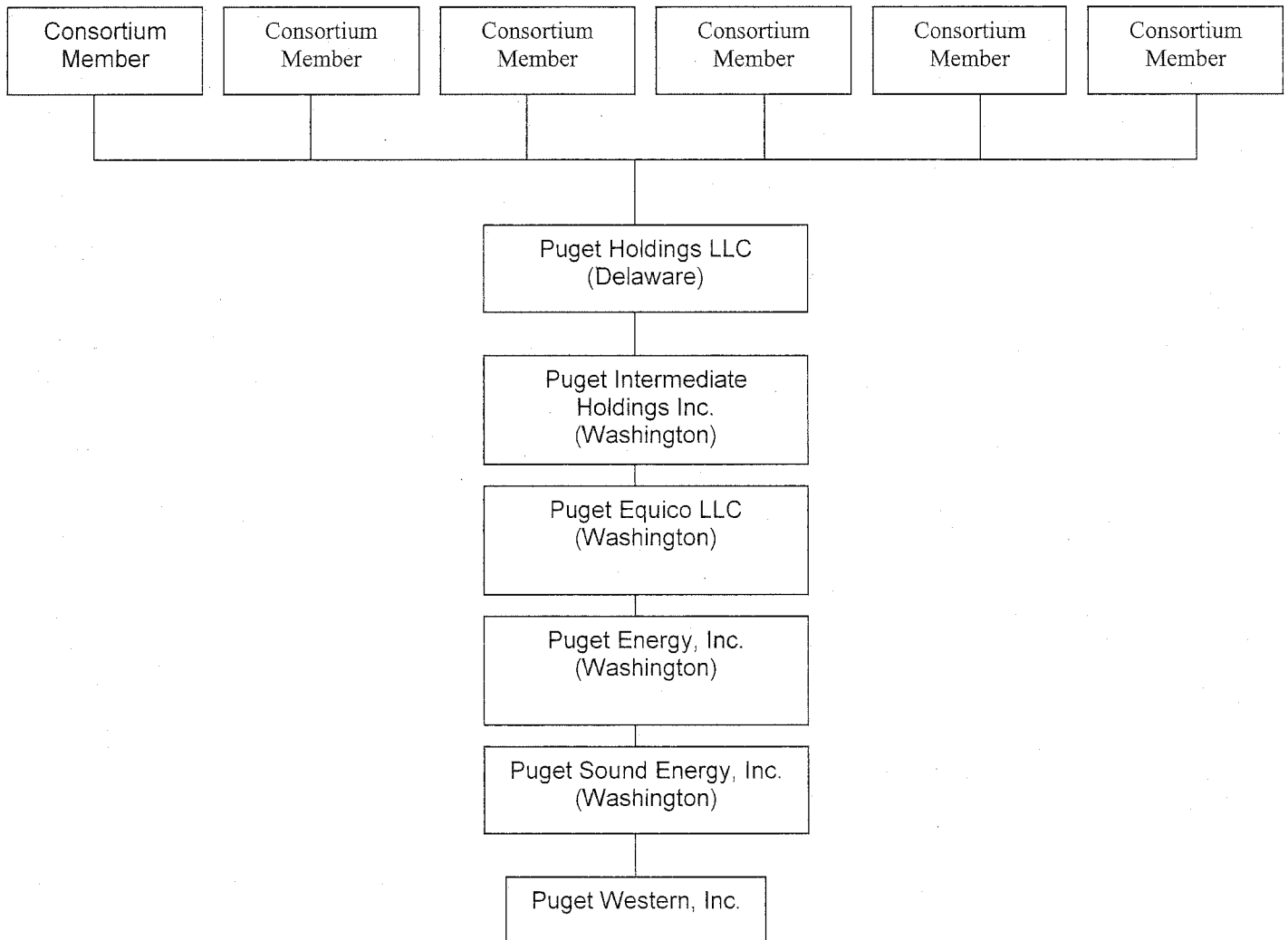
PUGET WESTERN, INC., a Washington corporation, is a real estate investment and development company. Address: 19515 North Creek Parkway, Suite 310, Bothell, Washington 98011.

### 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 55<sup>th</sup> 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  
Mary McWilliams  
Drew Murphy  
Christopher Trumpy

#### Officers

Kimberly J. Harris, President and Chief Executive Officer  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President and General Counsel  
Durga D. Doraisamy, Corporate Secretary  
Michael J. Stranik, Controller and Principal Accounting Officer  
Samuel S. Osborne, Assistant Secretary  
Brandon J. Lohse, Treasurer  
David L. Stickley, 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  
Mary McWilliams  
Drew Murphy  
Christopher Trumpy

#### Officers

Kimberly J. Harris, President and Chief Executive Officer  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President and General Counsel  
Durga D. Doraisamy, Corporate Secretary  
Michael J. Stranik, Controller and Principal Accounting Officer  
Samuel S. Osborne, Assistant Secretary  
Brandon J. Lohse, Treasurer  
David L. Stickley, 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  
Mary McWilliams  
Drew Murphy  
Christopher Trumpy

#### Officers

Kimberly J. Harris, President and Chief Executive Officer  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President and General Counsel  
Durga D. Doraisamy, Corporate Secretary  
Michael J. Stranik, Controller and Principal Accounting Officer  
Samuel S. Osborne, Assistant Secretary  
Brandon J. Lohse, Treasurer  
David L. Stickley, 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  
Mary McWilliams  
Drew Murphy  
Christopher Trumpy

**Officers**

Kimberly J. Harris, President and Chief Executive Officer  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President, General Counsel and Chief Ethics and Compliance Officer  
Durga D. Doraisamy, Corporate Secretary  
Michael J. Stranik, Controller and Principal Accounting Officer  
Samuel S. Osborne, Assistant Secretary  
Brandon J. Lohse, Treasurer  
David L. Stickley, 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  
Mary McWilliams  
Drew Murphy  
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  
Booga K. Gilbertson, Vice President Operations  
Marla Mellies, Senior Vice President and Chief Administrative Officer  
David Mills, Vice President Energy Supply Operations  
Steve R. Secrist, Senior 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, Treasurer  
David L. Stickley, 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  
Roger Garratt  
Clay Riding  
Doug Loreen

**Officers**

Gust M. Erikson, President  
David Yasuda, Vice President  
Daniel A. Doyle, Treasurer  
Samuel S. Osborne, Secretary

PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT

EXHIBIT 3



PSE COMPANIES  
BALANCE SHEET FOR DECEMBER 2013

	(1000) PSE	Standard Adjustments	Post Close Adjustments ("Top Side Entries")	(1004) Puget Western	Elimination Entries	TOTAL
<b>ASSETS:</b>						
<b>Utility Plant:</b>						
Electric	9,276,400,161					9,276,400,161
Gas	3,134,879,623					3,134,879,623
Common	565,072,214					565,072,214
Less: Accumulated deprec and amort	(4,297,011,861)					(4,297,011,861)
Net Plant	8,679,340,137	-	-			8,679,340,137
						-
<b>Other Property and Investments:</b>						
Investment in Bonneville Exchange Power Contract						
Other Property and Investments	94,481,444			33,903,543	(36,465,651)	91,919,336
Total Other Property and Investments	94,481,444	-	-	33,903,543	(36,465,651)	91,919,336
<b>Current Assets:</b>						
Cash	41,422,460	-	75,077	2,812,993		44,110,530
Restricted cash	7,082,729	-		88,344		7,171,073
Accounts Receivable (Rpt Node)	392,059,278	-	24,152,796			416,212,074
Less allowance for doubtful accounts	(7,385,209)	-				(7,385,209)
Unbilled revenues	219,883,773	-				219,883,773
Purchased Gas Adjustment Receivable (PGA)	(5,937,698)	5,937,698				-
Materials and Supplies	88,140,144					88,140,144
Fuel and Gas Inventory	63,914,108					63,914,108
Current Portion FAS 133 Unrealized Gain/Loss (ST)	18,867,000	-				18,867,000
Taxes	-	297,344				297,344
Prepaid Expense and other	18,750,630			19,872		18,770,502
Taxes Receivable	-					-
Current Portion of Deferred Income Taxes	141,057,785	-				141,057,785
Total Current Assets	977,855,000	6,235,042	24,227,873	2,721,209	-	1,011,039,124
<b>Long-Term and Regulatory Assets:</b>						
<b>Regulatory assets:</b>						
Regulatory asset for deferred income taxes	146,349,572					146,349,572
Regulatory asset for PURPA buyout costs						-
Power Cost Adjustment Mechanism (PCA)	(5,344,536)	5,344,536				-
Other Regulatory Assets	749,381,522	-				749,381,522
<b>Long-Term Assets:</b>						
FAS 133 Unrealized Gain/Loss (LT)	7,732,879					7,732,879
Deferred Tax Asset				436,939	(436,939)	-
Other Long-Term Assets	125,564,231	-	(2,438,621)			123,125,626
Total Long-Term and Regulatory Assets	1,023,683,668	5,344,536	(2,438,621)	436,939	(436,939)	1,026,589,599
<b>TOTAL ASSETS</b>	<b>10,775,360,249</b>	<b>11,579,578</b>	<b>21,789,252</b>	<b>37,061,691</b>	<b>(36,902,590)</b>	<b>10,808,888,196</b>
<b>Capitalization:</b>						
<b>CAPITALIZATION AND LIABILITIES:</b>						
Common equity	3,440,757,335			36,465,651	(36,465,651)	3,440,757,335
Preferred Stock						-
Total shareholders' equity	3,440,757,335	-	-	36,465,651	(36,465,651)	3,440,757,335
Preferred stock subject to mandatory redemption						-
Junior subordinated notes	250,000,000					250,000,000
Long-term Debt	3,510,860,000	-		2,411,777		3,513,271,777
Long-term Debt (acct 226 - Unamortized Debt Discount)	(13,642)					(13,642)
Total redeemable securities and long-term debt (Grand Total)	3,760,846,358	-	-	2,411,777	-	3,763,258,135
Total capitalization	7,201,603,693					7,204,015,470
<b>Current Liabilities:</b>						
Accounts Payable	272,118,009		24,227,873	328,539		296,674,421
Notes Payable	-					-
Short-term Debt	162,000,000					162,000,000
Short Term Debt Owed to Puget Energy	29,597,785					29,597,785
Current maturities of Long-Term Debt	-					-
Accrued Expenses:						
Purchased gas liability	-	5,937,698				5,937,698
Taxes	109,262,101	297,344				109,559,445
Salaries and wages	38,491,470					38,491,470
Interest	55,262,485					55,262,485
Current Portion FAS 133 Unrealized Gain/Loss (ST)	41,465,231					41,465,231
Current Portion of Deferred Income Taxes	-					-
Other current liabilities	56,353,309	3,981,000				60,334,309
Total current liabilities	764,550,390	10,216,042	24,227,873	328,539	-	799,322,844
<b>Long-Term Liabilities:</b>						
Deferred income taxes	1,587,432,206			(2,145,276)	(436,939)	1,584,849,991
FAS 133 Unrealized Gain/Loss (LT)	31,522,799					31,522,799
Power Cost Adjustment Mechanism	-	5,344,536				5,344,536
Regulatory Liabilities:	686,175,952					686,175,952
Other Deferred Credits	504,075,209	(3,981,000)	(2,438,621)	1,000		497,656,604
Total long-term liabilities	2,809,206,166	1,363,536	(2,438,621)	(2,144,276)	(436,939)	2,805,549,882
<b>TOTAL CAPITALIZATION AND LIABILITIES:</b>	<b>10,775,360,249</b>	<b>11,579,578</b>	<b>21,789,252</b>	<b>37,061,691</b>	<b>(36,902,590)</b>	<b>10,808,888,196</b>

**Consolidated Income Statement (GAAP)****Year Ended December 31, 2013**

	(1000) PSE	PSE Adjust- ments	(1004) Puget Western	Puget Western Eliminate	Total PSE
<b>Operating Revenues:</b>					
Electric	2,156,920,155	-			2,156,920,155
Gas	1,028,356,534	-			1,028,356,534
Non-utility operating revenue	1,975,437	-	82,481		2,057,918
<b>Total operating revenue</b>	<b>3,187,252,126</b>	<b>-</b>	<b>82,481</b>	<b>-</b>	<b>3,187,334,607</b>
<b>Operating Expenses:</b>					
<b>Energy Costs:</b>					
Purchased electricity	542,256,447	(351,852)			541,904,595
Fuel	261,332,288	-			261,332,288
Residential/Farm Exchange	(81,053,138)	-			(81,053,138)
Purchased natural gas	488,200,942	-			488,200,942
FAS 133 Unrealized Gain/Loss	(98,879,652)	-			(98,879,652)
Utility operations and maintenance	541,609,540	(11,670,356)			529,939,185
Non-utility expense and other	10,810,556	-	1,393,504		12,204,060
Merger Related Costs	-	-	-	-	-
Depreciation, deplet.&amort.	364,323,547	-	554		364,324,101
Amortization	24,631,350	-			24,631,350
Conservation amortization	105,897,025	-			105,897,025
Taxes other than income taxes	290,861,530	12,022,207	376,742		303,260,479
<b>Total operating expenses</b>	<b>2,449,990,435</b>	<b>-</b>	<b>1,770,800</b>	<b>-</b>	<b>2,451,761,235</b>
<b>Operating Income</b>	<b>737,261,690</b>	<b>-</b>	<b>(1,688,319)</b>	<b>-</b>	<b>735,573,371</b>
<b>Other Income (Deductions):</b>					
Charitable Foundation Funding		-			-
Other income	37,600,013	-	(16,526)	1,108,288	38,691,775
Other expenses	(7,133,682)	-	-	-	(7,133,682)
Unhedged Interest Rate Deriv. Expense		-			-
<b>Interest charges:</b>					
AFUDC	11,260,684	-			11,260,684
Interest expense -- Investors		-			-
Interest expense -- Intercompany	(112,275)	-			(112,275)
Interest expense -- Other	(261,264,432)	-			(261,264,432)
<b>Income Before Inc. Tax &amp; Extraord. Items</b>	<b>517,611,998</b>	<b>-</b>	<b>(1,704,845)</b>	<b>1,108,288</b>	<b>517,015,441</b>
<b>Income Taxes</b>	<b>161,482,992</b>	<b>-</b>	<b>(596,557)</b>	<b>-</b>	<b>160,886,435</b>
<b>Net Income Before Extraordinary Items</b>	<b>356,129,006</b>	<b>-</b>	<b>(1,108,288)</b>	<b>1,108,288</b>	<b>356,129,006</b>
<b>Extraordinary Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income</b>	<b>356,129,006</b>	<b>-</b>	<b>(1,108,288)</b>	<b>1,108,288</b>	<b>356,129,006</b>

Puget Western, Inc.  
BALANCE SHEET  
DECEMBER 31, 2013

	PERIOD ENDED 12/31/2013	PERIOD ENDED 12/31/2012	\$ CHANGE FROM PRIOR YEAR END
<b>CURRENT ASSETS</b>			
Petty Cash	100	100	0
Schwab Account	0	26	(26)
Cash - Money Market	2,557,559	2,554,079	3,480
Cash - MMkt Snoqualmie	88,344	631,195	(542,851)
Cash in Bank	55,334	4,605	50,729
Notes Receivable	0	26,463	(26,463)
Accounts Receivable-Other	0	0	0
Rents Receivable	0	0	0
Prepaid Rent	11,770	11,539	231
Prepaid Insurance	8,102	8,104	(2)
Prepaid Property Tax	0	0	0
<b>Total Current Assets</b>	<b>2,721,209</b>	<b>3,236,111</b>	<b>(514,902)</b>
<b>Long-Term Assets</b>			
Furniture & Fixtures	288,108	284,709	3,399
Accum Depr FF&E	(284,238)	(283,684)	(554)
Sub-total	<b>3,870</b>	<b>1,025</b>	<b>2,845</b>
<b>Investments</b>			
Investment in Kinetic Ventures	92,469	109,009	(16,540)
Deferred Tax Asset-Kinetic	436,939	804,321	(367,382)
Sub-total	<b>529,408</b>	<b>913,330</b>	<b>(383,922)</b>
<b>Land Held for Sale or Development</b>			
Commercial Land	29,702,675	31,217,524	(1,514,849)
Project Development	4,104,529	3,619,367	485,162
Total Long-Term Assets	<b>34,340,482</b>	<b>35,751,246</b>	<b>(1,410,764)</b>
<b>TOTAL ASSETS</b>	<b>37,061,691</b>	<b>38,987,357</b>	<b>(1,925,666)</b>

Puget Western, Inc.  
BALANCE SHEET  
DECEMBER 31, 2013

	PERIOD ENDED 12/31/2013	PERIOD ENDED 12/31/2012	\$ CHANGE FROM PRIOR YEAR END
<b>CURRENT LIABILITIES</b>			
Accounts Payable	0	750	(750)
Future Property Obligations	232,691	80,370	152,321
Interest Payable	50,848	50,848	0
Accounts Payable Accruals	45,000	40,000	5,000
Earnest Money Payable	0	10,000	(10,000)
<b>Total Current Liabilities</b>	<b>328,539</b>	<b>181,968</b>	<b>146,571</b>
<b>LONG-TERM LIABILITIES</b>			
Intercompany Payable to Parent-FIT	(2,058,597)	(1,135,358)	(923,239)
Notes Payable	2,411,777	2,411,777	0
Property Tax Payable	0	0	0
Unearned Income	1,000	1,000	0
Deferred FIT	(86,679)	(45,967)	(40,712)
<b>Total Long-Term Liabilities</b>	<b>267,501</b>	<b>1,231,452</b>	<b>(963,951)</b>
<b>TOTAL LIABILITIES</b>	<b>596,040</b>	<b>1,413,420</b>	<b>(817,380)</b>
<b>EQUITY</b>			
Common Stock	10,200	10,200	0
Additional Paid-In-Capital	44,487,244	44,487,244	0
Retained Earnings	(6,923,507)	(6,137,289)	(786,218)
Y-T-D Net Profit (Loss)	(1,108,286)	(786,218)	(322,068)
<b>TOTAL EQUITY</b>	<b>36,465,651</b>	<b>37,573,937</b>	<b>(1,108,286)</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>37,061,691</b>	<b>38,987,357</b>	<b>(1,925,666)</b>

Puget Western Inc  
**Income Statement**  
 FOR THE YEAR TO DATE ENDED  
 DECEMBER 31, 2013

	YTD Ended 12/31/13	Budget YTD Ended 12/31/13	VARIANCE	YTD Ended 12/31/12	VARIANCE
<b>INCOME</b>					
Sales Revenue	\$1,866,500	\$9,500,000	(\$7,633,500)	\$8,385,791	(\$6,519,291)
Cost of Sale	1,673,812	6,250,000	\$4,576,188	7,479,040	(\$5,805,228)
Direct Selling Exp	140,763	1,475,000	\$1,334,237	1,390,318	(\$1,249,555)
<b>GROSS PROFIT ON SALES</b>	<b>51,925</b>	<b>1,775,000</b>	<b>(1,723,075)</b>	<b>(483,567)</b>	<b>535,492</b>
Rental Income	23,520	18,000	\$5,520	24,020	(500)
Earnings - Other	-	3,600	(3,600)	807,009	(807,009)
Interest Income	6,237	18,000	(11,763)	8,168	(1,931)
Miscellaneous Income	800	6,000	(5,200)	27,653	(26,853)
<b>TOTAL INCOME</b>	<b>82,482</b>	<b>1,820,600</b>	<b>(1,738,118)</b>	<b>383,283</b>	<b>(300,801)</b>
<b>EXPENSE</b>					
North Creek Rent	88,406	96,000	7,594	84,332	4,074
Kinetic Value Adjustments	16,540	180,000	163,460	163,588	(147,048)
Consulting Fees	11,410	18,000	6,590	25,823	(14,413)
Legal Fees	-	6,000	6,000	-	-
Accounting Fees	25,131	30,000	4,869	25,968	(837)
Uncollectible Acct. Allowance	-	-	-	201,709	(201,709)
Interest Expense	-	-	-	-	0
Bank Service Charges	25	1,200	1,175	45	(20)
B & O/Excise Taxes	-	1,200	1,200	506	(506)
Property Taxes	376,499	480,000	103,501	448,328	(71,829)
Personal Property Tax	244	1,200	956	233	11
Snoq. Property Mgmt. Exp.	375,360	-	(375,360)	-	375,360
Marketing Expense	-	1,200	1,200	-	0
General & Admin. Expense	589,363	665,000	75,637	482,040	107,323
Depreciation Expense	554	1,200	646	761	(207)
<b>Sub-Total</b>	<b>1,483,532</b>	<b>1,481,000</b>	<b>(2,532)</b>	<b>1,433,333</b>	<b>50,199</b>
<b>OPERATING EXPENSE</b>					
Misc. Prop Mgmt Expense	41,091	72,000	30,909	36,780	4,311
Escrow/Title Fees	-	1,200	100	(100)	100
Employee Expense	-	1,200	-	-	-
Travel Expense	7,766	7,200	(566)	6,882	884
Training Expense	2,956	-	(2,956)	-	2,956
Meals & Entertainment	1,039	1,200	161	735	304
Office Supplies & Equipment	8,560	14,400	5,840	12,462	(3,902)
Utilities	178,825	192,000	13,175	34,437	144,388
Postage	253	1,200	947	750	(497)
Dues, Subscriptions, Manuals	831	1,200	369	674	157
Donations	685	1,200	515	935	(250)
Repairs & Maintenance	659	2,400	1,741	1,176	(517)
Leasing Expense	-	1,200	1,200	152	(152)
PSE Strander Lease Expense	46,420	54,000	7,580	50,640	(4,220)
Insurance Expense	13,892	18,000	4,108	13,790	102
Licenses	235	1,200	965	205	30
Property Option Expense	-	1,200	1,200	-	-
Miscellaneous	595	-	(595)	-	595
<b>TOTAL OPERATING EXP.</b>	<b>303,807</b>	<b>370,800</b>	<b>66,993</b>	<b>159,518</b>	<b>143,694</b>
<b>TOTAL EXPENSES</b>	<b>1,787,339</b>	<b>1,851,800</b>	<b>64,461</b>	<b>1,592,851</b>	<b>194,488</b>
<b>INCOME (LOSS) BEFORE FIT</b>	<b>(1,704,857)</b>	<b>(31,200)</b>	<b>(1,673,657)</b>	<b>(1,209,568)</b>	<b>(494,694)</b>
Federal Income Tax	(596,571)	(10,600)	35,297	(423,348)	(173,223)
<b>NET INCOME</b>	<b>(1,108,286)</b>	<b>(20,600)</b>	<b>(1,087,686)</b>	<b>(786,220)</b>	<b>(322,066)</b>

PUGET ENERGY  
BALANCE SHEET FOR DECEMBER 2013

	(0500)		(1000)		PE
	Puget Energy	Adjustment	Puget Sound Energy	ELIMINATION	TOTAL
<b>ASSETS:</b>					
<b>Utility Plant:</b>					
Electric	(2,256,547,203)		9,276,400,161		7,019,852,958
Gas	(606,250,927)		3,134,879,623		2,528,628,696
Common	(61,036,106)		565,072,214		504,036,108
Less: Accumulated depreciation and amortization	2,923,834,236		(4,297,011,861)		(1,373,177,625)
Net Utility Plant	-	-	8,679,340,137	-	8,679,340,137
<b>Other Property and Investments:</b>					
Goodwill	1,656,512,951		-		1,656,512,951
Investment in BEP contract			-		-
Other Property and Investments	3,449,169,812		91,919,336	(3,440,757,335)	100,331,813
Total Other Property and Investments	5,105,682,763	-	91,919,336	(3,440,757,335)	1,756,844,764
<b>Current Assets:</b>					
Cash	191,056		44,110,530		44,301,586
Restricted Cash		-	7,171,073		7,171,073
Accounts receivable	29,605,054		416,212,074	(29,920,360)	415,896,768
Less allowance for doubtful accounts			(7,385,209)		(7,385,209)
Unbilled revenues			219,883,773		219,883,773
Purchased Gas Adjustment Receivable			-		-
Materials and Supplies, at average cost	0		88,140,144		88,140,144
Fuel and Gas Inventory, at average cost	2,803,124		63,914,108		66,717,232
Unrealized Gain/Loss on Derivative Instruments	0		18,867,000		18,867,000
Taxes		-	297,344		297,344
Prepaid Expense and other	16,357		18,770,502		18,786,859
Power Contract Acquisition Adjustment Gain	48,508,828		-		48,508,828
Taxes Receivable			-		-
Deferred Income Taxes	(55,053,372)		141,057,785		86,004,413
Total Current Assets	26,071,047	-	1,011,039,124	(29,920,360)	1,007,189,811
<b>Long-Term and Regulatory Assets:</b>					
Restricted cash		-	-		-
Regulatory asset for deferred income taxes	517,476		146,349,572		146,867,048
Regulatory asset for PURPA buyout costs			-		-
Power Cost Adjustment Mechanism			-		-
Regulatory assets related to power contracts	33,752,959				33,752,959
Other Regulatory Assets	0	-	749,381,522		749,381,522
Unrealized Gain/Loss on Derivative Instruments (LT)	0		7,732,879		7,732,879
Power Contract Acquisition Adjustment Gain	394,556,384				394,556,384
Other Long-Term Assets	50,187,814	(42,404,057)	123,125,626		130,909,383
Total Long Term and Regulatory Assets	479,014,633	(42,404,057)	1,026,589,599	-	1,463,200,175
<b>TOTAL ASSETS</b>	<b>5,610,768,443</b>	<b>(42,404,057)</b>	<b>10,808,888,196</b>	<b>(3,470,677,695)</b>	<b>12,906,574,887</b>
<b>Capitalization:</b>					
<b>CAPITALIZATION AND LIABILITIES:</b>					
Common equity	3,679,679,288		3,440,757,335	(3,440,757,335)	3,679,679,288
Junior subordinated Notes			250,000,000		250,000,000
Long-term Debt	1,469,218,030		3,513,258,135		4,982,476,165
Total redeemable securities and long-term debt	1,469,218,030	-	3,763,258,135	(3,440,757,335)	1,791,718,830
Total capitalization	5,148,897,318	-	7,204,015,470	(3,440,757,335)	8,912,155,453
<b>Current Liabilities:</b>					
Accounts Payable	6,463	315,307	296,674,421	(315,307)	296,680,884
Dividends Declared -- Common Stock					-
Notes Payable			-		-
Short-term Debt			162,000,000		162,000,000
Short-term Debt Owed to Puget Energy			29,597,785	(29,597,785)	-
Current Maturities of LTD			-		-
Purchased gas liability			5,937,698		5,937,698
Taxes	0	-	109,559,445		109,559,445
Salaries and wages			38,491,470		38,491,470
Interest	24,047,377		55,262,485	(7,268)	79,302,594
Current Portion FAS 133 Unrealized Gain/Loss	6,583,917		41,465,231		48,049,148
Current Portion of Deferred Income Taxes			-		-
Power Contract Acquisition Adjustment Loss	3,937,074				3,937,074
Other	315,307	(315,307)	60,334,309	-	60,334,309
Total current liabilities	34,890,138	-	799,322,844	(29,920,360)	804,292,622
<b>Long-Term Liabilities:</b>					
Deferred income taxes	(97,844,780)		1,584,849,991		1,487,005,211
FAS 133 Unrealized Gain/Loss (LT)	6,639,457		31,522,799		38,162,256
Power Cost Adjustment Mechanism			5,344,536		5,344,536
Regulatory Liabilities	2,884,178		686,175,952		689,060,130
Liabilities Related to Power Contracts	443,065,212				443,065,212
Power Contract Acquisition Adjustment Loss	29,815,885		-		29,815,885
Other Deferred Credits	42,421,035	(42,404,057)	497,656,604		497,673,582
Total long-term liabilities	426,980,987	(42,404,057)	2,805,549,882	-	3,190,126,812
<b>TOTAL CAPITALIZATION AND LIABILITIES:</b>	<b>5,610,768,443</b>	<b>(42,404,057)</b>	<b>10,808,888,196</b>	<b>(3,470,677,695)</b>	<b>12,906,574,887</b>

**Consolidated Income Statement (GAAP)**

**Year Ended December 31, 2013**

	Total PSE	(0500) Puget Energy	PSE Elimination	PE/PSE Elim- ination	Total Puget Energy
<b>Operating Revenues:</b>					
Electric	2,156,920,155	-	-	-	2,156,920,155
Gas	1,028,356,534	-	-	-	1,028,356,534
Non-utility operating revenue	2,057,918	(38,088)	-	-	2,019,830
<b>Total operating revenue</b>	<b>3,187,334,607</b>	<b>(38,088)</b>	<b>-</b>	<b>-</b>	<b>3,187,296,519</b>
<b>Operating Expenses:</b>					
<b>Energy Costs:</b>					
Purchased electricity	541,904,595	-	-	-	541,904,595
Fuel	261,332,288	-	-	-	261,332,288
Residential/Farm Exchange	(81,053,138)	-	-	-	(81,053,138)
Purchased natural gas	488,200,942	-	-	-	488,200,942
FAS 133 Unrealized Gain/Loss	(98,879,652)	(3,864,791)	-	-	(102,744,443)
Utility operations and maintenance	529,939,185	-	-	-	529,939,185
Non-utility expense and other	12,204,060	(15,759,085)	-	-	(3,555,025)
Merger Related Costs	-	-	-	-	-
Depreciation, deplet.&amort.	364,324,101	-	-	-	364,324,101
Amortization	24,631,350	-	-	-	24,631,350
Conservation amortization	105,897,025	-	-	-	105,897,025
Taxes other than income taxes	303,260,479	-	-	-	303,260,479
<b>Total operating expenses</b>	<b>2,451,761,235</b>	<b>(19,623,876)</b>	<b>-</b>	<b>-</b>	<b>2,432,137,360</b>
<b>Operating Income</b>	<b>735,573,371</b>	<b>19,585,788</b>	<b>-</b>	<b>-</b>	<b>755,159,159</b>
<b>Other Income (Deductions):</b>					
Charitable Foundation Funding	-	-	-	-	-
Other income	38,691,775	356,242,643	(356,129,006)	(112,275)	38,693,136
Other expenses	(7,133,682)	-	-	-	(7,133,682)
Unhedged Interest Rate Deriv. Expense	-	2,419,979	-	-	2,419,979
<b>Interest charges:</b>					
AFUDC	11,260,684	-	-	-	11,260,684
Interest expense -- Investors	-	-	-	-	-
Interest expense -- Intercompany	(112,275)	-	-	112,275	-
Interest expense -- Other	(261,264,432)	(130,999,091)	-	-	(392,263,524)
<b>Income Before Inc. Tax &amp; Extraord. Items</b>	<b>517,015,441</b>	<b>247,249,319</b>	<b>(356,129,006)</b>	<b>-</b>	<b>408,135,754</b>
<b>Income Taxes</b>	<b>160,886,435</b>	<b>(38,478,509)</b>	<b>-</b>	<b>-</b>	<b>122,407,926</b>
<b>Net Income Before Extraordinary Items</b>	<b>356,129,006</b>	<b>285,727,827</b>	<b>(356,129,006)</b>	<b>-</b>	<b>285,727,827</b>
<b>Extraordinary Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income</b>	<b>356,129,006</b>	<b>285,727,827</b>	<b>(356,129,006)</b>	<b>-</b>	<b>285,727,827</b>

PUGET EQUICO  
BALANCE SHEET FOR DECEMBER 2013

	(0490) Equico	Adjustment	(0500) Puget Energy	ELIMINATION	Puget Equico TOTAL
<b>ASSETS:</b>					
<b>Utility Plant:</b>					
Electric			7,019,852,958		7,019,852,958
Gas			2,528,628,696		2,528,628,696
Common			504,036,108		504,036,108
Less: Accumulated depreciation and amortization			(1,373,177,625)		(1,373,177,625)
Net Utility Plant	-	-	8,679,340,137	-	8,679,340,137
<b>Other Property and Investments:</b>					
Goodwill			1,656,512,951		1,656,512,951
Investment in BEP Contract			-		-
Other Property and Investments	3,679,679,288		100,331,813	(3,679,679,288)	100,331,813
Total Other Property and Investments	3,679,679,288	-	1,756,844,764	(3,679,679,288)	1,756,844,764
<b>Current Assets:</b>					
Cash	63,684		44,301,586		44,365,270
Restricted Cash			7,171,073		7,171,073
Accounts receivable			415,896,768	(5,027)	415,891,741
Less allowance for doubtful accounts			(7,385,209)		(7,385,209)
Unbilled revenues			219,883,773		219,883,773
Materials and Supplies, at average cost			88,140,144		88,140,144
Fuel and Gas Inventory, at average cost			66,717,232		66,717,232
Unrealized Gain/Loss on Derivative Instruments			18,867,000		18,867,000
Income Taxes		-	297,344		297,344
Prepaid Expense and other			18,786,859		18,786,859
Power Contract Acquisition Adjustment Gain			48,508,828		48,508,828
Taxes Receivable			-		-
Deferred Income Taxes			86,004,413		86,004,413
Total Current Assets	63,684	-	1,007,189,811	(5,027)	1,007,248,468
<b>Long-Term and Regulatory Assets:</b>					
Restricted cash			-		-
Regulatory asset for deferred income taxes			146,867,048		146,867,048
Regulatory asset for PURPA buyout costs			-		-
Power Cost Adjustment Mechanism			-		-
Regulatory Assets related to power contracts			33,752,959		33,752,959
Other Regulatory Assets			749,381,522		749,381,522
Unrealized Gain/Loss on Derivative Instruments (LT)			7,732,879		7,732,879
Power Contract Acquisition Adjustment Gain			394,556,384		394,556,384
Income Taxes		-	-		-
Other Long-Term Assets			130,909,383		130,909,383
Total Long Term and Regulatory Assets	-	-	1,463,200,175	-	1,463,200,175
<b>TOTAL ASSETS</b>	<b>3,679,742,972</b>	<b>-</b>	<b>12,906,574,887</b>	<b>(3,679,684,315)</b>	<b>12,906,633,544</b>
<b>Capitalization:</b>					
<b>CAPITALIZATION AND LIABILITIES:</b>					
Common equity	3,679,810,760		3,679,679,288	(3,679,679,288)	3,679,810,760
Total shareholders' equity	3,679,810,760	-	3,679,679,288	(3,679,679,288)	3,679,810,760
Junior subordinated Notes			250,000,000		250,000,000
Long-term Debt			4,982,476,165		4,982,476,165
Total redeemable securities and long-term debt	-	-	5,232,476,165	-	5,232,476,165
Total capitalization	3,679,810,760	-	8,912,155,453	(3,679,679,288)	8,912,286,925
<b>Current Liabilities:</b>					
Accounts Payable	5,027		296,680,884	(5,027)	296,680,884
Dividends Declared to Puget Intermediate			-	-	-
Notes Payable			-		-
Short-term Debt			162,000,000		162,000,000
Short-term Debt Owed to Puget Energy			-		-
Current Maturities of LTD			-		-
Purchased gas liability			5,937,698		5,937,698
Taxes		-	109,559,445		109,559,445
Salaries and wages			38,491,470		38,491,470
Interest			79,302,594		79,302,594
Current Portion FAS 133 Unrealized Gain/Loss			48,049,148		48,049,148
Power Contract Acquisition Adjustment Loss			3,937,074		3,937,074
Other			60,334,309	-	60,334,309
Total current liabilities	5,027	-	804,292,622	(5,027)	804,292,622
<b>Long-Term Liabilities:</b>					
Deferred Income taxes	(72,815)	-	1,487,005,211		1,486,932,396
FAS 133 Unrealized Gain/Loss (LT)			38,162,256		38,162,256
Power Cost Adjustment Mechanism			5,344,536		5,344,536
Regulatory Liabilities			689,060,130		689,060,130
Regulatory Liabilities Related to Power Contracts			443,065,212		443,065,212
Power Contract Acquisition Adjustment Loss			29,815,885		29,815,885
Other Deferred Credits			497,673,582		497,673,582
Total long-term liabilities	(72,815)	-	3,190,126,812	-	3,190,053,997
<b>TOTAL CAPITALIZATION AND LIABILITIES:</b>	<b>3,679,742,972</b>	<b>-</b>	<b>12,906,574,887</b>	<b>(3,679,684,315)</b>	<b>12,906,633,544</b>



**Consolidated Income Statement (GAAP)**

**Year Ended December 31, 2013**

	Total Puget Energy	(0490) Puget Equico	PE Elimination	Equico/ PE Elim- ination	Total Puget Equico
<b>Operating Revenues:</b>					
Electric	2,156,920,155	-			2,156,920,155
Gas	1,028,356,534	-			1,028,356,534
Non-utility operating revenue	2,019,830	-			2,019,830
<b>Total operating revenue</b>	<b>3,187,296,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,187,296,519</b>
<b>Operating Expenses:</b>					
<b>Energy Costs:</b>					
Purchased electricity	541,904,595	-			541,904,595
Fuel	261,332,288	-			261,332,288
Residential/Farm Exchange	(81,053,138)	-			(81,053,138)
Purchased natural gas	488,200,942	-			488,200,942
FAS 133 Unrealized Gain/Loss	(102,744,443)	-			(102,744,443)
Utility operations and maintenance	529,939,185	-			529,939,185
Non-utility expense and other	(3,555,025)	21,113			(3,533,912)
Merger Related Costs	-	-			-
Depreciation, deplet.&amort.	364,324,101	-			364,324,101
Amortization	24,631,350	-			24,631,350
Conservation amortization	105,897,025	-			105,897,025
Taxes other than income taxes	303,260,479	-			303,260,479
<b>Total operating expenses</b>	<b>2,432,137,360</b>	<b>21,113</b>	<b>-</b>	<b>-</b>	<b>2,432,158,472</b>
<b>Operating Income</b>	<b>755,159,159</b>	<b>(21,113)</b>	<b>-</b>	<b>-</b>	<b>755,138,046</b>
<b>Other Income (Deductions):</b>					
Charitable Foundation Funding	-	-			-
Other income	38,693,136	285,727,827	(285,727,827)		38,693,136
Other expenses	(7,133,682)	-			(7,133,682)
Unhedged Interest Rate Deriv. Expense	2,419,979	-			2,419,979
<b>Interest charges:</b>					
AFUDC	11,260,684	-			11,260,684
Interest expense -- Investors	-	-			-
Interest expense -- Intercompany	-	-			-
Interest expense -- Other	(392,263,524)	-			(392,263,524)
<b>Income Before Inc. Tax &amp; Extraord. Items</b>	<b>408,135,754</b>	<b>285,706,715</b>	<b>(285,727,827)</b>	<b>-</b>	<b>408,114,641</b>
<b>Income Taxes</b>	<b>122,407,926</b>	<b>(7,518)</b>			<b>122,400,408</b>
<b>Net Income Before Extraordinary Items</b>	<b>285,727,827</b>	<b>285,714,233</b>	<b>(285,727,827)</b>	<b>-</b>	<b>285,714,233</b>
<b>Extraordinary Items</b>	<b>-</b>	<b>-</b>			<b>-</b>
<b>Net Income</b>	<b>285,727,827</b>	<b>285,714,233</b>	<b>(285,727,827)</b>	<b>-</b>	<b>285,714,233</b>

PUGET INTERMEDIATE, INC.  
BALANCE SHEET FOR DECEMBER 2013

	(0480)		(0490)		Puget Intermediate
	Intermediate	Adjustment	Puget Equico	ELIMINATE	TOTAL
<b>ASSETS:</b>					
<b>Utility Plant:</b>					
Electric			7,019,852,958		7,019,852,958
Gas			2,528,528,696		2,528,628,696
Common			504,036,108		504,036,108
Less: Accumulated depreciation and amortization			(1,373,177,625)		(1,373,177,625)
<b>Net Utility Plant</b>	-	-	8,679,340,137	-	8,679,340,137
<b>Other Property and Investments:</b>					
Goodwill			1,656,512,951		1,656,512,951
Investment in BEP			-		-
Other	3,679,810,759		100,331,813	(3,679,810,760)	100,331,812
<b>Total Other Property and Investments</b>	3,679,810,759	-	1,756,844,764	(3,679,810,760)	1,756,844,763
<b>Current Assets:</b>					
Cash	3,974		44,365,270		44,369,244
Restricted Cash			7,171,073		7,171,073
Dividends Receivable from PE			-		-
Accounts receivable			415,891,741	(7,525)	415,884,216
Less allowance for doubtful accounts			(7,385,209)		(7,385,209)
Unbilled revenues			219,883,773		219,883,773
Purchased Gas Adjustment Receivable			-		-
Materials and Supplies, at average cost			88,140,144		88,140,144
Fuel and Gas Inventory, at average cost			66,717,232		66,717,232
Unrealized Gain/Loss on Derivative Instruments			18,867,000		18,867,000
Income Taxes			297,344		297,344
Prepaid Expense and other			18,786,859		18,786,859
Power Contract Acquisition Adjustment Gain			48,508,828		48,508,828
Taxes Receivable			-		-
Deferred Income Taxes	(59,150,000)		86,004,413		26,854,413
<b>Total Current Assets</b>	(59,146,026)	-	1,007,248,468	(7,525)	948,094,917
<b>Long-Term and Regulatory Assets:</b>					
Restricted cash			-		-
Purchased Gas Adjustment Receivable			-		-
Regulatory asset for deferred income taxes			146,867,048		146,867,048
Power Cost Adjustment Mechanism			-		-
Regulatory Assets related to power contracts			33,752,959		33,752,959
Other Regulatory Assets			749,381,522		749,381,522
Unrealized Gain/Loss on Derivative Instruments (LT)			7,732,879		7,732,879
Power Contract Acquisition Adjustment Gain			394,556,384		394,556,384
Income Taxes			-		-
Other Long-Term Assets			130,909,383		130,909,383
<b>Total Long Term and Regulatory Assets</b>		-	1,463,200,175	-	1,463,200,175
<b>TOTAL ASSETS</b>	3,620,664,733	-	12,906,633,544	(3,679,818,285)	12,847,479,992
<b>Capitalization:</b>					
<b>CAPITALIZATION AND LIABILITIES:</b>					
Common equity	2,355,804,950		3,679,810,760	(3,679,810,760)	2,355,804,950
Total shareholders' equity	2,355,804,950	-	3,679,810,760	(3,679,810,760)	2,355,804,950
Junior subordinated Notes			250,000,000		250,000,000
Long-term Debt - Investors	1,682,822,716		-		1,682,822,716
Long-term Debt			4,982,476,165		4,982,476,165
Total redeemable securities and long-term debt	1,682,822,716	-	5,232,476,165	-	6,915,298,881
Total capitalization	4,038,627,666	-	8,912,286,925	(3,679,810,760)	9,271,103,831
Minority interest			-		-
<b>Current Liabilities:</b>					
Accounts Payable	7,525		296,680,884	(7,525)	296,680,884
Dividends Declared to Puget Holdings			-		-
Notes Payable			-		-
Short-term Debt			162,000,000		162,000,000
Short-term Debt Owed to Puget Energy			-		-
Current Maturities of LTD			-		-
Purchased gas liability			5,937,698		5,937,698
Taxes			109,559,445		109,559,445
Salaries and wages			38,491,470		38,491,470
Interest - Investors			-		-
Interest - Others			79,302,594		79,302,594
Current Portion FAS 133 Unrealized Gain/Loss			48,049,148		48,049,148
Current Portion of Deferred Income Taxes			-		-
Power Contract Acquisition Adjustment Loss			3,937,074		3,937,074
Other			60,334,309		60,334,309
<b>Total current liabilities</b>	7,525	-	804,292,622	(7,525)	804,292,622
<b>Long-Term Liabilities:</b>					
Deferred income taxes	(417,970,458)	-	1,486,932,396		1,068,961,938
FAS 133 Unrealized Gain/Loss (LT)			38,162,256		38,162,256
Power Cost Adjustment Mechanism			5,344,536		5,344,536
Regulatory Liabilities			689,060,130		689,060,130
Regulatory Liabilities Related to Power Contracts			443,065,212		443,065,212
Power Contract Acquisition Adjustment Loss			29,815,885		29,815,885
Other Deferred Credits			497,673,582		497,673,582
Total long-term liabilities	(417,970,458)	-	3,190,053,997	-	2,772,083,539
<b>TOTAL CAPITALIZATION AND LIABILITIES:</b>	3,620,664,733	-	12,906,633,544	(3,679,818,285)	12,847,479,992

<u>Consolidated Income Statement (GAAP)</u>					
<u>Year Ended December 31, 2013</u>					
	Total	(0480)		PIH/	Total
	Puget Equico	Puget	Equico	Equico	Puget
		Intermediate	Elimination	Elimination	Intermediate
<b>Operating Revenues:</b>					
Electric	2,156,920,155	-	-	-	2,156,920,155
Gas	1,028,356,534	-	-	-	1,028,356,534
Non-utility operating revenue	2,019,830	-	-	-	2,019,830
<b>Total operating revenue</b>	<b>3,187,296,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,187,296,519</b>
<b>Operating Expenses:</b>					
<b>Energy Costs:</b>					
Purchased electricity	541,904,595	-	-	-	541,904,595
Fuel	261,332,288	-	-	-	261,332,288
Residential/Farm Exchange	(81,053,138)	-	-	-	(81,053,138)
Purchased natural gas	488,200,942	-	-	-	488,200,942
FAS 133 Unrealized Gain/Loss	(102,744,443)	-	-	-	(102,744,443)
Utility operations and maintenance	529,939,185	-	-	-	529,939,185
Non-utility expense and other	(3,533,912)	40,375	-	-	(3,493,537)
Merger Related Costs	-	-	-	-	-
Depreciation, deplet.&amort.	364,324,101	-	-	-	364,324,101
Amortization	24,631,350	-	-	-	24,631,350
Conservation amortization	105,897,025	-	-	-	105,897,025
Taxes other than income taxes	303,260,479	-	-	-	303,260,479
<b>Total operating expenses</b>	<b>2,432,158,472</b>	<b>40,375</b>	<b>-</b>	<b>-</b>	<b>2,432,198,847</b>
<b>Operating Income</b>	<b>755,138,046</b>	<b>(40,375)</b>	<b>-</b>	<b>-</b>	<b>755,097,672</b>
<b>Other Income (Deductions):</b>					
Charitable Foundation Funding	-	-	-	-	-
Other income	38,693,136	285,714,233	(285,714,233)	-	38,693,136
Other expenses	(7,133,682)	-	-	-	(7,133,682)
Unhedged Interest Rate Deriv. Expense	2,419,979	-	-	-	2,419,979
<b>Interest charges:</b>					
AFUDC	11,260,684	-	-	-	11,260,684
Interest expense -- Investors	-	(170,619,525)	-	-	(170,619,525)
Interest expense -- Intercompany	-	-	-	-	-
Interest expense -- Other	(392,263,524)	-	-	-	(392,263,524)
<b>Income Before Inc. Tax &amp; Extraord. Items</b>	<b>408,114,641</b>	<b>115,054,333</b>	<b>(285,714,233)</b>	<b>-</b>	<b>237,454,741</b>
<b>Income Taxes</b>	<b>122,400,408</b>	<b>(59,937,905)</b>	<b>-</b>	<b>-</b>	<b>62,462,503</b>
<b>Net Income Before Extraordinary Items</b>	<b>285,714,233</b>	<b>174,992,238</b>	<b>(285,714,233)</b>	<b>-</b>	<b>174,992,238</b>
<b>Extraordinary Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income</b>	<b>285,714,233</b>	<b>174,992,238</b>	<b>(285,714,233)</b>	<b>-</b>	<b>174,992,238</b>

PUGET HOLDINGS, LLC.  
BALANCE SHEET FOR DECEMBER 2013

	(0470) Puget Holdings LLC	Adjustment	(0480) Puget Intermediate	ELIMINATE	Puget Holdings LLC TOTAL
<b>ASSETS:</b>					
<b>Utility Plant:</b>					
Electric		-	7,019,852,958		7,019,852,958
Gas			2,528,628,696		2,528,628,696
Common			504,036,108		504,036,108
Less: Accumulated depreciation and amortization			(1,373,177,625)		(1,373,177,625)
Net Utility Plant			8,679,340,137		8,679,340,137
<b>Other Property and Investments:</b>					
Goodwill			1,656,512,951		1,656,512,951
Investment in BEP			-		-
Other	2,355,863,595	-	100,331,812	(2,355,804,950)	100,390,457
Total Other Property and Investments	2,355,863,595	-	1,756,844,763	(2,355,804,950)	1,756,903,408
<b>Current Assets:</b>					
Cash	25,321		44,369,244		44,394,565
Restricted Cash			7,171,073		7,171,073
Accounts receivable			415,884,216	(81,511)	415,802,705
Less allowance for doubtful accounts			(7,385,209)		(7,385,209)
Unbilled revenues			219,883,773		219,883,773
Purchased Gas Adjustment Receivable			-		-
Materials and Supplies, at average cost			88,140,144		88,140,144
Fuel and Gas Inventory, at average cost			66,717,232		66,717,232
Unrealized Gain/Loss on Derivative Instruments			18,867,000		18,867,000
Income Taxes		100	297,344		297,444
Prepaid Expense and other			18,786,859		18,786,859
Power Contract Acquisition Adjustment Gain			48,508,828		48,508,828
Taxes Receivable			-		-
Deferred Income Taxes	23,100,000		26,854,413		49,954,413
Total Current Assets	23,125,321	100	948,094,917	(81,511)	971,138,827
<b>Long-Term and Regulatory Assets:</b>					
Restricted cash			-		-
Purchased Gas Adjustment Receivable			-		-
Regulatory asset for deferred income taxes			146,867,048		146,867,048
Power Cost Adjustment Mechanism			-		-
Regulatory Assets related to Power Contracts			33,752,959		33,752,959
Other Regulatory Assets			749,381,522		749,381,522
Unrealized Gain/Loss on Derivative Instruments (LT)			7,732,879		7,732,879
Power Contract Acquisition Adjustment Gain			394,556,384		394,556,384
Income Taxes	(14,470,924)	14,470,924	-		-
Other Long-Term Assets			130,909,383		130,909,383
Total Long Term and Regulatory Assets	(14,470,924)	14,470,924	1,463,200,175	-	1,463,200,175
<b>TOTAL ASSETS</b>	<b>2,364,517,992</b>	<b>14,471,024</b>	<b>12,847,479,992</b>	<b>(2,355,886,461)</b>	<b>12,870,582,547</b>
<b>CAPITALIZATION AND LIABILITIES:</b>					
<b>Capitalization:</b>					
Common equity	2,365,510,337		2,355,804,950	(2,355,804,950)	2,365,510,337
Total shareholders' equity	2,365,510,337	-	2,355,804,950	(2,355,804,950)	2,365,510,337
Preferred stock subject to mandatory redemption			-		-
Junior subordinated Notes			250,000,000		250,000,000
Long-term Debt - Investors			1,682,822,716		1,682,822,716
Long-term Debt			4,982,476,165		4,982,476,165
Total redeemable securities and long-term debt			6,915,298,881		6,915,298,881
Total capitalization	2,365,510,337	-	9,271,103,831	(2,355,804,950)	9,280,809,218
<b>Minority Interest</b>					
<b>Current Liabilities:</b>					
Accounts Payable	81,511		296,680,884	(81,511)	296,680,884
Notes Payable			-		-
Short-term Debt			162,000,000		162,000,000
Short-term Debt Owed to Puget Energy			-		-
Current Maturities of LTD			-		-
Purchased gas liability			5,937,698		5,937,698
Taxes	(100)	100	109,559,445		109,559,445
Salaries and wages			38,491,470		38,491,470
Interest - Investors			-		-
Interest - Other			79,302,594		79,302,594
Current Portion FAS 133 Unrealized Gain/Loss			48,049,148		48,049,148
Current Portion of Deferred Income Taxes			-		-
Power Contract Acquisition Adjustment Loss			3,937,074		3,937,074
Other			60,334,309		60,334,309
Total current liabilities	81,411	100	804,292,622	(81,511)	804,292,622
<b>Long-Term Liabilities:</b>					
Deferred income taxes	(1,073,756)	14,470,924	1,068,961,938		1,082,359,106
FAS 133 Unrealized Gain/Loss (LT)			38,162,256		38,162,256
Power Cost Adjustment Mechanism			5,344,536		5,344,536
Regulatory Liabilities			689,060,130		689,060,130
Regulatory Liabilities Related to Power Contracts			443,065,212		443,065,212
Power Contract Fair Value Loss			29,815,885		29,815,885
Other Deferred Credits			497,673,582		497,673,582
Total long-term liabilities	(1,073,756)	14,470,924	2,772,083,539		2,785,480,707
<b>TOTAL CAPITALIZATION AND LIABILITIES:</b>	<b>2,364,517,992</b>	<b>14,471,024</b>	<b>12,847,479,992</b>	<b>(2,355,886,461)</b>	<b>12,870,582,547</b>

<u>Consolidated Income Statement (GAAP)</u> <u>Year Ended December 31, 2013</u>	Total Puget Intermediate	(0470) Puget Holdings	PIH Elimination	PH/PIH Elimination	Total Puget Holdings
<b>Operating Revenues:</b>					
Electric	2,156,920,155	-			2,156,920,155
Gas	1,028,356,534	-			1,028,356,534
Non-utility operating revenue	2,019,830	-			2,019,830
<b>Total operating revenue</b>	<b>3,187,296,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,187,296,519</b>
<b>Operating Expenses:</b>					
<b>Energy Costs:</b>					
Purchased electricity	541,904,595	-			541,904,595
Fuel	261,332,288	-			261,332,288
Residential/Farm Exchange	(81,053,138)	-			(81,053,138)
Purchased natural gas	488,200,942	-			488,200,942
FAS 133 Unrealized Gain/Loss	(102,744,443)	-			(102,744,443)
Utility operations and maintenance	529,939,185	-			529,939,185
Non-utility expense and other	(3,493,537)	227,159			(3,266,378)
Merger Related Costs	-	-			-
Depreciation, deplet.&amort.	364,324,101	67,023			364,391,124
Amortization	24,631,350	-			24,631,350
Conservation amortization	105,897,025	-			105,897,025
Taxes other than income taxes	303,260,479	-			303,260,479
<b>Total operating expenses</b>	<b>2,432,198,847</b>	<b>294,182</b>	<b>-</b>	<b>-</b>	<b>2,432,493,029</b>
<b>Operating Income</b>	<b>755,097,672</b>	<b>(294,182)</b>	<b>-</b>	<b>-</b>	<b>754,803,490</b>
<b>Other Income (Deductions):</b>					
Charitable Foundation Funding	-	-			-
Other income	38,693,136	174,992,238	(174,992,238)		38,693,136
Other expenses	(7,133,682)	-			(7,133,682)
Unhedged Interest Rate Deriv. Expense	2,419,979	-			2,419,979
<b>Interest charges:</b>					
AFUDC	11,260,684	-			11,260,684
Interest expense -- Investors	(170,619,525)	-			(170,619,525)
Interest expense -- Intercompany	-	-			-
Interest expense -- Other	(392,263,524)	-			(392,263,524)
<b>Income Before Inc. Tax &amp; Extraord. Items</b>	<b>237,454,741</b>	<b>174,698,056</b>	<b>(174,992,238)</b>	<b>-</b>	<b>237,160,559</b>
<b>Income Taxes</b>	<b>62,462,503</b>	<b>(103,330)</b>			<b>62,359,173</b>
<b>Net Income Before Extraordinary Items</b>	<b>174,992,238</b>	<b>174,801,386</b>	<b>(174,992,238)</b>	<b>-</b>	<b>174,801,386</b>
<b>Extraordinary Items</b>	<b>-</b>	<b>-</b>			<b>-</b>
<b>Net Income</b>	<b>174,992,238</b>	<b>174,801,386</b>	<b>(174,992,238)</b>	<b>-</b>	<b>174,801,386</b>

PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT

EXHIBIT 4



# PUGET SOUND ENERGY

The Energy To Do Great Things

CTM-8

## Controller's Manual

SUBJECT

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION  
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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 commitments<sup>1</sup> 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

<sup>1</sup> 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



**Controller's Manual**

**SUBJECT**

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION  
METHODOLOGY**

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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:

<b>Function</b>	<b>Basis of Allocation</b>
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