

## Puget Sound Energy, Inc.

### Affiliated Interest and Subsidiary Transaction Report For the 12 months ended December 31, 2019

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

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

2. Financial information for affiliated interests and subsidiary with total transactions with PSE that equal or exceed \$100,000 during the reporting period:
  - A. Refer to Exhibit 3 for balance sheets and income statements for affiliated interests and subsidiary.
  - B. Refer to Exhibit 1 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 charged during the year.
  - D. There were no loan terms assumed by PSE on behalf of any affiliated interest or subsidiary during the 12 months ended December 31, 2019.
  - E. There were no obligations or liabilities assumed by PSE on behalf of any affiliated interest or subsidiary during the 12 months ended December 31, 2019.
  - F. Refer to Exhibit 2 for a description of activities of each affiliated interest or subsidiary having transactions with PSE.
  - G. Refer to Exhibit 2 for a list of officers and directors common to PSE and affiliated interests and subsidiaries.

3. Not Applicable

4. All outstanding contracts from the current and previous years have been filed with the commission.

PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT

EXHIBIT 1

**EXHIBIT 1**

Puget Sound Energy, Inc.  
Summary of Transactions  
For the 12 Months Ended December 31, 2019

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	\$ 253,603
Reimbursement of labor and other expenses to PSE	\$ 2,133,912
<b><u>Puget Intermediate Holdings, Inc.</u></b>	
Accounts payable to PSE	\$ 79,639
Reimbursement of labor and other expenses to PSE	\$ 148,860
<b><u>Puget Equico LLC</u></b>	
Accounts payable to PSE	\$ 2,657
Reimbursement of labor and other expenses to PSE	\$ 47,249
<b><u>Puget Energy, Inc.</u></b>	
Account payable to PSE	\$ 184,210
Reimbursement of labor and other expenses to PSE	\$ 1,455,541
Dividends from PSE	\$ 164,575,021
<b><u>Puget LNG LLC</u></b>	
Accounts payable to PSE	\$ 2,692,871
Reimbursement of labor and other expenses to PSE	\$ 869,999
<b><u>Puget Western, Inc.</u></b>	
Accounts payable to PSE	\$ 21,254
Reimbursement of labor and other expenses to PSE	\$ 212,220

PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT

EXHIBIT 2

## EXHIBIT 2

### COMPANIES WITH AN AFFILIATED INTEREST

PUGET HOLDINGS, LLC. (Puget Holdings) is a limited liability energy services holding company formed on October 11, 2007 in the State of Delaware, which directly owns Puget Intermediate Holdings, Inc. (Puget Intermediate). All of the operations of Puget Holdings are conducted through its indirect subsidiary Puget Sound Energy (PSE). Puget Holdings has its principal executive office at 355 110<sup>th</sup> Avenue NE, Suite 1100, 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 355 110<sup>th</sup> Avenue NE, Suite 1100, 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 355 110<sup>th</sup> Avenue NE, Suite 1100, Bellevue, Washington 98004.

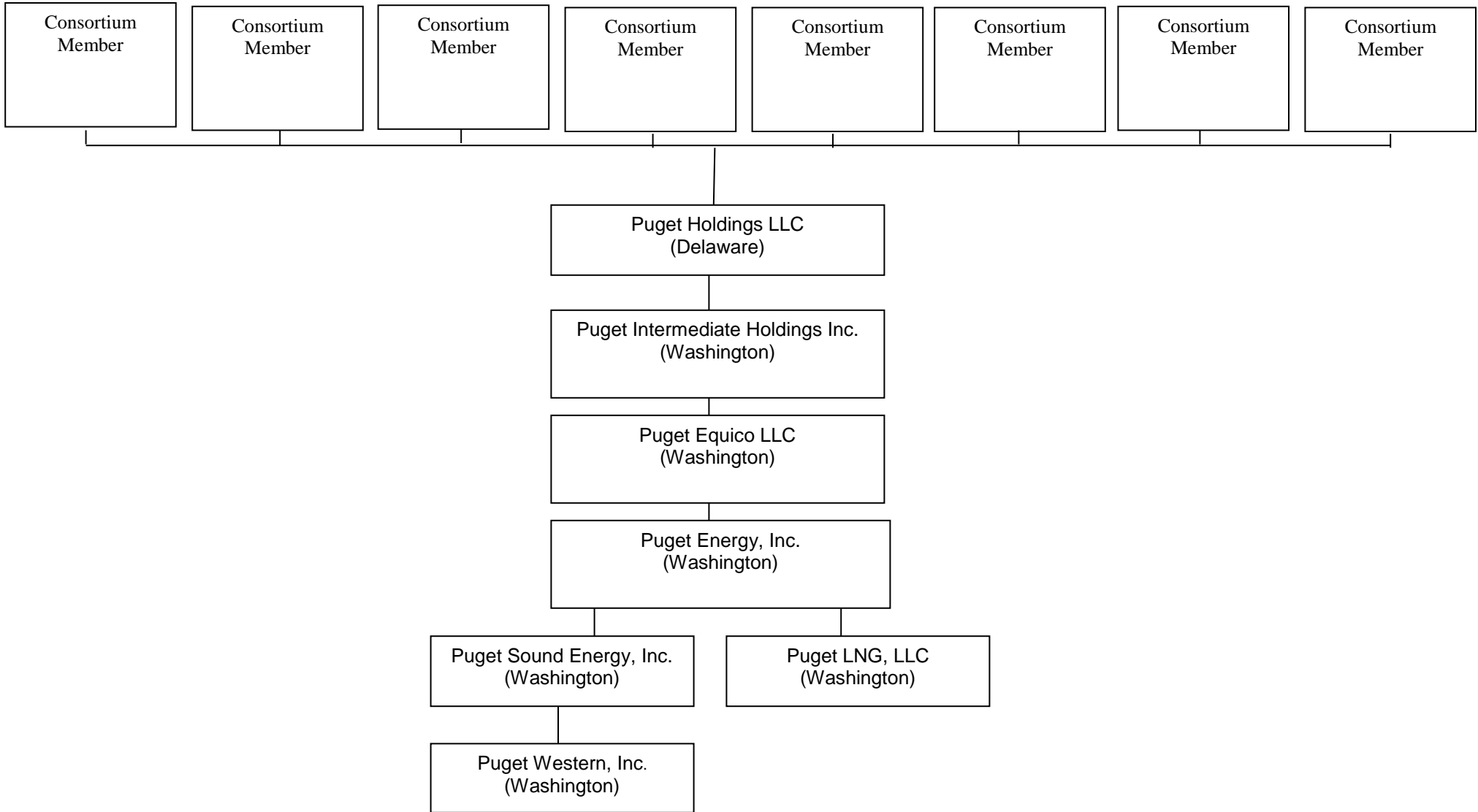
PUGET ENERGY, INC. (Puget Energy) is an energy services holding company incorporated in the State of Washington in 1999. All of its operations are conducted through its direct subsidiary PSE. Puget Energy has its principal executive office at 355 110<sup>th</sup> Avenue NE, Suite 1100, Bellevue, Washington 98004. Puget Energy had the following subsidiary at December 31, 2016.

PUGET LNG LLC., a Washington limited liability company, is a manufacturer and seller of fuel, formed on November 29, 2016. Address: 355 110<sup>th</sup> Avenue NE, Suite 1100, 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: 355 110<sup>th</sup> Avenue NE, Suite 1100, 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.

# PUGET HOLDINGS CORPORATE STRUCTURE



## PUGET HOLDINGS LLC LISTING OF SUBSIDIARIES

### **Puget Holdings LLC** TIN #26-1273439 (formed 10/12/2007)

#### **Directors**

Steve Hooper, Chair  
Scott Armstrong  
Kenton Bradbury  
Richard Dinneny  
Chris Hind  
Tom King  
Kimberly Harris  
Paul McMillan  
Mary McWilliams  
Chris Trumpy  
Martijn Verwoest  
Steven Zucchet

#### **Officers**

Kimberly Harris, CEO  
Mary E. Kipp, President  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President and General Counsel  
Steve King, Controller and Principal Accounting Officer  
Matthew McArthur, Treasurer  
Samuel S. Osborne, Assistant Secretary

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

#### **Directors**

Steve Hooper, Chair  
Scott Armstrong  
Kenton Bradbury  
Richard Dinneny  
Chris Hind  
Tom King  
Kimberly Harris  
Paul McMillan  
Mary McWilliams  
Chris Trumpy  
Martijn Verwoest  
Steven Zucchet

#### **Officers**

Kimberly Harris, CEO  
Mary E. Kipp, President  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President and General Counsel  
Steve King, Controller and Principal Accounting Officer  
Matthew McArthur, Treasurer  
Samuel S. Osborne, Assistant Secretary

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

#### **Directors**

Steve Hooper, Chair  
Scott Armstrong  
Kenton Bradbury  
Richard Dinneny  
Chris Hind  
Tom King  
Kimberly Harris  
Paul McMillan  
Mary McWilliams  
Chris Trumpy  
Martijn Verwoest  
Steven Zucchet

#### **Officers**

Kimberly Harris, CEO  
Mary E. Kipp, President  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President and General Counsel  
Steve King, Controller and Principal Accounting Officer  
Matthew McArthur, Treasurer  
Samuel S. Osborne, Assistant Secretary

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

**Directors**

Steve Hooper, Chair  
Scott Armstrong  
Kenton Bradbury  
Richard Dinneny  
Chris Hind  
Tom King  
Kimberly Harris  
Paul McMillan  
Mary McWilliams  
Chris Trumpy  
Martijn Verwoest  
Steven Zucchet

**Officers**

Kimberly Harris, CEO  
Mary E. Kipp, President  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President, General Counsel and CE&CO  
Steve King, Controller and Principal Accounting Officer  
Matthew McArthur, Treasurer  
Samuel S. Osborne, Assistant Secretary

**SUBSIDIARY OF PUGET ENERGY, INC.**

**Puget Sound Energy, Inc.** TIN #91-0374630 (formed 9/12/1960)

**Directors**

Steve Hooper, Chair  
Scott Armstrong  
Kenton Bradbury  
Richard Dinneny  
Barbara Gordon  
Chris Hind  
Tom King  
Kimberly Harris  
Paul McMillan  
Mary McWilliams  
Chris Trumpy  
Martijn Verwoest  
Steven Zucchet

**Officers**

Kimberly Harris, CEO  
Mary E. Kipp, President  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Booga K. Gilbertson, Senior Vice President Operations  
Margaret Hopkins, Vice President and Chief Information Officer  
Ken Johnson, Vice President, Regulatory and Government Affairs  
Marla Mellies, Senior Vice President and Chief Administrative Officer  
David Mills, Senior Vice President, Policy and Energy Supply  
Steve R. Secrist, Senior Vice President, General Counsel and CE&CO  
Andrew W. Wappler, Vice President Customer Operations and  
Communications  
Steve King, Controller and Principal Accounting Officer  
Matthew McArthur, Treasurer  
Samuel S. Osborne, Assistant Secretary

**Puget LNG, LLC** EIN #81-4564062 (formed 11/29/16)

**Directors**

Roger Garratt, Chair  
Dan Doyle  
David Mills  
Dennis McLerran  
John Hatley

**Officers**

Roger Garratt, President  
Samuel Osborne, Vice President and Secretary  
Matthew McArthur, Treasurer

**SUBSIDIARY OF PUGET SOUND ENERGY, INC.**

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

**Directors**

Daniel A. Doyle, Chair  
Roger Garratt  
Samuel Osborne

**Officers**

Joel Molander, President  
Daniel A. Doyle, Treasurer  
Samuel Osborne, Secretary



PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT

EXHIBIT 3

**Puget Western Inc**  
**Income Statement**  
FOR THE YEAR TO DATE ENDED  
DECEMBER 31, 2019

	ACTUAL YTD Ended 12/31/19	Budget YTD Ended 12/31/19	VARIANCE	ACTUAL YTD Ended 12/31/18	VARIANCE
<b>INCOME</b>					
Sales Revenue	\$0	\$0	\$0	\$1,403,500	(\$1,403,500)
Cost of Sale	0	0	\$0	1,250,420	(\$1,250,420)
Direct Selling Exp	(4,771)	0	\$4,771	121,663	(\$126,434)
<b>GROSS PROFIT ON SALES</b>	<b>4,771</b>	<b>0</b>	<b>4,771</b>	<b>31,417</b>	<b>(26,646)</b>
Rental Income	0	0	\$0	92,839	(92,839)
Interest Income	168	96	72	281	(113)
<b>TOTAL INCOME</b>	<b>4,939</b>	<b>96</b>	<b>4,843</b>	<b>124,537</b>	<b>(119,598)</b>
<b>EXPENSE</b>					
North Creek Rent	-	-	-	98,025	(98,025)
Consulting Fees	7,913	12,000	4,087	11,955	(4,042)
Accounting Fees	25,383	25,800	417	26,991	(1,608)
Bank Service Charges	1,156	900	(256)	925	231
Property Taxes	256,092	240,000	(16,092)	247,514	8,578
General & Admin. Expense	223,437	240,000	16,563	244,097	(20,660)
Depreciation Expense	999	999	-	3,000	(2,001)
Sub-Total	<b>514,980</b>	<b>519,699</b>	<b>4,719</b>	<b>632,507</b>	<b>(117,527)</b>
<b>OPERATING EXPENSE</b>					
Misc. Prop Mgmt Expense	6,305	-	(6,305)	1,601	4,704
Travel Expense	241	367	126	367	(126)
Leasing Expense	-	-	-	4,587	(4,587)
Office Supplies & Equipment	(205)	4,080	4,285	4,092	(4,297)
Utilities	98,471	102,000	3,529	102,924	(4,453)
Postage	220	204	(16)	213	7
Donations	600	785	185	785	(185)
PSE Strander Lease Expense	50,640	50,640	-	50,640	0
Insurance Expense	10,874	12,000	1,126	12,052	(1,178)
Licenses	121	126	5	126	(5)
<b>TOTAL OPERATING EXP.</b>	<b>167,267</b>	<b>170,202</b>	<b>2,935</b>	<b>177,387</b>	<b>(10,120)</b>
<b>TOTAL EXPENSES</b>	<b>682,247</b>	<b>689,901</b>	<b>7,654</b>	<b>809,894</b>	<b>(127,647)</b>
<b>INCOME (LOSS) BEFORE FIT</b>	<b>(677,308)</b>	<b>(689,805)</b>	<b>12,497</b>	<b>(685,357)</b>	<b>8,049</b>
Federal Income Tax	(141,886)	(144,859)	(2,974)	(143,925)	2,039
<b>NET INCOME</b>	<b>(535,422)</b>	<b>(544,946)</b>	<b>9,524</b>	<b>(541,432)</b>	<b>6,010</b>

**Puget Western, Inc.**  
**BALANCE SHEET**  
**DECEMBER 31, 2019**

	PERIOD ENDED 12/31/2019	PERIOD ENDED 12/31/2018	\$ CHANGE FROM PRIOR YEAR END
<b>CURRENT ASSETS</b>			
Cash - Money Market	180,969	153,449	27,520
Cash in Bank	279,986	564,548	(284,562)
Prepaid Insurance	5,125	5,750	(625)
Prepaid Property Tax	0	0	0
Prepaid Escrow Deposits	0	66,000	(66,000)
<b>Total Current Assets</b>	<b>466,080</b>	<b>789,747</b>	<b>(323,667)</b>
<b>Long-Term Assets</b>			
Furniture & Fixtures	6,673	6,673	0
Accum Depr FF&E	(6,673)	(5,674)	(999)
Sub-total	<b>0</b>	<b>999</b>	<b>(999)</b>
<b>Land Held for Sale or Development</b>			
Commercial Land	21,321,780	19,438,565	1,883,215
Project Development	5,375,297	4,864,066	511,231
Total Long-Term Assets	26,697,077	24,302,631	2,394,446
<b>TOTAL ASSETS</b>	<b>27,163,157</b>	<b>25,093,377</b>	<b>2,069,780</b>

**Puget Western, Inc.**  
**BALANCE SHEET**  
**DECEMBER 31, 2019**

	PERIOD ENDED 12/31/2019	PERIOD ENDED 12/31/2018	\$ CHANGE FROM PRIOR YEAR END
<b>CURRENT LIABILITIES</b>			
Interest Payable	50,848	50,848	0
ULID North Bend Accrual	49,588	52,500	(2,912)
Current Maturities of LT Debt	2,411,777	2,411,777	0
Accounts Payable Accruals	20,000	20,000	0
Property Tax Payable	0	0	0
<b>Total Current Liabilities</b>	<b>2,532,213</b>	<b>2,535,125</b>	<b>(2,912)</b>
<b>LONG-TERM LIABILITIES</b>			
Intercompany Payable to Parent-FIT	(2,181,735)	(1,923,402)	(258,333)
Deferred FIT	(142,481)	(258,929)	116,448
<b>Total Long-Term Liabilities</b>	<b>(2,324,216)</b>	<b>(2,182,331)</b>	<b>(141,885)</b>
<b>TOTAL LIABILITIES</b>	<b>207,997</b>	<b>352,794</b>	<b>(144,797)</b>
<b>EQUITY</b>			
Common Stock	10,200	10,200	0
Additional Paid-In-Capital	47,237,244	44,487,244	2,750,000
Retained Earnings	(19,756,862)	(19,215,429)	(541,433)
Y-T-D Net Profit (Loss)	(535,422)	(541,432)	6,010
<b>TOTAL EQUITY</b>	<b>26,955,160</b>	<b>24,740,583</b>	<b>2,214,577</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>27,163,157</b>	<b>25,093,377</b>	<b>2,069,780</b>

# PUGET LNG, LLC.

## BALANCE SHEET

(Dollars in Thousands)

	(A)	(B)
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>ASSETS:</b>		
<b>Nonutility Plant:</b>		
1 <b>Other Property and Investments:</b>		
2   Construction Work in Progress	\$ 199,865	\$ 159,748
3   Capitalized Interest	-	4,229
4   Plant, Property and Equipment	4,108	1,590
5 <b>Total Other Property and Investments</b>	<u>203,973</u>	<u>165,567</u>
6 <b>Current Assets:</b>		
7   Cash	307	2
8   Accounts Receivable	-	113
9 <b>Total Current Assets</b>	<u>307</u>	<u>115</u>
10 <b>Long-Term Assets:</b>		
11   Deferred Income Taxes	1,307	1,329
12 <b>Total Long-Term Assets</b>	<u>1,307</u>	<u>1,329</u>
13 <b>TOTAL ASSETS</b>	<u>\$ 205,587</u>	<u>\$ 167,011</u>
14		
15 <b>CAPITALIZATION AND LIABILITIES:</b>		
16 <b>Capitalization:</b>		
17   Common Equity	\$ 18,123	\$ 19,269
18 <b>Total Capitalization</b>	<u>18,123</u>	<u>19,269</u>
19 <b>Current Liabilities:</b>		
20   Accounts Payable	2,693	7,328
21   Short-Term Debt Owed to Puget Energy	179,927	138,219
22 <b>Accrued expenses:</b>		
23   Taxes	(24)	-
24   Salaries and Wages	-	-
25   Interest	534	482
26   Other	-	-
27 <b>Total Current Liabilities</b>	<u>183,130</u>	<u>146,029</u>
28 <b>Long-Term Liabilities:</b>		
29   Deferred Income Taxes	-	-
30   Other Deferred Credits	4,334	1,713
31 <b>Total Long-Term Liabilities</b>	<u>4,334</u>	<u>1,713</u>
32 <b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u>\$ 205,587</u>	<u>\$ 167,011</u>

**PUGET LNG, LLC**  
**GAAP BASIS INCOME STATEMENT**  
**TWELVE MONTHS ENDED DECEMBER 31, 2019**  
(Dollars in Thousands)

		<u>(A)</u>
		<u>Actual</u>
1 <b>Operating Revenues:</b>		
2   Liquid Natural Gas	-	-
3   Other	-	-
4 <b>Total Operating Revenue</b>		<u>-</u>
5		
6 <b>Operating Expenses:</b>		
7   Liquid Natural Gas	-	-
8   Operations and Maintenance	1,248	1,248
9   Depreciation and Amortization	103	103
10   Taxes Other than Income Taxes	-	-
11 <b>Total Operating Expenses</b>		<u>1,351</u>
12		
13 <b>Operating Income</b>		(1,351)
14 <b>Other Income (Deductions):</b>		
15   Other Income	-	-
16   Other Expense	-	-
17 <b>Interest Charges:</b>		
18   Interest Expense	(101)	(101)
19 <b>Income Before Income Taxes</b>		<u>(1,452)</u>
20   Income Tax Expense (Benefit)	(307)	(307)
21 <b>Net Income</b>		<u><u>\$ (1,145)</u></u>

**PUGET ENERGY, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in Thousands)

	Year Ended December 31,		
	2019	2018	2017
<b>Operating revenue:</b>			
Electric	\$ 2,497,041	\$ 2,455,919	\$ 2,420,663
Natural gas	875,371	850,748	997,759
Other	28,718	39,829	41,854
<b>Total operating revenue</b>	<b>3,401,130</b>	<b>3,346,496</b>	<b>3,460,276</b>
<b>Operating expenses:</b>			
<b>Energy costs:</b>			
Purchased electricity	652,560	638,775	590,030
Electric generation fuel	282,864	204,174	206,275
Residential exchange	(79,187)	(77,454)	(75,933)
Purchased natural gas	290,976	296,699	360,009
Unrealized (gain) loss on derivative instruments, net	3,574	(41,662)	30,790
Utility operations and maintenance	596,676	602,638	592,277
Non-utility expense and other	47,907	54,519	53,864
Depreciation and amortization	656,323	666,432	481,969
Conservation amortization	96,571	111,714	121,216
Taxes other than income taxes	333,858	336,603	360,673
<b>Total operating expenses</b>	<b>2,882,122</b>	<b>2,792,438</b>	<b>2,721,170</b>
<b>Operating income (loss)</b>	<b>519,008</b>	<b>554,058</b>	<b>739,106</b>
<b>Other income (deductions):</b>			
Other income	59,905	52,957	49,283
Other expense	(9,053)	(11,201)	(14,076)
<b>Interest charges:</b>			
AFUDC	14,559	13,695	10,826
Interest expense	(356,638)	(343,795)	(354,802)
<b>Income (loss) before income taxes</b>	<b>227,781</b>	<b>265,714</b>	<b>430,337</b>
<b>Income tax (benefit) expense</b>	<b>17,073</b>	<b>30,092</b>	<b>255,143</b>
<b>Net income (loss)</b>	<b>\$ 210,708</b>	<b>\$ 235,622</b>	<b>\$ 175,194</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET ENERGY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**ASSETS**

	December 31,	
	2019	2018
Utility plant (at original cost, including construction work in progress of \$591,199 and \$550,466, respectively):		
Electric plant	\$ 8,811,889	\$ 8,515,482
Natural gas plant	3,916,040	3,598,732
Common plant	1,096,649	1,027,023
Less: Accumulated depreciation and amortization	(3,236,240)	(2,832,321)
Net utility plant	10,588,338	10,308,916
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	286,975	244,444
Total other property and investments	1,943,488	1,900,957
Current assets:		
Cash and cash equivalents	45,259	37,521
Restricted cash	20,887	18,041
Accounts receivable, net of allowance for doubtful accounts of \$8,294 and \$8,408, respectively	316,352	338,782
Unbilled revenue	224,657	205,285
Purchased gas adjustment receivable	—	9,921
Materials and supplies, at average cost	115,684	116,180
Fuel and natural gas inventory, at average cost	52,083	53,351
Unrealized gain on derivative instruments	23,626	46,507
Prepaid expenses and other	27,504	25,674
Power contract acquisition adjustment gain	9,067	6,114
Total current assets	835,119	857,376
Other long-term and regulatory assets:		
Power cost adjustment mechanism	41,745	4,735
Purchased gas adjustment receivable	132,766	—
Regulatory assets related to power contracts	14,146	16,693
Other regulatory assets	673,021	773,552
Unrealized gain on derivative instruments	7,682	2,512
Power contract acquisition adjustment gain	147,530	156,597
Operating lease right-of-use asset	183,048	—
Other	92,980	77,523
Total other long-term and regulatory assets	1,292,918	1,031,612
Total assets	<u>\$14,659,863</u>	<u>\$ 14,098,861</u>

*The accompanying notes are an integral part of the consolidated financial statements.*



**PUGET ENERGY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)  
**CAPITALIZATION AND LIABILITIES**

	December 31,	
	2019	2018
<b>Capitalization:</b>		
<b>Common shareholder's equity:</b>		
Common stock \$0.01 par value, 1,000 shares authorized, 200 shares outstanding	\$ —	\$ —
Additional paid-in capital	3,308,957	3,308,957
Retained earnings	775,491	629,003
Accumulated other comprehensive income (loss), net of tax	(84,149)	(77,202)
<b>Total common shareholder's equity</b>	<b>4,000,299</b>	<b>3,860,758</b>
<b>Long-term debt:</b>		
First mortgage bonds and senior notes	4,212,000	3,764,412
Pollution control bonds	161,860	161,860
Long-term debt	1,758,100	1,961,900
Debt discount, issuance costs and other	(211,635)	(215,681)
<b>Total long-term debt</b>	<b>5,920,325</b>	<b>5,672,491</b>
<b>Total capitalization</b>	<b>9,920,624</b>	<b>9,533,249</b>
<b>Current liabilities:</b>		
Accounts payable	325,913	480,069
Short-term debt	176,000	379,297
Current maturities of long-term debt	452,412	—
<b>Accrued expenses:</b>		
Taxes	99,979	118,112
Salaries and wages	50,091	50,785
Interest	74,855	70,099
Unrealized loss on derivative instruments	13,428	46,661
Power contract acquisition adjustment loss	2,418	2,547
Operating lease liabilities	15,862	—
Other	107,809	79,312
<b>Total current liabilities</b>	<b>1,318,767</b>	<b>1,226,882</b>
<b>Other Long-term and regulatory liabilities:</b>		
Deferred income taxes	824,720	789,297
Unrealized loss on derivative instruments	12,693	11,095
Regulatory liabilities	730,879	747,203
Regulatory liability for deferred income taxes	946,179	975,974
Regulatory liabilities related to power contracts	156,597	162,711
Power contract acquisition adjustment loss	11,728	14,146
Operating lease liabilities	174,327	—
Other deferred credits	563,349	638,304
<b>Total long-term and regulatory liabilities</b>	<b>3,420,472</b>	<b>3,338,730</b>
Commitments and contingencies (Note 16)		
<b>Total capitalization and liabilities</b>	<b>\$14,659,863</b>	<b>\$14,098,861</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET SOUND ENERGY, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in Thousands)

	Year Ended December 31,		
	2019	2018	2017
<b>Operating revenue:</b>			
Electric	\$ 2,497,041	\$ 2,455,919	\$ 2,420,663
Natural gas	875,371	850,748	997,759
Other	28,718	39,829	41,854
<b>Total operating revenue</b>	<b>3,401,130</b>	<b>3,346,496</b>	<b>3,460,276</b>
<b>Operating expenses:</b>			
<b>Energy costs:</b>			
Purchased electricity	652,560	638,775	590,030
Electric generation fuel	282,864	204,174	206,275
Residential exchange	(79,187)	(77,454)	(75,933)
Purchased natural gas	290,976	296,699	360,009
Unrealized (gain) loss on derivative instruments, net	3,574	(41,662)	30,790
Utility operations and maintenance	596,676	602,638	592,277
Non-utility expense and other	44,403	51,549	52,389
Depreciation and amortization	656,220	666,324	481,955
Conservation amortization	96,571	111,714	121,216
Taxes other than income taxes	333,858	336,603	360,673
<b>Total operating expenses</b>	<b>2,878,515</b>	<b>2,789,360</b>	<b>2,719,681</b>
<b>Operating income (loss)</b>	<b>522,615</b>	<b>557,136</b>	<b>740,595</b>
<b>Other income (deductions):</b>			
Other income	47,766	39,847	34,867
Other expense	(9,053)	(11,201)	(14,104)
<b>Interest charges:</b>			
AFUDC	14,559	13,695	10,826
Interest expense	(243,815)	(231,615)	(240,144)
<b>Income (loss) before income taxes</b>	<b>332,072</b>	<b>367,862</b>	<b>532,040</b>
<b>Income tax (benefit) expense</b>	<b>39,148</b>	<b>50,700</b>	<b>211,986</b>
<b>Net income (loss)</b>	<b>\$ 292,924</b>	<b>\$ 317,162</b>	<b>\$ 320,054</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET SOUND ENERGY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**ASSETS**

	December 31,	
	2019	2018
Utility plant (at original cost, including construction work in progress of \$591,199 and \$550,466, respectively):		
Electric plant	\$ 10,671,328	\$ 10,587,231
Natural gas plant	4,478,048	4,164,489
Common plant	1,121,568	1,052,544
Less: Accumulated depreciation and amortization	(5,682,606)	(5,495,348)
Net utility plant	10,588,338	10,308,916
Other property and investments:		
Other property and investments	81,112	76,986
Total other property and investments	81,112	76,986
Current assets:		
Cash and cash equivalents	44,004	35,452
Restricted cash	20,887	18,041
Accounts receivable, net of allowance for doubtful accounts of \$8,294 and \$8,408, respectively	319,229	346,251
Unbilled revenue	224,657	205,285
Purchased gas adjustment receivable	—	9,921
Materials and supplies, at average cost	115,684	116,180
Fuel and natural gas inventory, at average cost	50,818	52,028
Unrealized gain on derivative instruments	23,626	46,507
Prepaid expenses and other	27,504	25,674
Total current assets	826,409	855,339
Other long-term and regulatory assets:		
Power cost adjustment mechanism	41,745	4,735
Purchased gas adjustment receivable	132,766	—
Other regulatory assets	673,021	773,552
Unrealized gain on derivative instruments	7,682	2,512
Operating lease right-of-use asset	183,048	—
Other	90,924	75,483
Total other long-term and regulatory assets	1,129,186	856,282
Total assets	<u>\$ 12,625,045</u>	<u>\$ 12,097,523</u>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET SOUND ENERGY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)  
**CAPITALIZATION AND LIABILITIES**

	Year Ended December 31,	
	2019	2018
<b>Capitalization:</b>		
<b>Common shareholder's equity:</b>		
Common stock \$0.01 par value, 150,000,000 shares authorized, 85,903,791 shares outstanding	\$ 859	\$ 859
Additional paid-in capital	3,485,105	3,275,105
Retained earnings	751,193	622,844
Accumulated other comprehensive income (loss), net of tax	(188,477)	(190,884)
<b>Total common shareholder's equity</b>	<b>4,048,680</b>	<b>3,707,924</b>
<b>Long-term debt:</b>		
First mortgage bonds and senior notes	4,212,000	3,764,417
Pollution control bonds	161,860	161,860
Debt discount, issuance costs and other	(37,718)	(31,417)
<b>Total long-term debt</b>	<b>4,336,142</b>	<b>3,894,860</b>
<b>Total capitalization</b>	<b>8,384,822</b>	<b>7,602,784</b>
<b>Current liabilities:</b>		
Accounts payable	325,980	480,195
Short-term debt	176,000	379,297
Current maturities of long-term debt	2,412	—
<b>Accrued expenses:</b>		
Taxes	99,977	117,993
Salaries and wages	50,091	50,785
Interest	48,917	43,951
Unrealized loss on derivative instruments	13,428	46,661
Operating lease liabilities	15,862	—
Other	107,809	79,312
<b>Total current liabilities</b>	<b>840,476</b>	<b>1,198,194</b>
<b>Other Long-term and regulatory liabilities:</b>		
Deferred income taxes	977,163	926,403
Unrealized loss on derivative instruments	12,693	11,095
Regulatory liabilities	729,614	745,880
Regulatory liability for deferred income taxes	946,936	976,582
Operating lease liabilities	174,327	—
Other deferred credits	559,014	636,585
<b>Total long-term and regulatory liabilities</b>	<b>3,399,747</b>	<b>3,296,545</b>
Commitments and contingencies (Note 16)		
<b>Total capitalization and liabilities</b>	<b>\$ 12,625,045</b>	<b>\$ 12,097,523</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET EQUICO LLC**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in Thousands)

	Year Ended December 31,	
	2019	2018
<b>Operating revenue:</b>		
Electric	\$ 2,497,041	\$ 2,455,919
Natural gas	875,371	850,748
Other	28,718	39,829
<b>Total operating revenue</b>	<b>3,401,130</b>	<b>3,346,496</b>
<b>Operating expenses:</b>		
<b>Energy costs:</b>		
Purchased electricity	652,560	638,775
Electric generation fuel	282,864	204,174
Residential exchange	(79,187)	(77,454)
Purchased natural gas	290,976	296,699
Unrealized (gain) loss on derivative instruments, net	3,574	(41,662)
Utility operations and maintenance	596,676	602,638
Non-utility expense and other	47,959	54,547
Depreciation and amortization	656,323	666,432
Conservation amortization	96,571	111,714
Taxes other than income taxes	333,858	336,603
<b>Total operating expenses</b>	<b>2,882,174</b>	<b>2,792,466</b>
<b>Operating income (loss)</b>	<b>518,956</b>	<b>554,030</b>
<b>Other income (deductions):</b>		
Other income	59,905	52,957
Other expense	(9,053)	(11,201)
<b>Interest charges:</b>		
AFUDC	14,559	13,695
Interest expense	(356,638)	(343,795)
<b>Income (loss) before income taxes</b>	<b>227,729</b>	<b>265,686</b>
<b>Income tax (benefit) expense</b>	<b>17,062</b>	<b>30,086</b>
<b>Net income (loss)</b>	<b>\$ 210,667</b>	<b>\$ 235,600</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET EQUICO LLC**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**ASSETS**

	December 31,	
	2019	2018
Utility plant (at original cost, including construction work in progress of \$591,199 and \$550,466, respectively):		
Electric plant	\$ 8,811,889	\$ 8,515,482
Natural gas plant	3,916,040	3,598,732
Common plant	1,096,649	1,027,023
Less: Accumulated depreciation and amortization	(3,236,240)	(2,832,321)
Net utility plant	10,588,338	10,308,916
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	286,975	244,444
Total other property and investments	1,943,488	1,900,957
Current assets:		
Cash and cash equivalents	45,292	37,597
Restricted cash	20,887	18,041
Accounts receivable, net of allowance for doubtful accounts of \$8,294 and \$8,408, respectively	316,349	338,782
Unbilled revenue	224,657	205,285
Purchased gas adjustment receivable	—	9,921
Materials and supplies, at average cost	115,684	116,180
Fuel and natural gas inventory, at average cost	52,083	53,351
Unrealized gain on derivative instruments	23,626	46,507
Prepaid expense and other	27,504	25,674
Power contract acquisition adjustment gain	9,067	6,114
Total current assets	835,149	857,452
Other long-term and regulatory assets:		
Power cost adjustment mechanism	41,745	4,735
Purchased gas adjustment receivable	132,766	—
Regulatory assets related to power contracts	14,146	16,693
Other regulatory assets	673,021	773,552
Unrealized gain on derivative instruments	7,682	2,512
Power contract acquisition adjustment gain	147,530	156,597
Operating lease right-of-use asset	183,048	—
Other	92,980	77,523
Total other long-term and regulatory assets	1,292,918	1,031,612
Total assets	<u>\$ 14,659,893</u>	<u>\$ 14,098,937</u>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET EQUICO LLC**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**CAPITALIZATION AND LIABILITIES**

	December 31,	
	2019	2018
Capitalization:		
Members' equity:		
Membership interest, \$1 par value, 100 shares authorized and outstanding	\$ —	\$ —
Additional paid-in capital	3,397,331	3,397,331
Retained earnings	687,225	540,779
Accumulated other comprehensive income (loss), net of tax	(84,149)	(77,202)
Total members' equity	<u>4,000,407</u>	<u>3,860,908</u>
Long-term debt:		
First mortgage bonds and senior notes	4,212,000	3,764,412
Pollution control bonds	161,860	161,860
Long-term debt	1,758,100	1,961,900
Debt discount, issuance costs and other	(211,635)	(215,681)
Total long-term debt	<u>5,920,325</u>	<u>5,672,491</u>
Total capitalization	<u>9,920,732</u>	<u>9,533,399</u>
Current liabilities:		
Accounts payable	325,913	480,069
Short-term debt	176,000	379,297
Current maturities of long-term debt	452,412	—
Accrued expenses:		
Taxes	99,978	118,112
Salaries and wages	50,091	50,785
Interest	74,855	70,099
Unrealized loss on derivative instruments	13,428	46,661
Power contract acquisition adjustment loss	2,418	2,547
Operating lease liabilities	15,862	—
Other	107,809	79,312
Total current liabilities	<u>1,318,766</u>	<u>1,226,882</u>
Other Long-term and regulatory liabilities:		
Deferred income taxes	824,642	789,223
Unrealized loss on derivative instruments	12,693	11,095
Regulatory liabilities	730,879	747,203
Regulatory liability for deferred income taxes	946,179	975,974
Regulatory liabilities related to power contracts	156,597	162,711
Power contract acquisition adjustment loss	11,728	14,146
Operating lease liabilities	174,327	—
Other deferred credits	563,350	638,304
Total other long-term and regulatory liabilities	<u>3,420,395</u>	<u>3,338,656</u>
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	<u>\$ 14,659,893</u>	<u>\$ 14,098,937</u>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET INTERMEDIATE HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in Thousands)

	Year Ended December 31,	
	2019	2018
Operating revenue:		
Electric	\$ 2,497,041	\$ 2,455,919
Natural gas	875,371	850,748
Other	28,718	39,829
Total operating revenue	<u>3,401,130</u>	<u>3,346,496</u>
Operating expenses:		
Energy costs:		
Purchased electricity	652,560	638,775
Electric generation fuel	282,864	204,174
Residential exchange	(79,187)	(77,454)
Purchased natural gas	290,976	296,699
Unrealized (gain) loss on derivative instruments, net	3,574	(41,662)
Utility operations and maintenance	596,676	602,638
Non-utility expense and other	48,108	54,601
Depreciation and amortization	656,323	666,432
Conservation amortization	96,571	111,714
Taxes other than income taxes	333,858	336,603
Total operating expenses	<u>2,882,323</u>	<u>2,792,520</u>
Operating income (loss)	518,807	553,976
Other income (deductions):		
Other income	59,905	52,957
Other expense	(9,053)	(11,201)
Interest charges:		
AFUDC	14,559	13,695
Interest expense	(479,611)	(343,795)
Income (loss) before income taxes	<u>104,607</u>	<u>143,927</u>
Income tax (benefit) expense	(8,919)	4,184
Net income (loss)	<u>\$ 113,526</u>	<u>\$ 139,743</u>

*The accompanying notes are an integral part of the consolidated financial statements.*



**PUGET INTERMEDIATE HOLDINGS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**ASSETS**

	December 31,	
	2019	2018
Utility plant (at original cost, including construction work in progress of \$591,199 and \$550,466, respectively):		
Electric plant	\$ 8,811,889	\$ 8,515,482
Natural gas plant	3,916,040	3,598,732
Common plant	1,096,649	1,027,023
Less: Accumulated depreciation and amortization	(3,236,240)	(2,832,321)
Net utility plant	10,588,338	10,308,916
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	286,975	244,444
Total other property and investments	1,943,488	1,900,957
Current assets:		
Cash and cash equivalents	45,396	40,380
Restricted cash	20,887	18,041
Accounts receivable, net of allowance for doubtful accounts of \$8,294 and \$8,408, respectively	316,269	338,782
Unbilled revenue	224,657	205,285
Purchased gas adjustment receivable	—	9,921
Materials and supplies, at average cost	115,684	116,180
Fuel and natural gas inventory, at average cost	52,083	53,351
Unrealized gain on derivative instruments	23,626	46,507
Prepaid expense and other	27,504	25,674
Power contract acquisition adjustment gain	9,067	6,114
Total current assets	835,173	860,235
Other long-term and regulatory assets:		
Power cost adjustment mechanism	41,745	4,735
Purchased gas adjustment receivable	132,766	—
Regulatory assets related to power contracts	14,146	16,693
Other regulatory assets	673,021	773,552
Unrealized gain on derivative instruments	7,682	2,512
Power contract acquisition adjustment gain	147,530	156,597
Operating lease right-of-use assets	183,048	—
Other	92,980	77,523
Total other long-term and regulatory assets	1,292,918	1,031,612
Total assets	<u>\$ 14,659,917</u>	<u>\$ 14,101,720</u>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET INTERMEDIATE HOLDINGS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**CAPITALIZATION AND LIABILITIES**

	December 31,	
	2019	2018
Capitalization:		
Shareholder's equity:		
Common stock, \$0.01 par value, 1000 shares authorized and outstanding	\$ —	\$ —
Additional paid-in capital	2,175,442	2,175,442
Retained earnings	555,105	442,437
Accumulated other comprehensive income (loss), net of tax	(84,149)	(77,202)
Total shareholder's equity	<u>2,646,398</u>	<u>2,540,677</u>
Long-term debt:		
First mortgage bonds and senior notes	4,212,000	3,764,412
Pollution control bonds	161,860	161,860
Long-term debt	1,758,100	1,961,900
Puget Intermediate Holdings senior secured investors notes	1,712,195	1,665,222
Debt discount, issuance costs and other	(211,635)	(215,681)
Total long-term debt	<u>7,632,520</u>	<u>7,337,713</u>
Total capitalization	<u>10,278,918</u>	<u>9,878,390</u>
Current liabilities:		
Accounts payable	325,913	480,069
Short-term debt	176,000	379,297
Current maturities of long-term debt	452,412	—
Accrued expenses:		
Taxes	100,021	118,237
Salaries and wages	50,091	50,785
Interest	74,855	70,099
Unrealized loss on derivative instruments	13,428	46,661
Power contract acquisition adjustment loss	2,418	2,547
Operating lease liabilities	15,862	—
Other	107,809	79,312
Total current liabilities	<u>1,318,809</u>	<u>1,227,007</u>
Other Long-term and regulatory liabilities:		
Deferred income taxes	466,439	446,890
Unrealized loss on derivative instruments	12,693	11,095
Regulatory liabilities	730,879	747,203
Regulatory liability for deferred income taxes	946,179	975,974
Regulatory liabilities related to power contracts	156,597	162,711
Power contract acquisition adjustment loss	11,728	14,146
Operating lease liabilities	174,327	—
Other deferred credits	563,348	638,304
Total other long-term and regulatory liabilities	<u>3,062,190</u>	<u>2,996,323</u>
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	<u>\$ 14,659,917</u>	<u>\$ 14,101,720</u>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET HOLDINGS LLC**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in Thousands)

	Year Ended December 31,	
	2019	2018
<b>Operating revenue:</b>		
Electric	\$ 2,497,041	\$ 2,455,919
Natural gas	875,371	850,748
Other	28,718	39,829
<b>Total operating revenue</b>	<b>3,401,130</b>	<b>3,346,496</b>
<b>Operating expenses:</b>		
<b>Energy costs:</b>		
Purchased electricity	652,560	638,775
Electric generation fuel	282,864	204,174
Residential exchange	(79,187)	(77,454)
Purchased natural gas	290,976	296,699
Unrealized (gain) loss on derivative instruments, net	3,574	(41,662)
Utility operations and maintenance	596,676	602,638
Non-utility expense and other	50,045	55,738
Depreciation and amortization	656,323	666,432
Conservation amortization	96,571	111,714
Taxes other than income taxes	333,858	336,603
<b>Total operating expenses</b>	<b>2,884,260</b>	<b>2,793,657</b>
<b>Operating income (loss)</b>	<b>516,870</b>	<b>552,839</b>
<b>Other income (deductions):</b>		
Other income	59,905	52,957
Other expense	(9,053)	(11,201)
<b>Interest charges:</b>		
AFUDC	14,559	13,695
Interest expense - Investors	(122,973)	(121,705)
Interest expense	(356,638)	(343,795)
<b>Income (loss) before income taxes</b>	<b>102,670</b>	<b>142,790</b>
Income tax (benefit) expense	(9,329)	4,007
<b>Net income (loss)</b>	<b>\$ 111,999</b>	<b>\$ 138,783</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET HOLDINGS LLC**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**ASSETS**

	December 31,	
	2019	2018
Utility plant (at original cost, including construction work in progress of \$591,199 and \$550,466, respectively):		
Electric plant	\$ 8,811,889	\$ 8,515,482
Natural gas plant	3,916,040	3,598,732
Common plant	1,096,649	1,027,023
Less: Accumulated depreciation and amortization	(3,236,240)	(2,832,321)
Net utility plant	10,588,338	10,308,916
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	286,975	244,444
Total other property and investments	1,943,488	1,900,957
Current assets:		
Cash and cash equivalents	45,436	40,446
Restricted cash	20,887	18,041
Accounts receivable, net of allowance for doubtful accounts of \$8,294 and \$8,408, respectively	315,445	337,752
Unbilled revenue	224,657	205,285
Purchased gas adjustment receivable	—	9,921
Materials and supplies, at average cost	115,684	116,180
Fuel and natural gas inventory, at average cost	52,083	53,351
Unrealized gain on derivative instruments	23,626	46,507
Prepaid expense and other	27,504	25,674
Power contract acquisition adjustment gain	9,067	6,114
Total current assets	834,389	859,271
Other long-term and regulatory assets:		
Power cost adjustment mechanism	41,745	4,735
Purchased gas adjustment receivable	132,766	—
Regulatory assets related to power contracts	14,146	16,693
Other regulatory assets	673,021	773,552
Unrealized gain on derivative instruments	7,682	2,512
Power contract acquisition adjustment gain	147,530	156,597
Operating lease right-of-use assets	183,048	—
Other	92,980	77,523
Total other long-term and regulatory assets	1,292,918	1,031,612
Total assets	<u>\$ 14,659,133</u>	<u>\$ 14,100,756</u>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PUGET HOLDINGS LLC**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**CAPITALIZATION AND LIABILITIES**

	December 31,	
	2019	2018
Capitalization:		
Members' equity:		
Membership interest, no par value, 98,328 shares authorized and outstanding	\$ —	\$ —
Additional paid-in capital	2,200,062	2,200,062
Retained earnings	535,178	423,179
Accumulated other comprehensive income (loss), net of tax	(84,149)	(77,202)
Total members' equity	<u>2,651,091</u>	<u>2,546,039</u>
Long-term debt:		
First mortgage bonds and senior notes	4,212,000	3,764,412
Pollution control bonds	161,860	161,860
Long-term debt	1,758,100	1,961,900
Puget Intermediate Holdings senior secured investors notes	1,712,195	1,665,222
Debt discount, issuance costs and other	(211,635)	(215,681)
Total long-term debt	<u>7,632,520</u>	<u>7,337,713</u>
Total capitalization	<u>10,283,611</u>	<u>9,883,752</u>
Current liabilities:		
Accounts payable	325,558	480,012
Short-term debt	176,000	379,297
Current maturities of long-term debt	452,412	—
Accrued expenses:		
Taxes	101,275	118,234
Salaries and wages	50,091	50,785
Interest	74,855	70,099
Unrealized loss on derivative instruments	13,428	46,661
Power contract acquisition adjustment loss	2,418	2,547
Operating lease liabilities	15,862	—
Other	107,809	79,312
Total current liabilities	<u>1,319,708</u>	<u>1,226,947</u>
Other Long-term and regulatory liabilities:		
Deferred income taxes	460,063	440,623
Unrealized loss on derivative instruments	12,693	11,095
Regulatory liabilities	730,879	747,203
Regulatory liability for deferred income taxes	946,179	975,974
Regulatory liabilities related to power contracts	156,597	162,711
Power contract acquisition adjustment loss	11,728	14,146
Operating lease liabilities	174,327	—
Other deferred credits	563,348	638,305
Total other long-term and regulatory liabilities	<u>3,055,814</u>	<u>2,990,057</u>
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	<u>\$ 14,659,133</u>	<u>\$ 14,100,756</u>

*The accompanying notes are an integral part of the consolidated financial statements.*

PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT

EXHIBIT 4



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key words

Approvals

Stephen J King  
Controller & Principle Accounting Officer

/s/ Susan Free  
Manager Revenue Requirements

**BACKGROUND**

**MERGER ORDER U-072375**

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 Puget 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 minutes, audit reports, and information provided to credit rating agencies pertaining to PSE.

<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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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 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.





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(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 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



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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.

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.

**LIQUEFIED NATURAL GAS ORDER UG-151663**

On November 1, 2016, under UG-151663, the Commission approved a settlement agreement among parties to the proceeding that authorized the formation of a Puget Energy subsidiary, Puget LNG, LLC. Puget LNG is a special purpose limited liability company formed by Puget Energy solely for the purposes of owning, developing and financing the Tacoma LNG Facility with PSE. The Tacoma LNG Facility will provide LNG fuel to unregulated customers and will serve as a peaking resource for PSE's regulated core gas customers. The settlement agreement and order requires specific ring-fencing provisions that follow along the lines of the Merger Order requirements.



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The settlement agreement calls for specific agreed upon allocation factors. Specifically, paragraphs 25 and 26 of the settlement states:

25. *Each of the Settling Parties agree to the following capital cost allocators with respect to the Tacoma LNG Facility:*
- a. *Liquefaction Allocator. The liquefaction allocator allocates capital costs associated with liquefaction, which include the costs of facilities used to receive natural gas, treat the gas, cool the gas below its boiling point and deliver the gas to onsite storage.*
  - b. *Storage Allocator. The storage allocator allocates capital costs associated with storage, which include the costs of the site-erected full containment cryogenic storage tank as well as the costs of foundations and other supporting facilities.*
  - c. *Bunkering Allocator. The bunkering allocator allocates capital costs associated with bunkering, which include facilities used to move the LNG from the onsite storage tank to the marine loading facility, which will be located at TOTE's berthing location.*
  - d. *Truck Loading Allocator. The truck loading allocator allocates capital costs associated with truck loading, which include facilities used to move the LNG from the onsite storage tank to tanker trucks or ISO containers*
  - e. *Vaporization Allocator. The vaporization allocator allocates capital costs associated with vaporization, which include facilities used to vaporize the gas and inject it into PSE's distribution system.*
  - f. *Common Allocator. The common allocator allocates common project costs, which include facilities that cannot be allocated to any individual service (e.g., facility development, civil and site work, site utilities, etc.).*
26. *Each of the Settling Parties agree to the following Ownership Shares with respect to*



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*the following allocators:*

<i>Component Ownership Share</i>	<i>PSE</i>	<i>Puget LNG</i>
<i>Liquefaction</i>	<i>10%</i>	<i>90%</i>
<i>Storage</i>	<i>79%</i>	<i>21%</i>
<i>Bunkering</i>	<i>0%</i>	<i>100%</i>
<i>Truck Loading</i>	<i>5%</i>	<i>95%</i>
<i>Vaporization</i>	<i>100%</i>	<i>0%</i>

*The Ownership Shares for the common cost allocator shall equal the weighted costs of the liquefaction, storage, bunkering, truck loading, and vaporization allocation factors. Please see Attachment D to this Settlement Stipulation for the projected Ownership Shares of common items of the Tacoma LNG Facility.*

Attachment D to the LNG settlement which is copied below, provides the specific agreed upon allocations to be used for the Tacoma LNG Facility. Costs must be recorded and tracked in a manner consistent with the settlement agreement.



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**ATTACHMENT D  
Tacoma LNG Facility Ownership Shares**

Component Ownership Share	PSE	Puget LNG	Projected Capital Expenditures (No AFUDC)	Projected Capital Expenditures Allocated to PSE	Projected Capital Expenditures Allocated to Puget LNG
Liquefaction	10%	90%	\$88,546,234	\$8,854,623	\$79,691,611
Storage	79%	21%	\$96,237,245	\$76,027,424	\$20,209,821
Bunkering	0%	100%	\$29,671,922	\$0	\$29,671,922
Truck Loading	5%	95%	\$6,229,252	\$311,463	\$5,917,789
Vaporization	100%	0%	\$17,135,822	\$17,135,822	\$0
Common	43%	57%	\$72,884,330	\$31,340,262	\$41,544,068
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>\$310,704,805</b>	<b>\$133,669,593</b>	<b>\$177,035,212</b>

\* The common cost allocator for PSE shall equal the quotient of (i) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures Allocated to PSE," divided by (ii) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures (No AFUDC)."

\*\* The common cost allocator for Puget LNG shall equal the quotient of (i) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures Allocated to Puget LNG," divided by (ii) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures (No AFUDC)."

**GUIDELINES**

The guidelines that existed at the time Order No. 08 in WUTC Docket No. U-072375 and the LNG order were issued continue to be 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:



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*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 a 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 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 or its affiliated entities. The following guidelines are intended to establish procedures for allocating costs that are corporate in nature among and between PSE



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and its affiliates. Allocations will be based upon direct charging or upon an allocation using a causal or general relationship. Any related transactions will be charged on a monthly basis to the appropriate company.

When utility personnel provide service to a PSE affiliate or subsidiary, 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 the following items:

- Support departments including payroll, human resources, insurance, security, accounting, facilities and IT
- Facilities rent
- Furniture and office equipment

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