

Puget Sound Energy, Inc.

Affiliated Interest and Subsidiary Transaction Report For the 12 months ended December 31, 2021

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, 2021.
 - 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, 2021.
 - 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 Dec-31, 2021

The following represents all transactions and balances, except transactions provided at tariff rates, that occurred between PSE and its affiliated interests, and PSE and its subsidiaries.

	<u>Amount</u>
<u>Puget Holdings LLC</u>	
Accounts payable to PSE	\$ 771,732
Reimbursement of labor and other expenses to PSE	\$ 1,148,392
<u>Puget Intermediate Holdings, Inc.</u>	
Accounts payable to PSE	\$ 95,834
Reimbursement of labor and other expenses to PSE	\$ 677,660
<u>Puget Equico LLC</u>	
Accounts payable to PSE	\$ 4,228
Reimbursement of labor and other expenses to PSE	\$ 46,536
<u>Puget Energy, Inc.</u>	
Accounts payable to PSE	\$ 7,710
Reimbursement of labor and other expenses to PSE	\$ 1,462,509
Dividends from PSE	\$ 229,858,382
<u>Puget LNG LLC</u>	
Accounts receivable from PSE	\$ 3,631,425
Reimbursement of labor and other expenses to PSE	\$ 50,628
<u>Puget Western, Inc.</u>	
Accounts payable to PSE	\$ 24,802
Reimbursement of labor and other expenses to PSE	\$ 206,323

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 110th 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 110th 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 110th Avenue NE, Suite 1100, Bellevue, Washington 98004.

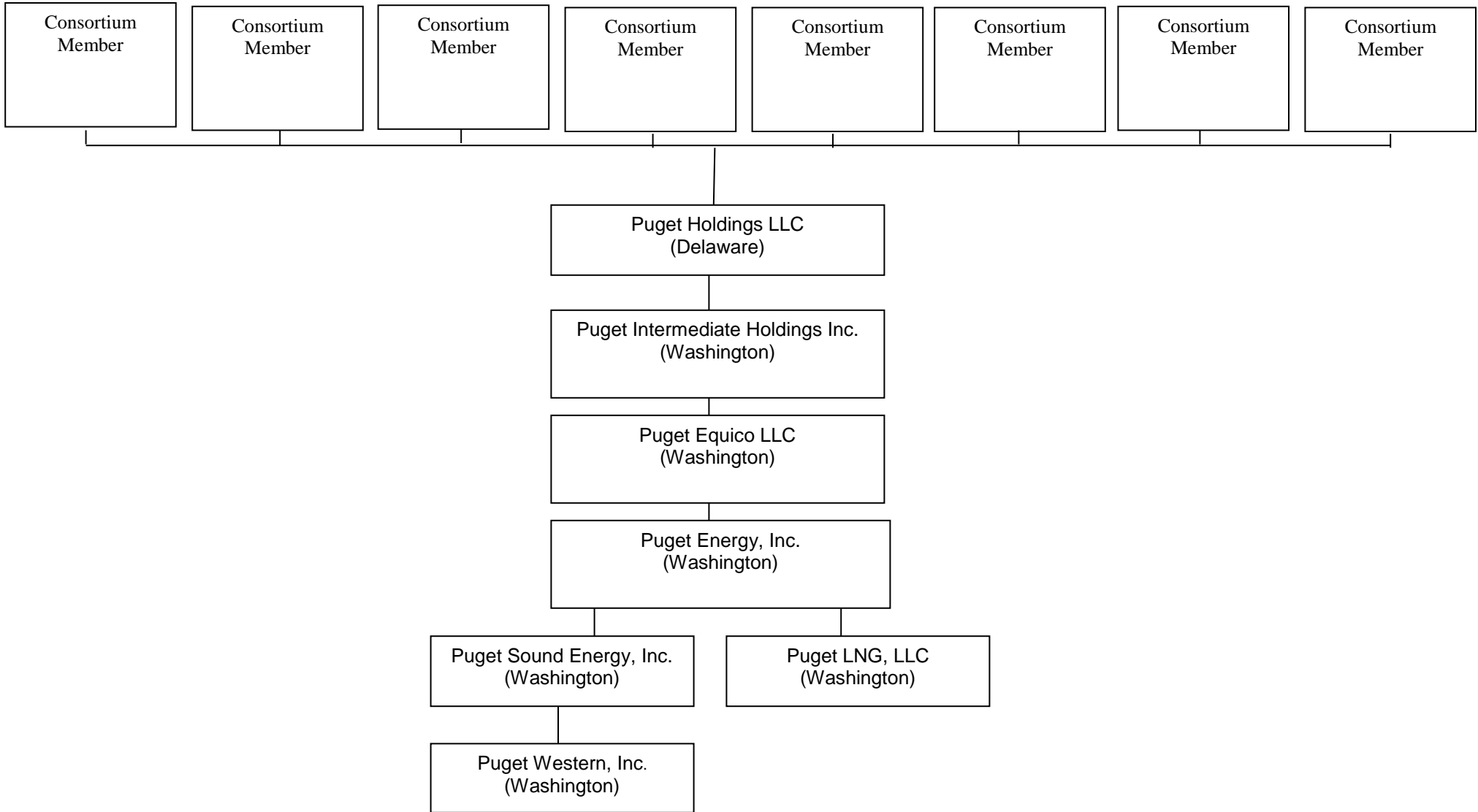
PUGET ENERGY, INC. (Puget Energy) is an energy services holding company incorporated in the State of Washington in 1999. All of its operations are conducted through its direct subsidiary PSE. Puget Energy has its principal executive office at 355 110th Avenue NE, Suite 1100, Bellevue, Washington 98004.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

Scott Armstrong, Chair
Richard Dinneny
Chris Hind
Grant Hodgkins
Tom King
Mary Kipp
Jean-Paul Marmoreo
Paul McMillan
Martijn Verwoest
Steven Zucchet

Officers

Mary E. Kipp, President and Chief Executive Officer
Kazi Hasan, Senior Vice President and Chief Financial Officer
Steve R. Secrist, Senior Vice President and General Counsel
Steve King, Controller and Principal Accounting Officer
Cara Peterman, Treasurer
Samuel S. Osborne, Assistant Secretary

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

Directors

Scott Armstrong, Chair
Richard Dinneny
Grant Hodgkins
Chris Hind
Tom King
Mary Kipp
Jean-Paul Marmoreo
Paul McMillan
Martijn Verwoest
Steven Zucchet

Officers

Mary E. Kipp, President and Chief Executive Officer
Kazi Hasan, Senior Vice President and Chief Financial Officer
Steve R. Secrist, Senior Vice President and General Counsel
Steve King, Controller and Principal Accounting Officer
Cara Peterman, Treasurer
Samuel S. Osborne, Assistant Secretary

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

Directors

Scott Armstrong, Chair
Richard Dinneny
Grant Hodgkins
Chris Hind
Tom King
Mary Kipp
Jean-Paul Marmoreo
Paul McMillan
Martijn Verwoest
Steven Zucchet

Officers

Mary E. Kipp, President and Chief Executive Officer
Kazi Hasan, Senior Vice President and Chief Financial Officer
Steve R. Secrist, Senior Vice President and General Counsel
Steve King, Controller and Principal Accounting Officer
Cara Peterman, Treasurer
Samuel S. Osborne, Assistant Secretary

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

Directors

Scott Armstrong, Chair
Richard Dinneny
Grant Hodgkins
Chris Hind
Tom King
Mary Kipp
Jean-Paul Marmoreo
Paul McMillan
Martijn Verwoest
Steven Zucchet

Officers

Mary E. Kipp, President and Chief Executive Officer
Kazi Hasan, 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
Cara Peterman, Treasurer
Samuel S. Osborne, Assistant Secretary

SUBSIDIARY OF PUGET ENERGY, INC.

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

Directors

Scott Armstrong, Chair
Richard Dinneny
Barbara Gordon
Chris Hind
Grant Hodgkins
Tom King
Mary Kipp
Jean-Paul Marmoreo
Paul McMillan
Martijn Verwoest
Steven Zucchet

Officers

Mary E. Kipp, President and Chief Executive Officer
Kimberly Collier, Vice President Human Resources
Kazi Hasan, Senior Vice President and Chief Financial Officer
Margaret Hopkins, Vice President and Chief Information Officer
Ken Johnson, Vice President, Regulatory and Government Affairs
Josh Jacobs, Vice President Clean Energy Strategy
Dan Koch, Vice President Operations
Adrian Rodriguez, Senior Vice President Regulatory and Strategy
Ron Roberts, Vice President Energy Supply
Steve R. Secrist, Senior Vice President, General Counsel and CE&CO
Andrew W. Wappler, Senior Vice President and Chief Customer Officer
Steve King, Controller and Principal Accounting Officer
Cara Peterman, Treasurer
Samuel S. Osborne, Assistant Secretary

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

Directors

Kazi Hasan, Chair
Blake Littauer
John Hatley
Dennis McLerran
Ron Roberts

Officers

Blake Littauer, President
Samuel Osborne, Vice President and Secretary
Cara Peterman, Treasurer

SUBSIDIARY OF PUGET SOUND ENERGY, INC.

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

Directors

Samuel Osborne, Chair
Stephen King
Matt Marcellia

Officers

Joel Molander, President

Samuel Osborne, Secretary

Puget Sound Energy Foundation (formed 5/12/2006) Non-Profit Corporation, TIN# 20-4863534

Directors

Andrew W. Wappler, Chair
Kendall J. Cammermeyer
Margaret F. Hopkins
Cara Peterman
Kimberly Collier
Tom Hunt

Officers

Andrew W. Wappler, President
Kimberly Collier, Vice President
Margaret F. Hopkins, Secretary
Cara Peterman, Treasurer

PUGET SOUND ENERGY
AFFILIATED INTEREST AND SUBSIDIARY
TRANSACTIONS REPORT

EXHIBIT 3

Puget Western Inc
Comparative Statement of Income
For The YTD Ending 12/31/2021

	<u>Jan - Dec 21</u>	<u>Budget</u>	<u>\$ Over Budget</u>
Income			
3090 · Interest Income	3.37	7.59	(4.22)
3050 · Sales Revenue	23,216,180.00		
Total Income	23,216,183.37	7.59	23,216,175.78
Expense			
4000 · Cost Of Sale	10,955,439.31		
4005 · Direct Selling Exp	1,981,648.79		
5065 · Consulting Fees	1,300.00		1,300.00
5070 · Legal Fees			
5075 · Accounting Fees	28,720.00	23,400.00	5,320.00
6060 · Property Taxes	386,542.52	261,085.84	125,456.68
6091 · Bank Service Charges	4,311.79	1,734.80	2,576.99
7060 · General & Admin. Expense	219,214.71	187,925.85	31,288.86
Operating Expense			
5012 · Travel Expense	974.40		974.40
5018 · PSE Strander Lease Expense	50,640.00	50,640.00	
5020 · Office Supplies & Equipment			
5026 · Utilities	98,251.52	1,931.88	96,319.64
5030 · Postage	95.96	55.00	40.96
5040 · Donations	2,000.00	2,000.00	
6075 · Insurance Expense	23,836.62	13,765.44	10,071.18
6080 · Licenses	126.00	124.00	2.00
Total Operating Expense	175,924.50	68,516.32	107,408.18
9990 · Current F.I.T. Expense	2,239,319.30	(369,838.91)	2,609,158.21
Total Expense	15,992,420.92	172,823.90	15,819,597.02
Net Income	<u><u>7,223,762.45</u></u>	<u><u>(172,816.31)</u></u>	<u><u>7,396,578.76</u></u>

Puget Western Inc
Balance Sheet
As of December 31, 2021

Dec 31, 21

ASSETS

Current Assets

Checking/Savings

1070 · Cash In Bank - Reserve 927,476.00

1020 · Cash - Money Market 65,008.11

1050 · Cash In Bank 17,289,057.98

Total Checking/Savings 18,281,542.09

Other Current Assets

1250 · Prepaid Insurance -4,864.60

1270 · Prepaid Property Tax -136,834.44

Total Other Current Assets -141,699.04

Total Current Assets 18,139,843.05

Other Assets

Land Held for Sale/Development

1700 · Commerical Land 13,180,682.88

1910 · Project Development 4,571,273.56

Total Land Held for Sale/Development 17,751,956.44

Total Other Assets 17,751,956.44

TOTAL ASSETS 35,891,799.49

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

2010 · ULID North Bend Accrual 27,871.78

2017 · Accounts Payable Accrual 17,498.95

2150 · Interest Payable 126,709.40

Total Other Current Liabilities 172,080.13

Total Current Liabilities 172,080.13

Long Term Liabilities

2230 · Current FIT Payable to Parent -1,911,391.87

2240 · Property Tax Payable -356,092.07

2400 · Current Maturities of LT Debt -182,647.76

2700 · Deferred FIT -141,974.00

Total Long Term Liabilities -2,592,105.70

Total Liabilities -2,420,025.57

Equity

2900 · Common Stock 10,200.00

2910 · Additional Paid in Capital 51,837,244.08

2950 · Retained Earnings -20,759,381.53

Net Income 7,223,762.51

Total Equity 38,311,825.06

TOTAL LIABILITIES & EQUITY 35,891,799.49

PUGET LNG, LLC
GAAP BASIS INCOME STATEMENT
TWELVE MONTHS ENDED DECEMBER 31, 2021
(Dollars in Thousands)

	(A)	(B)
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
1 Operating Revenues:		
2 Liquid Natural Gas	-	-
3 Other	-	-
4 Total Operating Revenue	<u>-</u>	<u>-</u>
5		
6 Operating Expenses:		
7 Liquid Natural Gas	-	-
8 Operations and Maintenance	1,349	634
9 Depreciation and Amortization	411	209
10 Taxes Other than Income Taxes	-	-
11 Total Operating Expenses	<u>1,760</u>	<u>843</u>
12		
13 Operating Income	(1,760)	(843)
14 Other Income (Deductions):		
15 Other Income	499	900
16 Other Expense	-	-
17 Interest Charges:		
18 Interest Expense	(88)	(94)
19 Income Before Income Taxes	<u>(1,349)</u>	<u>(37)</u>
20 Income Tax Expense (Benefit)	(285)	(8)
21 Net Income	<u>\$ (1,064)</u>	<u>\$ (29)</u>

PUGET LNG, LLC.
BALANCE SHEET
(Dollars in Thousands)

	(A)	(B)
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
ASSETS:		
Nonutility Plant:		
1 Other Property and Investments:		
2 Plant in Service Non-Utility	\$ 753	\$ -
3 Construction Work in Progress	244,682	231,565
4 Capitalized Interest	-	-
5 Plant, Property and Equipment	2,989	6,983
6 Accumulated Depreciation	(132)	-
7 Total Other Property and Investments	<u>248,292</u>	<u>238,548</u>
8 Current Assets:		
9 Cash	517	340
10 Accounts Receivable	7,193	3
11 Total Current Assets	<u>7,710</u>	<u>343</u>
12 Long-Term Assets:		
13 Deferred Income Taxes	1,409	1,465
14 Total Long-Term Assets	<u>1,409</u>	<u>1,465</u>
15 TOTAL ASSETS	<u>\$ 257,411</u>	<u>\$ 240,356</u>
16		
17 CAPITALIZATION AND LIABILITIES:		
18 Capitalization:		
19 Common Equity	\$ 17,030	\$ 18,094
20 Total Capitalization	<u>17,030</u>	<u>18,094</u>
21 Current Liabilities:		
22 Accounts Payable	3,560	3,368
23 Short-Term Debt Owed to Puget Energy	232,752	210,970
24 Accrued expenses:	-	-
25 Taxes	-	161
26 Salaries and Wages	-	-
27 Interest	366	345
28 Other	-	-
29 Total Current Liabilities	<u>236,678</u>	<u>214,844</u>
30 Long-Term Liabilities:		
31 Deferred Income Taxes	-	-
32 Other Deferred Credits	3,703	7,418
33 Total Long-Term Liabilities	<u>3,703</u>	<u>7,418</u>
34 TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 257,411</u>	<u>\$ 240,356</u>

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

	Year Ended December 31,		
	2021	2020	2019
Operating revenue:			
Electric	\$ 2,671,623	\$ 2,319,416	\$ 2,497,041
Natural gas	1,067,418	980,913	875,371
Other	66,620	26,121	28,718
Total operating revenue	3,805,661	3,326,450	3,401,130
Operating expenses:			
Energy costs:			
Purchased electricity	784,565	593,719	652,560
Electric generation fuel	282,254	199,107	282,864
Residential exchange	(82,225)	(80,294)	(79,187)
Purchased natural gas	398,553	362,872	290,976
Unrealized (gain) loss on derivative instruments, net	(13,785)	26,807	3,574
Utility operations and maintenance	629,864	597,048	596,676
Non-utility expense and other	58,281	43,425	47,907
Depreciation and amortization	704,783	647,755	656,323
Conservation amortization	103,147	99,585	96,571
Taxes other than income taxes	362,527	328,602	333,858
Total operating expenses	3,227,964	2,818,626	2,882,122
Operating income (loss)	577,697	507,824	519,008
Other income (deductions):			
Other income	57,483	58,759	59,905
Other expense	(14,467)	(23,207)	(9,053)
Interest charges:			
AFUDC	16,743	14,827	14,559
Interest expense	(352,092)	(373,822)	(356,638)
Income (loss) before income taxes	285,364	184,381	227,781
Income tax (benefit) expense	24,515	1,664	17,073
Net income (loss)	\$ 260,849	\$ 182,717	\$ 210,708

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

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

ASSETS

	December 31,	
	2021	2020
Utility plant (at original cost, including construction work in progress of \$870,204 and \$712,204, respectively):		
Electric plant	\$ 9,729,643	\$ 9,200,231
Natural gas plant	4,498,198	4,227,532
Common plant	1,155,567	1,116,524
Less: Accumulated depreciation and amortization	(4,031,458)	(3,671,094)
Net utility plant	11,351,950	10,873,193
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	324,897	324,184
Total other property and investments	1,981,410	1,980,697
Current assets:		
Cash and cash equivalents	56,946	52,307
Restricted cash	46,204	29,544
Accounts receivable, net of allowance for doubtful accounts of \$34,958 and \$20,080, respectively	398,895	352,132
Unbilled revenue	271,606	221,871
Materials and supplies, at average cost	113,287	118,333
Fuel and natural gas inventory, at average cost	59,393	48,795
Unrealized gain on derivative instruments	128,210	33,015
Prepaid expenses and other	46,293	45,746
Power contract acquisition adjustment gain	17,274	14,874
Total current assets	1,138,108	916,617
Other long-term and regulatory assets:		
Power cost adjustment mechanism	79,546	82,801
Purchased gas adjustment receivable	57,935	87,655
Regulatory assets related to power contracts	9,689	11,728
Other regulatory assets	815,058	747,651
Unrealized gain on derivative instruments	26,197	8,805
Power contract acquisition adjustment gain	63,660	80,900
Operating lease right-of-use asset	184,957	172,167
Other	163,374	80,751
Total other long-term and regulatory assets	1,400,416	1,272,458
Total assets	\$ 15,871,884	\$ 15,042,965

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,	
	2021	2020
Capitalization:		
Common shareholder's equity:		
Common stock \$0.01 par value, 1,000 shares authorized, 200 shares outstanding	\$ —	\$ —
Additional paid-in capital	3,523,532	3,313,532
Retained earnings	1,067,216	912,787
Accumulated other comprehensive income (loss), net of tax	(27,432)	(86,437)
Total common shareholder's equity	4,563,316	4,139,882
Long-term debt:		
First mortgage bonds and senior notes	4,662,000	4,212,000
Pollution control bonds	161,860	161,860
Long-term debt	1,583,300	1,724,700
Debt discount, issuance costs and other	(203,394)	(206,120)
Total long-term debt	6,203,766	5,892,440
Total capitalization	10,767,082	10,032,322
Current liabilities:		
Accounts payable	444,384	342,404
Short-term debt	140,000	373,800
Current maturities of long-term debt	450,000	526,412
Accrued expenses:		
Taxes	127,398	110,752
Salaries and wages	47,936	42,530
Interest	67,807	73,647
Unrealized loss on derivative instruments	63,309	31,441
Power contract acquisition adjustment loss	1,785	2,039
Operating lease liabilities	20,398	19,204
Other	62,406	73,385
Total current liabilities	1,425,423	1,595,614
Other Long-term and regulatory liabilities:		
Deferred income taxes	912,484	810,729
Unrealized loss on derivative instruments	40,965	29,833
Regulatory liabilities	844,184	732,498
Regulatory liability for deferred income taxes	865,976	953,274
Regulatory liabilities related to power contracts	80,934	95,774
Power contract acquisition adjustment loss	7,904	9,689
Operating lease liabilities	172,510	160,980
Finance lease liabilities	105,303	320
Other deferred credits	649,119	621,932
Total long-term and regulatory liabilities	3,679,379	3,415,029
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	\$ 15,871,884	\$ 15,042,965

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,		
	2021	2020	2019
Operating revenue:			
Electric	\$ 2,671,623	\$ 2,319,416	\$ 2,497,041
Natural gas	1,067,418	980,913	875,371
Other	66,620	26,121	28,718
Total operating revenue	3,805,661	3,326,450	3,401,130
Operating expenses:			
Energy costs:			
Purchased electricity	784,565	593,719	652,560
Electric generation fuel	282,254	199,107	282,864
Residential exchange	(82,225)	(80,294)	(79,187)
Purchased natural gas	398,553	362,872	290,976
Unrealized (gain) loss on derivative instruments, net	(13,785)	26,807	3,574
Utility operations and maintenance	629,864	597,048	596,676
Non-utility expense and other	56,242	42,266	44,403
Depreciation and amortization	704,372	647,546	656,220
Conservation amortization	103,147	99,585	96,571
Taxes other than income taxes	362,527	328,602	333,858
Total operating expenses	3,225,514	2,817,258	2,878,515
Operating income (loss)	580,147	509,192	522,615
Other income (deductions):			
Other income	46,523	46,923	47,766
Other expense	(14,467)	(23,207)	(9,053)
Interest charges:			
AFUDC	16,743	14,827	14,559
Interest expense	(248,624)	(247,213)	(243,815)
Income (loss) before income taxes	380,322	300,522	332,072
Income tax (benefit) expense	44,259	26,242	39,148
Net income (loss)	\$ 336,063	\$ 274,280	\$ 292,924

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,	
	2021	2020
Utility plant (at original cost, including construction work in progress of \$870,204 and \$712,204, respectively):		
Electric plant	\$ 11,535,976	\$ 11,035,402
Natural gas plant	5,054,622	4,786,419
Common plant	1,177,598	1,139,120
Less: Accumulated depreciation and amortization	(6,416,246)	(6,087,748)
Net utility plant	11,351,950	10,873,193
Other property and investments:		
Other property and investments	74,602	83,855
Total other property and investments	74,602	83,855
Current assets:		
Cash and cash equivalents	50,043	51,177
Restricted cash	46,204	29,544
Accounts receivable, net of allowance for doubtful accounts of \$34,958 and \$20,080, respectively	402,602	355,850
Unbilled revenue	271,606	221,871
Materials and supplies, at average cost	113,287	118,333
Fuel and natural gas inventory, at average cost	58,129	47,531
Unrealized gain on derivative instruments	128,210	33,015
Prepaid expenses and other	46,293	45,746
Total current assets	1,116,374	903,067
Other long-term and regulatory assets:		
Power cost adjustment mechanism	79,546	82,801
Purchased gas adjustment receivable	57,935	87,655
Other regulatory assets	815,058	747,651
Unrealized gain on derivative instruments	26,197	8,805
Operating lease right-of-use asset	184,957	172,167
Other	162,391	79,231
Total other long-term and regulatory assets	1,326,084	1,178,310
Total assets	\$ 13,869,010	\$ 13,038,425

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,	
	2021	2020
Capitalization:		
Common shareholder's equity:		
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	3,485,105
Retained earnings	982,607	876,401
Accumulated other comprehensive income (loss), net of tax	(113,141)	(180,956)
Total common shareholder's equity	4,355,430	4,181,409
Long-term debt:		
First mortgage bonds and senior notes	4,662,000	4,212,000
Pollution control bonds	161,860	161,860
Debt discount, issuance costs and other	(39,141)	(35,816)
Total long-term debt	4,784,719	4,338,044
Total capitalization	9,140,149	8,519,453
Current liabilities:		
Accounts payable	451,716	342,504
Short-term debt	140,000	373,800
Current maturities of long-term debt	—	2,412
Accrued expenses:		
Taxes	133,406	107,254
Salaries and wages	47,936	42,530
Interest	51,832	48,189
Unrealized loss on derivative instruments	63,309	31,441
Operating lease liabilities	20,398	19,204
Other	62,406	73,385
Total current liabilities	971,003	1,040,719
Other long-term and regulatory liabilities:		
Deferred income taxes	1,084,203	987,382
Unrealized loss on derivative instruments	40,965	29,833
Regulatory liabilities	842,920	731,234
Regulatory liability for deferred income taxes	866,541	953,987
Operating lease liabilities	172,510	160,980
Finance lease liabilities	105,303	320
Other deferred credits	645,416	614,517
Total long-term and regulatory liabilities	3,757,858	3,478,253
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	\$ 13,869,010	\$ 13,038,425

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,	
	2021	2020
Operating revenue:		
Electric	\$ 2,671,623	\$ 2,319,416
Natural gas	1,067,418	980,913
Other	66,620	26,121
Total operating revenue	3,805,661	3,326,450
Operating expenses:		
Energy costs:		
Purchased electricity	784,565	593,719
Electric generation fuel	282,254	199,107
Residential exchange	(82,225)	(80,294)
Purchased natural gas	398,553	362,872
Unrealized (gain) loss on derivative instruments, net	(13,785)	26,807
Utility operations and maintenance	629,864	597,048
Non-utility expense and other	58,332	43,477
Depreciation and amortization	704,783	647,755
Conservation amortization	103,147	99,585
Taxes other than income taxes	362,527	328,602
Total operating expenses	3,228,015	2,818,678
Operating income (loss)	577,646	507,772
Other income (deductions):		
Other income	57,483	58,759
Other expense	(14,467)	(23,207)
Interest charges:		
AFUDC	16,743	14,827
Interest expense	(352,092)	(373,822)
Income (loss) before income taxes	285,313	184,329
Income tax (benefit) expense	24,504	1,653
Net income (loss)	\$ 260,809	\$ 182,676

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

PUGET EQUICO LLC
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

ASSETS

	December 31,	
	2021	2020
Utility plant (at original cost, including construction work in progress of \$870,204 and \$712,204, respectively):		
Electric plant	\$ 9,729,643	\$ 9,200,231
Natural gas plant	4,498,198	4,227,532
Common plant	1,155,567	1,116,524
Less: Accumulated depreciation and amortization	(4,031,458)	(3,671,094)
Net utility plant	11,351,950	10,873,193
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	324,897	324,184
Total other property and investments	1,981,410	1,980,697
Current assets:		
Cash and cash equivalents	56,957	52,322
Restricted cash	46,204	29,544
Accounts receivable, net of allowance for doubtful accounts of \$34,958 and \$20,080, respectively	398,891	352,130
Unbilled revenue	271,606	221,871
Materials and supplies, at average cost	113,287	118,333
Fuel and natural gas inventory, at average cost	59,393	48,795
Unrealized gain on derivative instruments	128,210	33,015
Prepaid expense and other	46,293	45,746
Power contract acquisition adjustment gain	17,274	14,874
Total current assets	1,138,115	916,630
Other long-term and regulatory assets:		
Power cost adjustment mechanism	79,546	82,801
Purchased gas adjustment receivable	57,935	87,655
Regulatory assets related to power contracts	9,689	11,728
Other regulatory assets	815,058	747,651
Unrealized gain on derivative instruments	26,197	8,805
Power contract acquisition adjustment gain	63,660	80,900
Operating lease right-of-use asset	184,957	172,167
Other	163,374	80,751
Total other long-term and regulatory assets	1,400,416	1,272,458
Total assets	\$ 15,871,891	\$ 15,042,978

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,	
	2021	2020
Capitalization:		
Members' equity:		
Membership interest, \$1 par value, 100 shares authorized and outstanding	\$ —	\$ —
Additional paid-in capital	3,611,907	3,401,907
Retained earnings	978,931	824,511
Accumulated other comprehensive income (loss), net of tax	(27,432)	(86,437)
Total members' equity	<u>4,563,406</u>	<u>4,139,981</u>
Long-term debt:		
First mortgage bonds and senior notes	4,662,000	4,212,000
Pollution control bonds	161,860	161,860
Long-term debt	1,583,300	1,724,700
Debt discount, issuance costs and other	(203,394)	(206,120)
Total long-term debt	<u>6,203,766</u>	<u>5,892,440</u>
Total capitalization	<u>10,767,172</u>	<u>10,032,421</u>
Current liabilities:		
Accounts payable	444,384	342,404
Short-term debt	140,000	373,800
Current maturities of long-term debt	450,000	526,412
Accrued expenses:		
Taxes	127,398	110,752
Salaries and wages	47,936	42,530
Interest	67,807	73,647
Unrealized loss on derivative instruments	63,309	31,441
Power contract acquisition adjustment loss	1,785	2,039
Operating lease liabilities	20,398	19,204
Other	62,406	73,385
Total current liabilities	<u>1,425,423</u>	<u>1,595,614</u>
Other Long-term and regulatory liabilities:		
Deferred income taxes	912,399	810,643
Unrealized loss on derivative instruments	40,965	29,833
Regulatory liabilities	844,184	732,498
Regulatory liability for deferred income taxes	865,976	953,274
Regulatory liabilities related to power contracts	80,934	95,774
Power contract acquisition adjustment loss	7,904	9,689
Operating lease liabilities	172,510	160,980
Finance lease liabilities	105,303	320
Other deferred credits	649,121	621,932
Total other long-term and regulatory liabilities	<u>3,679,296</u>	<u>3,414,943</u>
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	<u>\$ 15,871,891</u>	<u>\$ 15,042,978</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,	
	2021	2020
Operating revenue:		
Electric	\$ 2,671,623	\$ 2,319,416
Natural gas	1,067,418	980,913
Other	66,620	26,121
Total operating revenue	3,805,661	3,326,450
Operating expenses:		
Energy costs:		
Purchased electricity	784,565	593,719
Electric generation fuel	282,254	199,107
Residential exchange	(82,225)	(80,294)
Purchased natural gas	398,553	362,872
Unrealized (gain) loss on derivative instruments, net	(13,785)	26,807
Utility operations and maintenance	629,864	597,048
Non-utility expense and other	58,724	43,742
Depreciation and amortization	704,783	647,755
Conservation amortization	103,147	99,585
Taxes other than income taxes	362,527	328,602
Total operating expenses	3,228,407	2,818,943
Operating income (loss)	577,254	507,507
Other income (deductions):		
Other income	57,483	58,759
Other expense	(14,467)	(23,207)
Interest charges:		
AFUDC	16,743	14,827
Interest expense	(441,424)	(464,292)
Income (loss) before income taxes	195,589	93,594
Income tax (benefit) expense	5,410	(17,404)
Net income (loss)	\$ 190,179	\$ 110,998

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,	
	2021	2020
Utility plant (at original cost, including construction work in progress of \$870,204 and \$712,204, respectively):		
Electric plant	\$ 9,729,643	\$ 9,200,231
Natural gas plant	4,498,198	4,227,532
Common plant	1,155,567	1,116,524
Less: Accumulated depreciation and amortization	(4,031,458)	(3,671,094)
Net utility plant	11,351,950	10,873,193
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	324,896	324,184
Total other property and investments	1,981,409	1,980,697
Current assets:		
Cash and cash equivalents	62,845	52,709
Restricted cash	46,204	29,544
Accounts receivable, net of allowance for doubtful accounts of \$34,958 and \$20,080, respectively	398,795	352,142
Unbilled revenue	271,606	221,871
Materials and supplies, at average cost	113,287	118,333
Fuel and natural gas inventory, at average cost	59,393	48,795
Unrealized gain on derivative instruments	128,210	33,015
Prepaid expense and other	46,293	45,746
Power contract acquisition adjustment gain	17,274	14,874
Total current assets	1,143,907	917,029
Other long-term and regulatory assets:		
Power cost adjustment mechanism	79,546	82,801
Purchased gas adjustment receivable	57,935	87,655
Regulatory assets related to power contracts	9,689	11,728
Other regulatory assets	815,058	747,651
Unrealized gain on derivative instruments	26,197	8,805
Power contract acquisition adjustment gain	63,660	80,900
Operating lease right-of-use asset	184,957	172,167
Other	163,374	80,751
Total other long-term and regulatory assets	1,400,416	1,272,458
Total assets	<u>\$15,877,682</u>	<u>\$15,043,377</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,	
	2021	2020
Capitalization:		
Shareholder's equity:		
Common stock, \$0.01 par value, 1000 shares authorized and outstanding	\$ —	\$ —
Additional paid-in capital	2,433,543	2,175,717
Retained earnings	854,863	665,580
Accumulated other comprehensive income (loss), net of tax	(27,432)	(86,437)
Total shareholder's equity	3,260,974	2,754,860
Long-term debt:		
First mortgage bonds and senior notes	4,662,000	4,212,000
Pollution control bonds	161,860	161,860
Long-term debt	1,583,300	1,724,700
Puget Intermediate Holdings senior secured investors notes	1,500,000	1,757,826
Other Long-term debt	179,000	—
Debt discount, issuance costs and other	(204,112)	(206,120)
Total long-term debt	7,882,048	7,650,266
Total capitalization	11,143,022	10,405,126
Current liabilities:		
Accounts payable	444,384	342,404
Short-term debt	140,000	373,800
Current maturities of long-term debt	450,000	526,412
Accrued expenses:		
Taxes	121,629	109,127
Salaries and wages	47,936	42,530
Interest	67,840	73,647
Unrealized loss on derivative instruments	63,309	31,441
Power contract acquisition adjustment loss	1,785	2,039
Operating lease liabilities	20,398	19,204
Other	62,406	73,385
Total current liabilities	1,419,687	1,593,989
Other Long-term and regulatory liabilities:		
Deferred income taxes	548,076	439,961
Unrealized loss on derivative instruments	40,965	29,833
Regulatory liabilities	844,184	732,498
Regulatory liability for deferred income taxes	865,976	953,274
Regulatory liabilities related to power contracts	80,934	95,774
Power contract acquisition adjustment loss	7,904	9,689
Operating lease liabilities	172,510	160,980
Finance lease liabilities	105,303	320
Other deferred credits	649,121	621,933
Total other long-term and regulatory liabilities	3,314,973	3,044,262
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	\$ 15,877,682	\$ 15,043,377

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,	
	2021	2020
Operating revenue:		
Electric	\$ 2,671,623	\$ 2,319,416
Natural gas	1,067,418	980,913
Other	66,620	26,121
Total operating revenue	3,805,661	3,326,450
Operating expenses:		
Energy costs:		
Purchased electricity	784,565	593,719
Electric generation fuel	282,254	199,107
Residential exchange	(82,225)	(80,294)
Purchased natural gas	398,553	362,872
Unrealized (gain) loss on derivative instruments, net	(13,785)	26,807
Utility operations and maintenance	629,864	597,048
Non-utility expense and other	60,539	44,953
Depreciation and amortization	704,783	647,755
Conservation amortization	103,147	99,585
Taxes other than income taxes	362,527	328,602
Total operating expenses	3,230,222	2,820,154
Operating income (loss)	575,439	506,296
Other income (deductions):		
Other income	57,482	58,759
Other expense	(14,467)	(23,210)
Interest charges:		
AFUDC	16,743	14,827
Interest expense	(441,424)	(464,292)
Income (loss) before income taxes	193,773	92,380
Income tax (benefit) expense	10,727	6,056
Net income (loss)	\$ 183,046	\$ 86,324

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

PUGET HOLDINGS LLC
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

ASSETS

	December 31,	
	2021	2020
Utility plant (at original cost, including construction work in progress of \$870,204 and \$712,204, respectively):		
Electric plant	\$ 9,729,643	\$ 9,200,231
Natural gas plant	4,498,198	4,227,532
Common plant	1,155,567	1,116,524
Less: Accumulated depreciation and amortization	(4,031,458)	(3,671,094)
Net utility plant	<u>11,351,950</u>	<u>10,873,193</u>
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	324,896	324,184
Total other property and investments	<u>1,981,409</u>	<u>1,980,697</u>
Current assets:		
Cash and cash equivalents	63,969	52,849
Restricted cash	46,204	29,544
Accounts receivable, net of allowance for doubtful accounts of \$34,958 and \$20,080, respectively	398,023	351,593
Unbilled revenue	271,606	221,871
Materials and supplies, at average cost	113,287	118,333
Fuel and natural gas inventory, at average cost	59,393	48,795
Unrealized gain on derivative instruments	128,210	33,015
Prepaid expense and other	46,293	45,746
Power contract acquisition adjustment gain	17,274	14,874
Total current assets	<u>1,144,259</u>	<u>916,620</u>
Other long-term and regulatory assets:		
Power cost adjustment mechanism	79,546	82,801
Purchased gas adjustment receivable	57,935	87,655
Regulatory assets related to power contracts	9,689	11,728
Other regulatory assets	815,058	747,651
Unrealized gain on derivative instruments	26,197	8,805
Power contract acquisition adjustment gain	63,660	80,900
Operating lease right-of-use asset	184,957	172,167
Other	163,374	80,751
Total other long-term and regulatory assets	<u>1,400,416</u>	<u>1,272,458</u>
Total assets	<u>\$ 15,878,034</u>	<u>\$ 15,042,968</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,	
	2021	2020
Capitalization:		
Members' equity:		
Membership interest, no par value, 98,328 shares authorized and outstanding	\$ —	\$ —
Additional paid-in capital	2,457,888	2,200,062
Retained earnings	804,548	621,502
Accumulated other comprehensive income (loss), net of tax	(27,432)	(86,437)
Total members' equity	<u>3,235,004</u>	<u>2,735,127</u>
Long-term debt:		
First mortgage bonds and senior notes	4,662,000	4,212,000
Pollution control bonds	161,860	161,860
Long-term debt	1,762,300	1,724,700
Puget Intermediate Holdings senior secured investors notes	1,500,000	1,757,826
Debt discount, issuance costs and other	(204,112)	(206,120)
Total long-term debt	<u>7,882,048</u>	<u>7,650,266</u>
Total capitalization	<u>11,117,052</u>	<u>10,385,393</u>
Current liabilities:		
Accounts payable	444,384	342,048
Short-term debt	140,000	373,800
Current maturities of long-term debt	450,000	526,412
Accrued expenses:		
Taxes	121,378	108,180
Salaries and wages	47,936	42,530
Interest	67,840	73,647
Unrealized loss on derivative instruments	63,309	31,441
Power contract acquisition adjustment loss	1,785	2,039
Operating lease liabilities	20,398	19,204
Other	62,406	73,385
Total current liabilities	<u>1,419,436</u>	<u>1,592,686</u>
Other Long-term and regulatory liabilities:		
Deferred income taxes	574,651	460,586
Unrealized loss on derivative instruments	40,965	29,833
Regulatory liabilities	844,184	732,498
Regulatory liability for deferred income taxes	865,976	953,274
Regulatory liabilities related to power contracts	80,934	95,774
Power contract acquisition adjustment loss	7,904	9,689
Operating lease liabilities	172,510	160,980
Finance lease liabilities	105,303	320
Other deferred credits	649,119	621,935
Total other long-term and regulatory liabilities	<u>3,341,546</u>	<u>3,064,889</u>
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	<u>\$ 15,878,034</u>	<u>\$ 15,042,968</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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SUBJECT

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION
METHODOLOGY**

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references

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 commitments¹ from the Settlement Stipulation regarding allocation of costs:

9. PSE will (i) maintain separate books and records; (ii) agree to prohibitions against loans or pledges of utility assets to Puget Energy or 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.

¹ Please see Attachment B to Order No. 08, Docket No. U-072375 for further Commission clarification regarding several of the listed commitments.



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**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION
METHODOLOGY**

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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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**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION
METHODOLOGY**

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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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**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION
METHODOLOGY**

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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
TOTAL	N/A	N/A	\$310,704,805	\$133,669,593	\$177,035,212

* 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:

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