**UE-121697/UG-121705**

**UE-130137/UG-130138**

**Additional Information provided with Annual 2014 Commission Basis Report Compliance Filing**

PSE has provided O&M cost per customer consistent with the methodology utilized in the development of the K-Factor (KJB-16). The attached analysis reflects the Commission Basis Results for the non-production O&M on a cost per customer basis for the period encompassing calendar year 2011 through calendar year 2014. As demonstrated on page one, the overall annual average increase in O&M is lower than the historical growth rate and has slowed compared to that presented in the ERF/Decoupling proceedings at 2.8% versus 3.8%.

On page three of the analysis, the electric annual growth rate is 4.4%, which is slightly below the electric historical growth rate presented in the ERF/Decoupling proceedings. On page four of the analysis, the natural gas annual growth rate is relatively flat, at 0.1% which represents a decline on a cost per customer basis compared to the 2.2% historical natural gas growth rate presented in the ERF/Decoupling proceedings.

The electric annual growth rate has not decreased more due in part to the impacts of the allocation methodology of common costs. The four-factor allocator has been trending more toward electric, primarily due to the additional production rate base added within recent years. Page fifteen of the analysis provides the allocation factors used in each of the periods presented.

Because of this shift in common costs, we have reflected the annual increases on a combined basis on page one, to better reflect the overall spending trend of the Company, which is slowed compared to the historical growth rate presented in the ERF/Decoupling proceedings. As discussed in earlier reports, as more time in the rate plan period elapses, the impacts of PSE’s efficiency initiatives will be realized and continue to be reflected in lower costs per customer. PSE will continue to update this analysis in future semi-annual Commission Basis Reports.