

Electric Commission Basis Report Cover Letter
December 31, 2016

| |
|-----------|
| Page 1.01 |
|-----------|

| | | | <u>Adjusted Results of Operations</u> | <u>Earnings Sharing</u> | <u>After Earnings Sharing</u> |
|--|-------|----|---|-----------------------------|-----------------------------------|
| Restated Net Operating Income | a | \$ | 414,394,849 | \$ (7,410,157) | \$ 406,984,692 |
| Restated Rate Base | b | \$ | 5,142,529,409 | \$ - | \$ 5,142,529,409 |
| Normalized Overall Rate of Return | c=a/b | | 8.06% | -0.15% | 7.91% |
| | | | | | |
| Restated Net Operating Income | d=a | \$ | 414,394,849 | \$ (7,410,157) | \$ 406,984,692 |
| Restated Interest Expense | e | \$ | 155,818,641 | | \$ 155,818,641 |
| Restated NOI less Restated Interest Exp | f=d-e | \$ | 258,576,208 | \$ (7,410,157) | \$ 251,166,051 |
| | | | | | |
| Restated Rate Base | g=b | \$ | 5,142,529,409 | \$ - | \$ 5,142,529,409 |
| Actual Equity Percent | h | | 48.91% | | 48.91% |
| Equity Rate Base | i=g*h | \$ | 2,515,211,134 | \$ - | \$ 2,515,211,134 |
| | | | | | |
| Restated Return on Actual Equity | j=f/i | | 10.28% | -0.29% | 9.99% |

PUGET SOUND ENERGY, INC.**Utility Capital Structure
Cost of Capital and Rate of Return****For The 12 Months Ending December 31, 2016**

| | (A) | (B) | (C) | (D) | (E) |
|----|-------------------------------------|-------------------------------|-----------------------|-------------|---|
| | | | | | Weighted Cost of Capital |
| | <u>Description</u> | <u>Amount (i)</u> | <u>Ratio</u> | <u>Cost</u> | |
| 7 | Short Term Debt | \$80,378,875 | 1.08% | 4.20% | 0.05% (A) |
| 9 | Long Term Debt | \$3,743,421,926 | 50.01% | 5.95% | 2.98% (A) |
| 11 | Common Stock | <u>\$3,661,028,217</u> | <u>48.91%</u> | 9.80% | <u>4.79%</u> |
| 13 | Total | <u>\$7,484,829,018</u> | <u>100.00%</u> | | <u>7.82%</u> |
| 16 | (i) - Average of Month-End Balances | | | Total (A) | 3.03% |

**Decoupling Filing
Electric Earnings Test
2016 December CBR**

| Line No. | Description (a) | Calculation (b) | Source (c) |
|----------|--------------------------------|--------------------|--|
| 1 | Restated Rate Base | \$ 5,142,529,409 | Commission basis report pg 1.01 line b |
| 2 | Threshold | 7.77% | (Source: UE130137/UG130138) |
| 3 | Maximum Net Operating Income | \$ 399,574,535 | line 1 x line 2 |
| 4 | Restated Net Operating Income | \$ 414,394,849 | Commission basis report pg 1.01 line a |
| 5 | Difference | \$ 14,820,314 | line 4 - line 3 |
| 6 | Excess Earnings | \$ 14,820,314 | Greater of zero or line 5 |
| 7 | Earnings Sharing Percentage | 50% | UE-121697 |
| 8 | After-Tax Earnings Sharing | \$ 7,410,157 | line 6 x line 7 |
| 9 | Net to Gross Conversion Factor | 0.620346 | As Approved in ERF |
| 10 | Earnings Sharing for CY 2016 | \$ 11,945,200 | line 8 / line 9 |

**PERIODIC ALLOCATED RESULTS OF OPERATIONS
FOR THE 12 MONTHS ENDED DECEMBER 31, 2016**

(Common cost is spread based on allocation factors developed for the 12 ME 12/31/2016)

| | Electric | Gas | Total Amount |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| 1 - OPERATING REVENUES: | | | |
| 2 - SALES TO CUSTOMERS | \$ 2,147,655,566 | \$ 854,614,988 | \$ 3,002,270,554 |
| 3 - SALES FOR RESALE-FIRM | 325,348 | - | 325,348 |
| 4 - SALES TO OTHER UTILITIES | 180,683,383 | - | 180,683,383 |
| 5 - OTHER OPERATING REVENUES | 60,271,453 | 35,895,209 | 96,166,662 |
| 6 - TOTAL OPERATING REVENUES | \$ 2,388,935,751 | \$ 890,510,196 | \$ 3,279,445,947 |
| 7 | | | |
| 8 - OPERATING REVENUE DEDUCTIONS: | | | |
| 9 | | | |
| 10 - POWER COSTS: | | | |
| 11 - FUEL | \$ 215,331,286 | \$ - | \$ 215,331,286 |
| 12 - PURCHASED AND INTERCHANGED | 546,513,843 | 313,953,738 | 860,467,582 |
| 13 - WHEELING | 114,137,949 | - | 114,137,949 |
| 14 - RESIDENTIAL EXCHANGE | (69,823,672) | - | (69,823,672) |
| 15 - TOTAL PRODUCTION EXPENSES | \$ 806,159,406 | \$ 313,953,738 | \$ 1,120,113,144 |
| 16 | | | |
| 17 - OTHER ENERGY SUPPLY EXPENSES | \$ 126,338,252 | \$ 2,536,730 | \$ 128,874,981 |
| 18 - TRANSMISSION EXPENSE | 20,320,134 | - | 20,320,134 |
| 19 - DISTRIBUTION EXPENSE | 86,297,607 | 59,765,034 | 146,062,640 |
| 20 - CUSTOMER ACCTS EXPENSES | 48,794,685 | 26,674,421 | 75,469,106 |
| 21 - CUSTOMER SERVICE EXPENSES | 20,016,503 | 7,926,046 | 27,942,549 |
| 22 - CONSERVATION AMORTIZATION | 94,684,813 | 13,098,809 | 107,783,622 |
| 23 - ADMIN & GENERAL EXPENSE | 118,560,450 | 52,765,995 | 171,326,445 |
| 24 - DEPRECIATION | 270,719,902 | 124,027,466 | 394,747,368 |
| 25 - AMORTIZATION | 46,836,789 | 11,987,329 | 58,824,119 |
| 26 - AMORTIZ OF PROPERTY LOSS | 20,604,866 | - | 20,604,866 |
| 27 - OTHER OPERATING EXPENSES | (14,522,679) | (193,739) | (14,716,418) |
| 28 - ASC 815 | (83,794,605) | - | (83,794,605) |
| 29 - TAXES OTHER THAN INCOME TAXES | 232,019,597 | 96,060,993 | 328,080,590 |
| 30 - INCOME TAXES | 19,618 | (0) | 19,617 |
| 31 - DEFERRED INCOME TAXES | 189,448,153 | 65,109,447 | 254,557,601 |
| 32 - TOTAL OPERATING REV. DEDUCT. | \$ 1,982,503,490 | \$ 773,712,268 | \$ 2,756,215,758 |
| NET OPERATING INCOME | \$ 406,432,260 | \$ 116,797,929 | \$ 523,230,189 |

**PUGET SOUND ENERGY
BALANCE SHEET
As of December 31, 2016**

| FERC Account and Description | Dec-16 | Dec 16 AMA |
|--|-----------------|-----------------|
| *ASSETS | | |
| **UTILITY PLANT | | |
| ***Electric Plant | | |
| 101 Electric Plant in Service | 9,396,472,413 | 9,215,978,925 |
| 102 Electric Plant Purchased or Sold | - | - |
| 105 Electric Plant Held for Future Use | 49,015,408 | 49,092,027 |
| 106 Comp. Construction Not Classfd.-Electric | 73,458,402 | 49,893,812 |
| 107 Construction Work in Prog. - Electric | 243,163,405 | 248,404,578 |
| 114 Electric Plant Acquisition Adjustments | 282,791,675 | 282,791,675 |
| Total Electric Plant | 10,044,901,303 | 9,846,161,018 |
| ***Gas Plant | | |
| 101 Gas Plant in Service | 3,444,210,171 | 3,384,955,115 |
| 105 Gas Plant Held for Future Use | 1,436,770 | 2,415,940 |
| 106 Comp. Construction Not Classfd. - Gas | 83,344,851 | 44,810,839 |
| 107 Construction Work in Progress - Gas | 102,624,563 | 97,042,004 |
| 117.3 Gas Strd.in Resvr.& Pipln.-Noncurr. | 8,654,564 | 8,654,564 |
| Total Gas Plant | 3,640,270,919 | 3,537,878,462 |
| ***Common Plant | | |
| 101 Plant in Service - Common | 503,142,213 | 497,323,128 |
| 101.1 - Property under capital leases | 644,576 | 74,136 |
| 105 Common Plant Held for Future Use | 2,184,059 | 242,668 |
| 106 Comp Construction Not Classfd. - Common | 2,541,490 | 1,401,505 |
| 107 Construction Work in Progress - Common | 124,205,723 | 83,846,729 |
| Total Common Plant | 632,718,063 | 582,888,166 |
| ***Accumulated Depreciation and Amortization | | |
| 108 Accumulated Provision for Depreciation | (4,986,808,885) | (4,925,407,731) |
| 111 Accumulated Provision for Amortization | (144,715,871) | (132,521,510) |
| 115 Accm.Priv.for Amort.of Plant Acquis.Adj. | (121,205,532) | (116,690,319) |
| Less: Accumulated Depr and Amortizat | (5,252,730,288) | (5,174,619,560) |
| **NET UTILITY PLANT | 9,065,159,997 | 8,792,308,085 |
| **OTHER PROPERTY AND INVESTMENTS | | |
| ***Other Investments | | |
| 121 Nonutility Property | 2,786,820 | 3,264,181 |
| 122 Accm.Prov.for Depr.& Amort.Non-utility P | 343,834 | 148,035 |
| 123.1 Investment in Subsidiary Companies | 29,527,738 | 29,738,570 |
| 124 Other Investments | 49,106,001 | 51,029,880 |
| ***Total Other Investments | 81,764,394 | 84,180,666 |
| **TOTAL OTHER PROPERTY AND INVESTMENT | 81,764,394 | 84,180,666 |
| **CURRENT ASSETS | | |
| ***Cash | | |
| 131 Cash | 24,594,661 | 18,632,611 |
| 134 Other Special Deposits | 7,269,365 | 4,504,694 |
| 135 Working Funds | 5,068,123 | 4,608,324 |
| 136 Temporary Cash Investments | - | 3,166,667 |
| ***Total Cash | 36,932,150 | 30,912,296 |
| ***Restricted Cash | | |
| ***Total Restricted Cash | - | - |
| ***Accounts Receivable | | |
| 141 Notes Receivable | 3,213,241 | 3,264,189 |
| 142 Customer Accounts Receivable | 232,806,401 | 200,174,050 |
| 143 Other Accounts Receivable | 89,735,816 | 76,189,223 |
| 146 Accounts Receiv.from Assoc. Companies | 16,144,493 | 1,245,216 |
| 171 Interest and Dividends Receivable | - | - |
| 173 Accrued Utility Revenues | 234,052,760 | 156,091,168 |
| 185 Temporary Facilities | 145,946 | 105,520 |
| 191 Unrecovered Purchased Gas Costs | 2,784,765 | (8,407,539) |
| ***Total Accounts Receivable | 578,883,422 | 428,661,826 |

| | | |
|--|--------------------------|--------------------------|
| ***Allowance for Doubtful Accounts | | |
| 144 - Accumulated provision for uncollectible account credit | (9,797,823) | (9,587,163) |
| ***Less: Allowance for Doubtful Accounts | (9,797,823) | (9,587,163) |
| ***Materials and Supplies | | |
| 151 Fuel Stock | 20,077,521 | 20,004,570 |
| 154 Plant Materials and Operating Supplies | 104,509,800 | 95,306,836 |
| 156 Other Materials and Supplies | 205,468 | 221,777 |
| 158.1 Carbon Allowances | 4,083 | 4,083 |
| 163 Stores Expense Undistributed | 1,864,432 | 3,231,270 |
| 164.1 Gas Stored - Current | 36,506,049 | 33,417,610 |
| 164.2 Liquefied Natural Gas Stored | 61,730 | 42,529 |
| ***Total Materials and Supplies | 163,229,083 | 152,228,674 |
| ***Unrealized Gain-Derivative Instrumnts (ST) | | |
| 175 Invest in Derivative Instrumnts -Opt ST | 54,341,129 | 30,005,022 |
| 176 Invest in Derivative Instrumnts-Gain ST | - | - |
| ***Unrealized Gain on Derivatives (ST) | 54,341,129 | 30,005,022 |
| ***Prepayments and Other Current Assets | | |
| 165 Prepayments | 25,309,507 | 26,747,745 |
| 174 Misc.Current and Accrued Assets | - | 7,366,396 |
| 186 Miscellaneous Deferred Debits | 9,837 | 8,491 |
| ***Total Prepayments & Othr.Curr.Assets | 25,319,344 | 34,122,632 |
| Current Deferred Taxes | | |
| Total Current Deferred Taxes | 515,892,746 | 562,220,206 |
| **TOTAL CURRENT ASSETS | 1,364,800,051 | 1,228,563,492 |
| **LONG-TERM ASSETS | | |
| 128 Qualified Pension Plan Funded Status | 20,163,333 | 20,162,538 |
| 165 Long-Term Prepaid | 22,437,376 | 10,187,946 |
| 165.8 Long-Term Prepaid Contra | (5,065,658) | (8,977,486) |
| 165.9 Long-Term Prepaid | 5,065,658 | 8,977,486 |
| 175 Invest in Derivative Instrumnts -Opt LT | 8,738,208 | 7,313,196 |
| 176 Invest in Derivative Instrumnts-Gain LT | - | - |
| 181 Unamortized Debt Expense | 27,151,032 | 28,583,136 |
| 182.1 Extraordinary Property Losses | 122,709,069 | 124,513,977 |
| 182.2 Unrecovered Plant & Reg Study Costs | 5,230,665 | 7,794,400 |
| Subtotal WUTC AFUDC | 51,403,519 | 51,309,033 |
| 182.3 Other Regulatory Assets | 580,964,326 | 571,632,385 |
| 183 Prelm. Survey and Investigation Charges | - | - |
| 184 Clearing Accounts | 5,441 | (12,146) |
| 186 Miscellaneous Deferred Debits | 200,852,873 | 225,154,172 |
| 187 Def.Losses from Dispos.of Utility Plant | 395,028 | 509,669 |
| 189 Unamortized Loss on Reacquired Debt | 42,196,348 | 43,589,312 |
| **TOTAL LONG-TERM ASSETS | 1,082,247,217 | 1,090,737,619 |
| *TOTAL ASSETS | \$ 11,593,971,660 | \$ 11,195,789,862 |
| *CAPITALIZATION AND LIABILITIES | | |
| **CURRENT LIABILITIES | | |
| 230 Asset Retirement Obligations | (298,722) | (350,538) |
| 244 FAS 133 Opt Unrealized Loss ST | (44,169,509) | (87,831,570) |
| 245 FAS 133 Unrealized Loss ST | - | - |
| 231 Notes Payable | (245,763,000) | (80,378,875) |
| 232 Accounts Payable | (352,583,618) | (258,123,057) |
| 233 Notes Payable to Associated Companies | - | - |
| 234 Accounts Payable to Asscted Companies | - | - |
| 235 Customer Deposits | (43,605,570) | (37,725,201) |
| 236 Taxes Accrued | (111,128,413) | (104,881,674) |
| 237 Interest Accrued | (48,087,314) | (57,765,635) |
| 238 Dividends Declared | - | - |
| 241 Tax Collections Payable | (1,358,171) | (1,199,317) |
| 242 Misc. Current and Accrued Liabilities | (24,880,750) | (29,974,257) |
| 243 Obligations Under Cap.Leases - Current | (665,055) | (74,989) |
| **TOTAL CURRENT LIABILITIES | (872,540,123) | (658,305,113) |
| **DEFERRED TAXES | | |

| | | |
|---|----------------------------|----------------------------|
| ***Reg. Liability for Def.Income Tax | | |
| 283 Accum.Deferred Income Taxes - Other | (70,264,585) | (69,540,707) |
| ***Total Reg.Liab.for Def.Income Tax | (70,264,585) | (69,540,707) |
| ***Deferred Income Tax | | |
| 255 Accum.Deferred Investment Tax Credits | - | - |
| 282 Accum. Def. Income Taxes - Other Prop. | (1,892,407,598) | (1,846,995,950) |
| 283 Accum.Deferred Income Taxes - Other | (287,908,304) | (301,082,995) |
| ***Total Deferred Income Tax | (2,180,315,902) | (2,148,078,945) |
| ***TOTAL DEFERRED TAXES | (2,250,580,486) | (2,217,619,652) |
| ***OTHER DEFERRED CREDITS | | |
| Subtotal 227 Oblig Under Cap Lease - Noncurr | - | - |
| Total Unrealized Loss on Derivatives -LT | (16,260,549) | (25,985,003) |
| 228.2 Accum. Prov.for Injuries and Damages | (425,000) | (367,417) |
| 228.3 Pension & Post Retirement Liabilities | (91,147,184) | (94,061,449) |
| 228.4 Accum. Misc.Operating Provisions | (281,621,011) | (283,554,075) |
| 229 Accum Provision for Rate Refunds | - | - |
| 230 Asset Retirement Obligations (FAS 143) | (200,046,393) | (102,119,690) |
| 252 Customer Advances for Construction | (82,187,305) | (78,028,901) |
| 253 Other Deferred Credits | (398,297,338) | (367,624,960) |
| 254 Other Regulatory Liabilities | (135,698,471) | (130,058,412) |
| 256 Def. Gains from Dispos.of Utility Plt | (2,882,761) | (3,192,483) |
| 257 Unamortized Gain on Reacquired Debt | - | 41,497 |
| ***TOTAL OTHER DEFERRED CREDITS | (1,208,566,012) | (1,084,950,893) |
| ***CAPITALIZATION | | |
| ***SHAREHOLDER'S EQUITY | | |
| ****Common Equity | | |
| 201 Common Stock Issued | (859,038) | (859,038) |
| 207 Premium on Capital Stock | (478,145,250) | (478,145,250) |
| 211 Miscellaneous Paid-in Capital | (2,804,096,691) | (2,804,096,691) |
| 214 Capital Stock Expense | 7,133,879 | 7,133,879 |
| 215 Appropriated Retained Earnings | (20,239,166) | (17,384,436) |
| 216 Unappropriated Retained Earnings | (237,152,563) | (238,381,646) |
| 216.1 Unappr.Undistrib.Subsidiary Earnings | 14,969,706 | 14,758,874 |
| 219 Other Comprehensive Income | 145,509,911 | 144,869,575 |
| 433 Balance Transferred from Income | (380,581,213) | (222,569,261) |
| 438 Dividends Declared - Common Stock | 257,363,965 | 125,916,241 |
| 439 Adjustments to Retained Earnings | 5,848,610 | 5,848,610 |
| ****Total Common Equity | (3,490,247,850) | (3,462,909,143) |
| ***TOTAL SHAREHOLDER'S EQUITY | (3,490,247,850) | (3,462,909,143) |
| ***REDEEMABLE SECURITIES AND LONG-TERM DEBT | | |
| ****Preferred Stock - Manditorily Redeemable Capital | - | - |
| ****Total Preferred Stock - Mand Redeem | - | - |
| ****Corporation Obligated, Mand Redeemable Preferred Stock Subscribed | - | - |
| ****Corporation Obligated, Mand Redeem | - | - |
| ****Long-term Debt | | |
| 221 Junior Subordinated Debt | (250,000,000) | (250,000,000) |
| 221 Bonds | (3,523,860,000) | (3,523,860,000) |
| 226 Unamort.Disct. on Long-term Debt-Debit | 1,822,812 | 1,854,938 |
| Long-term Debt | (3,772,037,188) | (3,772,005,062) |
| ****Long-term Debt Total | (3,772,037,188) | (3,772,005,062) |
| ***REDEEMABLE SECURITIES AND LTD | - | - |
| ***TOTAL CAPITALIZATION | (7,262,285,038) | (7,234,914,204) |
| *TOTAL CAPITALIZATION AND LIABILITIES | <u>\$ (11,593,971,660)</u> | <u>\$ (11,195,789,862)</u> |

| 1 | Account | Description | AMA 12 ME 12/31/16 |
|------|---------------------------------|--|-----------------------|
| 3 | | Rate Base | |
| 4 | 101 / 102 / 230XXXX1 | Electric Plant in Service | \$ 9,123,140,018 |
| 5 | 101 / 253XXXX3 | Common Plant-Allocation to Electric | 325,921,180 |
| 6 | 114XXXX1 | Electric Plant Aquisition Adjustment | 282,791,675 |
| 6a | 18600001 / 451/ 461 | Snoqualmie Deferral -UE-130559 | 6,169,614 |
| 6b | 18600801 / 811/ 821 | Baker Deferral - UE-131387 | 1,571,147 |
| 6c | 1822XXX1 | White River Deferred Plant Costs | 29,011,889 |
| 6d | 1823XXX1 | White River Deferred Relicensing & CWIP | (6,669,023) |
| 6e | 16599011 &18232321 | Prepaid Colstrip 1&2 WECOA Coal Resrv Ded. | 1,750,000 |
| 6f | 18600531 / 671/ 691/791 | Ferndale Deferral - UE-12843 | 15,068,074 |
| 6g | 25300831 | Hopkins II Wake Effect Settlement | - |
| 6h | 18230381/18230391 | Goldendale Deferral -UE-070533 | - |
| 6i | 18235521 | Mint Farm Deferral | 25,077,965 |
| 6j | 1340xxxx | BPA Deposits | 787,813 |
| 6k | 18606XX | WHE Deferred Costs-UE-090704 | - |
| 6l | 18231041 | Prepaid Major Maint Sumas | - |
| 6m | 18230351 | Chelan PUD Contract Initiation | 127,183,673 |
| 6n | 18220091 | Upper Baker - Unrecovered Plant & Reg. Study Costs | 120,634 |
| 6o | 18232301 & 311 & 331 | LSR Deposit Carry Charge & Deferral UE-100882 | 82,769,346 |
| 6p | 18220101 | Electron Unrecovered Loss | 8,873,558 |
| 7 | 18230041 | Colstrip Common FERC Adj - Reg Asset | 21,589,277 |
| 8 | 18230051 | Accum Amortization Colstrip-Common FERC | (17,006,270) |
| 9 | 18230061 | Colstrip Def Depr FERC Adj - Reg | 1,108,243 |
| 10 | 18230071 | BPA Power Exch Invstmt - Reg Asset | 113,632,921 |
| 11 | 18230081 | BPA Power Exch Inv Amortization - Reg Asset | (110,106,393) |
| 12 | 18230031 | Electric - Def AFUDC - Regulatory Asset | 51,033,924 |
| 13 | 1861051 | Capitalized OH | - |
| 14 | 10500001 | Electric - Plant Held for Future Use | 49,092,027 |
| 15 | 10500003 | Common Plant Held for Fut Use-Alloc to Electric | - |
| 16 | 10600501 | Electric - Const Completed Non Classified | 49,893,812 |
| 16a | 10600503 | Common - Const Completed Non Classified | 932,326 |
| 17 | 108XXXX1 | Elec-Accum Depreciation | (3,499,501,666) |
| 18 | 108XXXX3 | Common Accum Depr-Allocation to Electric | (74,274,967) |
| 19 | 111XXXX1 | Elec-Accum Amortization | (33,036,164) |
| 20 | 11100003 | Common Accum Amort-Allocation to Electric | (62,364,366) |
| 21 | 115XXXX1 | Accum Amort Acq Adj - Electric | (116,690,319) |
| 22 | 22840331,341, 19003011,25400491 | Snoqualmie & Baker Treasury Grants | (103,982,567) |
| 23 | 19000041 | CIAC after 10/8/76 - Accum Def Income Tax | - |
| 24 | 19000051 | CIAC - 1986 Changes - Accum Def Income Tax | - |
| 25 | 19000061 | CIAC - 7/1/87 - Accum Def Income Tax | - |
| 26 | 19000093 | Vacation Pay - Accum Def Inc Taxes | - |
| 26a | 19000121 | Cabot Gas Contract - Accum Def Inc Taxe | - |
| 26b | 19000151 | DFIT - Westcoast Capacity Assignment - Electric | 320,272 |
| 26c | 19000711 | DFIT- BNP Electric | 439,061 |
| 27 | 19000191 | RB-Consrv Pre91 Tax Settlmt - Accum Def Inc Tax | - |
| 27.1 | 19000701 | DFFIT SSCM INT - ELEC | - |

| 1 | Account | Description | AMA 12 ME 12/31/16 |
|------|--------------------------------|--|-----------------------|
| 28 | 235XXX1 | Customer Deposits - Electric | (6,513,083) |
| 28a | 23500003 | Customer Deposits - Common | (20,840,331) |
| 29 | 25400081 | Residential Exchange | - |
| 29.1 | 25400191& 25400201 | Westcoast Pipeline Capacity Regulatory Liabilities | (2,169,524) |
| 30 | 252XXX1 | Cust Advances for Construction | (57,065,176) |
| 31 | 28200101 | Major Projects - Property Tax Expense | - |
| 32 | 28200111 | Def Inc Tax - Pre 1981 Additions | - |
| 33 | 28200121, 161/28300341 | Def Inc Tax - Post 1980 Additions | (1,283,074,360) |
| 34 | 28200131 | Colstrip 3 & 4 Deferred Inc Tax | - |
| 35 | 28200141 | Excess Def Taxes - Centralia Sale | - |
| 35-1 | 28200151 | Def FIT Indirect Cost Adj - Electric | - |
| 35a | 283XXXXX | Electric Portion of Common Deferred Taxes | (29,505,789) |
| 35a2 | 19000433 | NOL Carryforward | 68,926,240 |
| 36 | 28300161 | Def Inc Tax - Energy Conservation & FAS 133 | - |
| 37 | 28300261 | Def FIT Bond Redemption Costs | - |
| 37a | 28300091 | Accum Def Inc Tax - Snoqualmie | (2,159,365) |
| 37b | 28300741 | Accum Def Inc Tax - Baker | (549,901) |
| 37c | 28300011 | Def FIT - White River Water Right | (7,820,003) |
| 37d | 28300731 | Accum Def Inc Tax - Ferndale | (5,273,826) |
| 37e | 28300431 | Deferred Taxes WNP#3 | (1,196,364) |
| 37f | 19000441 | Deferred FIT FAS 143 Whitehorn 2 &3 | 6,602,967 |
| 37g | 19000553 | Common DFIT Summit Purchase Opt Buyout - Elec | 118,390 |
| 37h | 19000561 | Def FIT - Wind Loss Settlement Agreemen | - |
| 37i | 28302061 | DFIT - Electron Unrecovered Loss | (3,105,745) |
| 37j | 28300601\28300611\28300661 | DFIT Mint Fam Costs-UE-090704 | (8,777,288) |
| 37k | 28300631\28300641\28300671 | DFIT Wild Horse Costs-UE-090704 | - |
| 37l | 28300561 | DFIT - Interest Chelan PUD Reg Asset | (14,157,425) |
| 37m | 28300081 & 28300721 | DFIT BPA Prepayment & LSR | (5,127,679) |
| 38 | 124001X1 | Conservation Rate Base | - |
| 39 | 18230181 | 1995 Conservation Trust Rate Base | - |
| 40 | | | |
| 41 | Working Capital- Rate Base | | 221,501,044 |
| 42 | Rate Base | | 5,144,459,491 |
| 43 | | | |
| 44 | Electric Rate Base Change | | <u>5,144,459,491</u> |
| 45 | | | |
| 46 | Gross Utility Plant in Service | | 9,831,771,038 |
| 47 | Less Accum Dep and Amort | | (3,785,867,482) |
| 48 | Deferred Debits and Credits | | 245,814,298 |
| 49 | Deferred Taxes | | (1,284,340,816) |
| 50 | Allowance for Working Capital | | 221,501,044 |
| 51 | Customer Deposits/Advances | | (84,418,590) |
| 52 | Total Rate Base | | <u>5,144,459,491</u> |

| | | | 31-Dec-16 |
|------|----------|---|-----------------------------|
| Code | Line No. | Description | AMA |
| 1 | 1 | Average Invested Capital | |
| 2 | 2 | Common Stock | 859,038 |
| 3 | 3 | Preferred Stock | - |
| 4 | 4 | Additional Paid in Capital | 3,274,616,487 |
| 5 | 5 | Unamortized Debt Expense | (21,922,315) |
| 6 | 6 | Unappropriated Retained Earnings | 362,354,859 |
| 7 | 7 | Notes Payable - Misc | - |
| 8 | 8 | Long Term Debt | 3,772,005,062 |
| 9 | 9 | Short Term Debt | 80,378,875 |
| 10 | 10 | Accumulated Deferred ITC | - |
| 10.1 | 11 | Treasury Grants | - |
| 11 | 12 | Deferred Debits-Other | - |
| 12 | 13 | Unamortized Gain/Loss on Debt | (43,630,809) |
| 14 | 14 | Total Average Invested Capital | <u>7,424,661,197</u> |
| 15 | 15 | | |
| 16 | 16 | Average Operating Investments - Electric | |
| 17 | 17 | | |
| 18 | 18 | Plant in Service (includes acquisition adj) | 9,455,825,505 |
| 19 | 19 | Electric Future Use Property | 49,092,027 |
| 20 | 20 | Customer Advances for Construction | (57,065,176) |
| 21 | 21 | Customer Deposits | (27,353,415) |
| 22 | 22 | Deferred Taxes | (1,067,951,632) |
| 23 | 23 | Deferred Debits/Credits - Other | 132,362,237 |
| 24 | 24 | Less: Accumulated Depreciation | (3,649,228,149) |
| 25 | 25 | Snoqualmie & Baker Treasury Grants | (103,982,567) |
| 26 | 26 | Common Plant-Allocation to Electric | 326,853,506 |
| 27 | 27 | Common Accum Depr-Allocation to Electric | (136,639,333) |
| 28 | 28 | Common Deferred Taxes-Allocation to Electric | (29,387,399) |
| 29 | 29 | NOL Carryforward | 68,926,240 |
| 30 | 30 | Total Average Operating Investment - Electric | <u>4,961,451,844</u> |
| 31 | 31 | | |
| 32 | 32 | Average Operating Investments - Gas | |
| 33 | 33 | | |
| 34 | 34 | Gas Utility Plant in Service | 3,423,126,874 |
| 35 | 35 | Deferred Items - Other | 101,804,176 |
| 36 | 36 | Gas Stored Underground, Non-Current | 8,654,564 |
| 37 | 37 | Gas Accumulated Depreciation | (1,320,749,606) |
| 38 | 38 | Gas Customer Advances for Construction | (20,963,726) |
| 38.1 | 39 | Gas Customer Deposits | (10,371,787) |
| 39 | 40 | DFIT 17 | (551,161,706) |
| 40 | 41 | PGA | (8,407,539) |
| 26 | 42 | Common Plant-Allocation to Gas | 162,667,994 |
| 27 | 43 | Common Accumulated Depreciation-Allocation to Gas | (68,002,472) |
| 28 | 44 | Common Deferred Tax | (14,625,480) |
| 29 | 45 | NOL Carryforward | 11,762,158 |
| 46 | 46 | Total Average Operating Investment - Gas | <u>1,713,733,450</u> |
| 47 | 47 | | |
| 48 | 48 | Total Electric & Gas Operating Investment | <u><u>6,675,185,294</u></u> |
| 49 | 49 | | |
| 50 | 50 | Construction Work in Progress | |
| 51 | 51 | | |
| 51 | 52 | Elec Construction Work in Process | 304,389,039 |
| 52 | 53 | Gas Construction Work in Process | 124,904,272 |
| 53 | 54 | Other Work in Process | 1,957,608 |
| 60 | 55 | Electric Preliminary Surveys | - |
| 56 | 56 | Total Construction Work in Progress | <u>431,250,919</u> |
| 57 | 57 | | |
| 58 | 58 | Nonoperating | |
| 59 | 59 | | |
| 54 | 60 | Non-Utility Property | 3,412,216 |
| 55 | 61 | Investment in Associated Companies | 30,983,787 |
| 56 | 62 | Other Investments & FAS 133 | (141,738,659) |
| 57 | 63 | Deferred Items-Other | 159,339,417 |
| 58 | 64 | Deferred Federal Income Tax | (34,243,471) |
| 59 | 65 | Investment Tracking Funds | 1,598,116 |
| 61 | 66 | | - |
| 62 | 67 | | - |

| | | | 31-Dec-16 |
|------|----------|--------------------------------------|--------------------|
| Code | Line No. | Description | AMA |
| 67 | 68 | Merchandising Inventory - Gas Only | |
| | 69 | Total Non Operating Investment | 19,351,406 |
| | 70 | | |
| | 71 | Total CWIP & Nonoperating Investment | 450,602,325 |
| | 72 | | |
| | 73 | Total Average Investments | 7,125,787,619 |
| | 74 | Rounding | |
| | 75 | Total Investor Supplied Capital | 298,873,578 |

Allocation of Working Capital

Electric Working Capital

| | |
|------------------------------------|---------------|
| Total Investment | 7,125,787,619 |
| Less: Electric CWIP | (304,389,039) |
| Less: Gas | (124,904,272) |
| Interest Bearing Regulatory Assets | |
| Other Work in Progress | (1,957,608) |
| Preliminary Surveys | - |
| Total | 6,694,536,700 |

Electric Working Capital Ratio 4.4644%

Electric Working Capital 221,501,044

Gas Working Capital

| | |
|------------------------------------|---------------|
| Total Investment | 7,125,787,619 |
| Less: Electric CWIP | (304,389,039) |
| Less: Gas CWIP | (124,904,272) |
| Interest Bearing Regulatory Assets | |
| Other Work in Progress | (1,957,608) |
| Preliminary Surveys | - |
| Total | 6,694,536,700 |

Gas Working Capital Ratio 4.4644%

Gas Working Capital 76,508,603

Non Operating Working Capital 863,932

PUGET SOUND ENERGY-ELECTRIC & GAS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
ALLOCATION METHODS

| Method | Description | | Electric | Gas | Total |
|---------------|--|------------|-------------------------|-------------------------|-------------------------|
| 1 | * <u>12 Month Average Number of Customers</u> | 12/31/2016 | 1,119,719 | 807,586 | 1,927,305 |
| | Percent | | 58.10% | 41.90% | 100.00% |
| 2 | * <u>Joint Meter Reading Customers</u> | 12/31/2016 | 759,651 | 450,504 | 1,210,155 |
| | Percent | | 62.77% | 37.23% | 100.00% |
| 3 | * <u>Non-Production Plant</u> | | | | |
| | Distribution | 12/31/2016 | \$ 3,561,850,556 | \$ 3,319,192,245 | \$ 6,881,042,801 |
| | Transmission | 12/31/2016 | 1,411,291,068 | - | 1,411,291,068 |
| | Direct General Plant | 12/31/2016 | 220,899,712 | 32,996,500 | 253,896,212 |
| | Total | | \$ 5,194,041,336 | \$ 3,352,188,745 | \$ 8,546,230,081 |
| | Percent | | 60.78% | 39.22% | 100.00% |
| 4 | * <u>4-Factor Allocator</u> | | | | |
| | Number of Customers | 12/31/2016 | 1,119,719 | 807,586 | 1,927,305 |
| | Percent | | 58.10% | 41.90% | 100.00% |
| | Labor - Direct Charge to O&M | 12/31/2016 | 51,494,540 | 24,254,781 | \$ 75,749,321 |
| | Percent | | 67.98% | 32.02% | 100.00% |
| | T&D O&M Expense (Less Labor) | 12/31/2016 | 77,247,846 | 36,555,222 | \$ 113,803,068 |
| | Percent | | 67.88% | 32.12% | 100.00% |
| | Net Classified Plant (Excluding General (Common) | 12/31/2016 | 5,590,602,188 | 2,055,150,490 | 7,645,752,677 |
| | Percent | | 73.12% | 26.88% | 100.00% |
| | Total Percentages | | 267.08% | 132.92% | 400.00% |
| | 4 factor | | 66.77% | 33.23% | 100.00% |
| 5 | * <u>Direct Labor Allocator</u> | | | | |
| | Direct Labor Accts 500-935 | 12/31/2016 | 57,144,838 | 27,470,504 | 84,615,342 |
| | Total | | \$ 57,144,838 | \$ 27,470,504 | \$ 84,615,342 |
| | Percent | | 67.53% | 32.47% | 100.00% |

**PUGET SOUND ENERGY-ELECTRIC
RESULTS OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT**

| LINE NO. | ACTUAL RESULTS OF OPERATIONS | TOTAL ADJUSTMENTS | RESTATED RESULTS OF OPERATIONS |
|----------|-------------------------------|-------------------------|--------------------------------|
| 1 | <u>OPERATING REVENUES:</u> | | |
| 2 | \$ 2,147,655,566 | \$ (130,269,906) | \$ 2,017,385,661 |
| 3 | 325,348 | 5,418 | 330,766 |
| 4 | 180,683,383 | - | 180,683,383 |
| 5 | 60,271,453 | 21,063,355 | 81,334,808 |
| 6 | <u>2,388,935,751</u> | <u>(109,201,133)</u> | <u>2,279,734,618</u> |
| 7 | | | |
| 8 | OPERATING REVENUE DEDUCTIONS: | | |
| 9 | | | |
| 10 | <u>POWER COSTS:</u> | | |
| 11 | \$ 215,331,286 | \$ (785,785) | \$ 214,545,501 |
| 12 | 546,513,843 | 12,645,638 | 559,159,481 |
| 13 | 114,137,949 | - | 114,137,949 |
| 14 | (69,823,672) | 69,823,672 | - |
| 15 | <u>806,159,406</u> | <u>81,683,525</u> | <u>887,842,931</u> |
| 16 | | | |
| 17 | \$ 126,338,252 | \$ - | \$ 126,338,252 |
| 18 | 20,320,134 | - | 20,320,134 |
| 19 | 86,297,607 | - | 86,297,607 |
| 20 | 48,794,685 | (3,039,312) | 45,755,373 |
| 21 | 20,016,503 | (17,360,764) | 2,655,739 |
| 22 | 94,684,813 | (94,658,603) | 26,210 |
| 23 | 118,560,450 | (852,862) | 117,707,588 |
| 24 | 270,719,902 | (188,181) | 270,531,721 |
| 25 | 46,836,789 | - | 46,836,789 |
| 26 | 20,604,866 | - | 20,604,866 |
| 27 | (14,522,679) | 21,193,410 | 6,670,731 |
| 28 | (83,794,605) | 83,794,605 | - |
| 29 | 232,019,597 | (142,137,397) | 89,882,200 |
| 30 | 19,618 | 117,703,304 | 117,722,921 |
| 31 | 189,448,153 | (163,301,446) | 26,146,707 |
| 32 | <u>\$ 1,982,503,490</u> | <u>\$ (117,163,722)</u> | <u>\$ 1,865,339,768</u> |
| 33 | | | |
| 34 | \$ 406,432,260 | \$ 7,962,589 | \$ 414,394,849 |
| 35 | | | |
| 36 | \$ 5,144,459,491 | \$ (1,930,082) | \$ 5,142,529,409 |
| 37 | | | |
| 38 | 7.90% | | 8.06% |
| 39 | | | |
| 40 | RATE BASE: | | |
| 41 | \$ 9,831,771,038 | \$ (4,539,303) | \$ 9,827,231,735 |
| 42 | (3,785,867,482) | 1,625,082 | (3,784,242,400) |
| 43 | 245,814,298 | - | 245,814,298 |
| 44 | (1,284,340,816) | 984,139 | (1,283,356,677) |
| 45 | 221,501,044 | - | 221,501,044 |
| 46 | (84,418,590) | - | (84,418,590) |
| 47 | <u>\$ 5,144,459,491</u> | <u>\$ (1,930,082)</u> | <u>\$ 5,142,529,409</u> |

PUGET SOUND ENERGY-ELECTRIC
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | | INCENTIVE PAY 3.09 | EXCISE TAX & FILING FEE 3.10 | D&O INSURANCE 3.11 | MONTANA ENERGY 3.12 | INTEREST ON CUST DEPOSITS 3.13 | ASC 815 3.14 | PENSION PLAN 3.15 | INJURIES & DAMAGES 3.16 | WILD HORSE SOLAR 3.17 | TOTAL ADJUSTMENTS |
|----------|--------------------------------|--------------------------|------------------------------------|--------------------------|---------------------------|--------------------------------------|-----------------|-------------------------|-------------------------------|-----------------------------|----------------------|
| 1 | OPERATING REVENUES | | | | | | | | | | |
| 2 | SALES TO CUSTOMERS | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | \$ (130,269,906) |
| 3 | SALES FROM RESALE-FIRM | | | | | | | | | | 5,418 |
| 4 | SALES TO OTHER UTILITIES | | | | | | | | | | - |
| 5 | OTHER OPERATING REVENUES | | | | | | | | | | 21,063,355 |
| 6 | TOTAL OPERATING REVENUES | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (109,201,133) |
| 7 | | | | | | | | | | | |
| 8 | OPERATING REVENUE DEDUCTIONS: | | | | | | | | | | |
| 9 | | | | | | | | | | | |
| 10 | POWER COSTS: | | | | | | | | | | |
| 11 | FUEL | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | | \$ (785,785) |
| 12 | PURCHASED AND INTERCHANGED | | | | | | | | | | 12,645,638 |
| 13 | WHEELING | | | | | | | | | | - |
| 14 | RESIDENTIAL EXCHANGE | | | | | | | | | | 69,823,672 |
| 15 | TOTAL PRODUCTION EXPENSES | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 81,683,525 |
| 16 | | | | | | | | | | | |
| 17 | OTHER POWER SUPPLY EXPENSES | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | | \$ - |
| 18 | TRANSMISSION EXPENSE | | | | | | | | | | - |
| 19 | DISTRIBUTION EXPENSE | | | | | | | | | | - |
| 20 | CUSTOMER ACCTS EXPENSES | | | | | 117,816 | | | | | (3,039,312) |
| 21 | CUSTOMER SERVICE EXPENSES | | | | | | | | | | (17,360,764) |
| 22 | CONSERVATION AMORTIZATION | | | | | | | | | | (94,658,603) |
| 23 | ADMIN & GENERAL EXPENSE | (2,858,897) | (27,825) | (17,473) | | | | 2,090,976 | (196,026) | | (852,862) |
| 24 | DEPRECIATION | | | | | | | | | (188,181) | (188,181) |
| 25 | AMORTIZATION | | | | | | | | | | - |
| 26 | AMORTIZ OF PROPERTY GAIN/LOSS | | | | | | | | | | - |
| 27 | OTHER OPERATING EXPENSES | | | | | | | | | | 21,193,410 |
| 28 | ASC 815 | | | | | | 83,794,605 | | | | 83,794,605 |
| 29 | TAXES OTHER THAN F.I.T. | (230,856) | (7,525) | | 11,695 | | | | | | (142,137,397) |
| 30 | FEDERAL INCOME TAXES | 1,081,414 | 12,373 | 6,116 | (4,093) | | | (731,842) | 68,609 | 65,863 | 117,703,304 |
| 31 | DEFERRED INCOME TAXES | | | | | | (29,328,112) | | | | (163,301,446) |
| 32 | TOTAL OPERATING REV. DEDUCT. | \$ (2,008,340) | \$ (22,978) | \$ (11,358) | \$ 7,602 | \$ 117,816 | \$ 54,466,493 | \$ 1,359,135 | \$ (127,417) | \$ (122,318) | \$ (117,163,722) |
| 33 | | | | | | | | | | | |
| 34 | NET OPERATING INCOME | \$ 2,008,340 | \$ 22,978 | \$ 11,358 | \$ (7,602) | \$ (117,816) | \$ (54,466,493) | \$ (1,359,135) | \$ 127,417 | \$ 122,318 | \$ 7,962,589 |
| 35 | | | | | | | | | | | |
| 36 | RATE BASE | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (1,930,082) | \$ (1,930,082) |
| 37 | | | | | | | | | | | |
| 38 | RATE OF RETURN | | | | | | | | | | |
| 39 | | | | | | | | | | | |
| 40 | RATE BASE: | | | | | | | | | | |
| 41 | GROSS UTILITY PLANT IN SERVICE | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | (4,539,303) | (4,539,303) |
| 42 | ACCUMULATED DEPRECIATION | | | | | | | | | 1,625,082 | 1,625,082 |
| 43 | DEFERRED DEBITS | | | | | | | | | | - |
| 44 | DEFERRED TAXES | | | | | | | | | 984,139 | 984,139 |
| 45 | ALLOWANCE FOR WORKING CAPITAL | | | | | | | | | | - |
| 46 | OTHER | | | | | | | | | | - |
| 47 | TOTAL RATE BASE | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (1,930,082) | \$ (1,930,082) |

PUGET SOUND ENERGY-ELECTRIC
TEMPERATURE NORMALIZATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | | | | |
|----------|--|-----------------------|-----------------------|--------------------|----------------------|
| 1 | <u>TEMPERATURE NORMALIZATION ADJUSTMENT:</u> | | | | |
| 2 | | ACTUAL | TEMP ADJ | KWH | ADJ FOR LOSSES |
| 3 | | <u>GPI KWH</u> | <u>GPI KWH</u> | <u>CHANGE</u> | <u>7.30%</u> |
| 4 | Jan-16 | 2,264,400,226 | 2,313,151,612 | 48,751,386 | 45,192,535 |
| 5 | Feb-16 | 1,926,704,963 | 2,027,518,229 | 100,813,266 | 93,453,898 |
| 6 | Mar-16 | 1,958,545,780 | 2,015,037,059 | 56,491,279 | 52,367,416 |
| 7 | Apr-16 | 1,641,032,699 | 1,717,808,477 | 76,775,778 | 71,171,146 |
| 8 | May-16 | 1,626,432,632 | 1,641,730,768 | 15,298,136 | 14,181,373 |
| 9 | Jun-16 | 1,597,200,862 | 1,584,799,398 | (12,401,464) | (11,496,157) |
| 10 | Jul-16 | 1,647,778,275 | 1,645,397,293 | (2,380,982) | (2,207,171) |
| 11 | Aug-16 | 1,712,297,533 | 1,680,388,552 | (31,908,981) | (29,579,626) |
| 12 | Sep-16 | 1,559,199,266 | 1,565,709,071 | 6,509,805 | 6,034,589 |
| 13 | Oct-16 | 1,742,257,627 | 1,761,275,414 | 19,017,787 | 17,629,488 |
| 14 | Nov-16 | 1,856,654,541 | 1,993,774,263 | 137,119,722 | 127,109,982 |
| 15 | Dec-16 | 2,470,356,956 | 2,374,892,782 | (95,464,173) | (88,495,289) |
| 16 | | <u>22,002,861,360</u> | <u>22,321,482,918</u> | <u>318,621,558</u> | <u>295,362,185</u> |
| 17 | | | | | |
| 18 | REVENUE ADJUST Schedule 7 | | | 255,906,026 | 17,279,590 |
| 19 | Schedule 24 | | | 23,029,871 | 1,431,673 |
| 20 | Schedule 25 | | | 11,737,732 | 725,754 |
| 21 | Schedule 26 | | | (373,533) | (25,066) |
| 22 | Schedule 29 | | | (158,597) | (9,881) |
| 23 | Schedule 31 | | | 840,932 | 48,112 |
| 24 | Schedule 43 | | | 3,891,778 | 221,097 |
| 25 | Schedule 40 | | | 333,797 | 20,963 |
| 26 | Firm Resale | | | 154,180 | 5,418 |
| 27 | INCREASE (DECREASE) SALES TO CUSTOMERS | | | <u>295,362,185</u> | \$ 19,697,660 |
| 28 | | | | | \$ 19,697,660 |
| 29 | UNCOLLECTIBLES @ | | | 0.00702 | \$ 138,238 |
| 30 | ANNUAL FILING FEE @ | | | 0.00200 | 39,395 |
| 31 | INCREASE (DECREASE) EXPENSE | | | | <u>177,633</u> |
| 32 | | | | | |
| 33 | STATE UTILITY TAX @ | | | 0.03846 | \$ 757,611 |
| 34 | INCREASE (DECREASE) TAXES OTHER | | | | <u>757,611</u> |
| 35 | | | | | |
| 36 | INCREASE (DECREASE) OPERATING INCOME | | | | 18,762,416 |
| 37 | | | | | |
| 38 | INCREASE (DECREASE) FIT @ | | | 35% | 6,566,846 |
| 39 | INCREASE (DECREASE) NOI | | | | <u>\$ 12,195,570</u> |

**PUGET SOUND ENERGY-ELECTRIC
REVENUE & EXPENSE RESTATING
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT**

| LINE NO. | DESCRIPTION | AMOUNT | ADJUSTMENT |
|-------------|---|-----------------------------|----------------------|
| 1 | SALES TO CUSTOMERS: | | |
| 2 | REMOVE MERGER RATE CREDIT SCH 132 | 6,398,041 | |
| 3 | REMOVE TEST YEAR EARNINGS SHARING ACCRUAL | 167,434 | |
| 4 | REMOVE SCHEDULE 95A TREASURY GRANTS | <u>55,985,014</u> | |
| 5 | | | |
| 6 | INCREASE (DECREASE) SALES TO CUSTOMERS | <u>62,550,490</u> | |
| 7 | | | |
| 8 | INCREASE (DECREASE) REVENUES | | \$ 62,550,490 |
| 9 | | | |
| 10 | UNCOLLECTIBLES @ | 0.00702 \$ 438,979 | |
| 11 | ANNUAL FILING FEE @ | 0.00200 <u>125,101</u> | |
| 12 | INCREASE (DECREASE) EXPENSE | | 564,080 |
| 13 | | | |
| 14 | STATE UTILITY TAX @ | 0.03846 \$ <u>2,405,817</u> | |
| 15 | INCREASE (DECREASE) TAXES OTHER | | 2,405,817 |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | OTHER OPERATING EXPENSES: | | |
| 20 | REMOVE SCHEDULE 95A TREASURY GRANTS | | |
| 21 | AMORTIZATION OF INTEREST AND GRANTS | 41,121,740 | |
| 22 | REMOVE ACCRUAL FOR FUTURE PTC LIABILITY | | |
| 23 | (ACTUAL PTC'S REMOVED IN FIT ADJUSTMENT NO. 3.06) | <u>(19,884,023)</u> | |
| 24 | INCREASE (DECREASE) OPERATING EXPENSES | | <u>21,237,717</u> |
| 25 | | | |
| 26 | INCREASE (DECREASE) OPERATING INCOME BEFORE FIT | | 38,342,875 |
| 27 | | | |
| 28 | INCREASE (DECREASE) FIT @ | 35% | <u>13,420,006</u> |
| 29 | | | |
| 30 | INCREASE (DECREASE) NOI | | <u>\$ 24,922,869</u> |

PUGET SOUND ENERGY-ELECTRIC
POWER COSTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | INCREASE (DECREASE) |
|-------------|---|----------------|----------------|------------------------------|
| 1 | PRODUCTION EXPENSES: | | | |
| 2 | FUEL | \$ 215,331,286 | \$ 214,545,501 | \$ (785,785) |
| 3 | PURCHASED AND INTERCHANGED | 546,513,843 | 560,190,724 | 13,676,881 |
| 4 | WHEELING | 114,137,949 | 114,137,949 | - |
| 5 | SALES TO OTHER UTILITIES | (180,683,383) | (180,683,383) | - |
| 6 | PURCHASES/SALES OF NON-CORE GAS & OTHER R | 8,657,607 | 8,657,607 | - |
| 7 | SUBTOTAL - POWER COSTS TO BE ADJUSTED | \$ 703,957,301 | \$ 716,848,397 | \$ 12,891,096 |
| 8 | | | | |
| 9 | INCREASE(DECREASE) INCOME | | | \$ (12,891,096) |
| 10 | | | | |
| 11 | INCREASE(DECREASE) FIT @ | 35% | | (4,511,884) |
| 12 | INCREASE(DECREASE) NOI | | | <u><u>\$ (8,379,213)</u></u> |

PUGET SOUND ENERGY-ELECTRIC
FEDERAL INCOME TAX
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|--|-------------------------------|
| 1 | TAXABLE INCOME BEFORE INTEREST DEDUCTION | \$ 445,836,926 |
| 2 | | |
| 3 | ADD BACK | |
| 4 | CURRENT FIT | 156,042,924 |
| 5 | DEFERRED FIT | 55,474,819 |
| 6 | TOTAL RESTATED FIT | <u>211,517,743</u> |
| 7 | | |
| 8 | CURRENT FIT | \$ - |
| 9 | DEFERRED FIT-DEBIT | 635,655,376 |
| 10 | DEFERRED FIT-CREDIT | (446,207,223) |
| 11 | SUB TOTAL | <u>189,448,153</u> |
| 12 | | |
| 13 | | |
| 14 | INCREASE(DECREASE) FIT | \$ 156,042,924 |
| 15 | INCREASE(DECREASE) DEFERRED FIT | (133,973,334) |
| 16 | INCREASE(DECREASE) NOI | <u><u>\$ (22,069,590)</u></u> |

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PUGET SOUND ENERGY-ELECTRIC
TAX BENEFIT OF RESTATED INTEREST
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|----------------------------|-----------------------------|
| 1 | RATE BASE | \$ 5,142,529,409 |
| 2 | | |
| 3 | WEIGHTED COST OF DEBT | 3.03% |
| 4 | RESTATED INTEREST | <u>\$ 155,818,641</u> |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | INCREASE (DECREASE) INCOME | <u>\$ (155,818,641)</u> |
| 10 | | |
| 11 | INCREASE (DECREASE) FIT @ | 35% \$ (54,536,524) |
| 12 | | |
| 13 | INCREASE (DECREASE) NOI | <u><u>\$ 54,536,524</u></u> |

**PUGET SOUND ENERGY-ELECTRIC
PASS-THROUGH REVENUE & EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT**

| LINE NO. | DESCRIPTION | AMOUNT | ADJUSTMENT |
|-------------|---|--------|-------------------------|
| 1 | <u>REMOVE REVENUES ASSOCIATED WITH RIDERS:</u> | | |
| 2 | CONSERVATION RIDER - SCHEDULE 120 | | \$ 99,267,133 |
| 3 | PROPERTY TAX TRACKER - SCHEDULE 140 | | 60,114,321 |
| 4 | MUNICIPAL TAXES - SCHEDULE 81 | | 84,168,805 |
| 5 | LOW INCOME RIDER - SCHEDULE 129 | | 17,065,951 |
| 6 | RESIDENTIAL EXCHANGE - SCH 194 | | (72,829,468) |
| 7 | REC PROCEEDS - SCH 137 REC AND BIOGAS PROCEEDS | | (1,541,731) |
| 8 | EXPENSE OFFSET FOR SCH 137 REC AND BIOGAS PROCEEDS | | 1,508,966 |
| 9 | DECOUPLING SCH 142 REVENUE | | 21,652,407 |
| 10 | DECOUPLING SCH 142 SURCHARGE AMORT EXPENSE | | (20,624,351) |
| 11 | GREEN POWER - SCH 135/136 | | 4,457,871 |
| 12 | GREEN POWER - SCH 135/136 ELIMINATE OVER EXPENSED | | (1,780,536) |
| 13 | REMOVE JPUD GAIN ON SALE SCH 133 | | (10,086) |
| 14 | TOTAL (INCREASE) DECREASE REVENUES | | <u>\$ 191,449,282</u> |
| 15 | | | |
| 16 | <u>DECREASE REVENUE SENSITIVE ITEMS FOR DECREASE IN REVENUES:</u> | | |
| 17 | BAD DEBTS | 0.702% | \$ (1,325,786) |
| 18 | ANNUAL FILING FEE | 0.200% | (377,825) |
| 19 | STATE UTILITY TAX | 3.846% | (7,265,943) |
| 20 | TOTAL | | <u>\$ (8,969,554)</u> |
| 21 | | | |
| 22 | <u>REMOVE EXPENSES ASSOCIATED WITH RIDERS</u> | | |
| 23 | CONSERVATION AMORTIZATON - SCHEDULE 120 | | \$ (94,658,603) |
| 24 | PROPERTY TAX AMORTIZATION EXP - SCHEDULE 140 | | (57,371,846) |
| 25 | MUNICIPAL TAXES - SCHEDULE 81 | | (80,426,732) |
| 26 | LOW INCOME AMORTIZATION - SCHEDULE 129 | | (16,274,828) |
| 27 | RESIDENTIAL EXCHANGE - SCH 194 | | 69,823,672 |
| 28 | AMORT ON INTEREST ON REC PROCEEDS - SCH 137 | | (44,308) |
| 29 | GREEN POWER - SCH 135/136 TAGS CHARGED TO 557 | | (1,031,243) |
| 30 | GREEN POWER - SCH 135/136 CHARGED TO 908/909 | | (1,085,935) |
| 31 | GREEN POWER - SCH 135/136 BENEFITS PORTION OF ADMIN | | (34,646) |
| 32 | GREEN POWER - SCH 135/136 TAXES PORTION OF ADMIN | | (9,619) |
| 33 | REMOVE JPUD AMORT EXPENSE SCH 133 | | - |
| 34 | TOTAL INCREASE (DECREASE) EXPENSE | | <u>\$ (181,114,087)</u> |
| 35 | | | |
| 36 | INCREASE (DECREASE) OPERATING INCOME BEFORE FIT | | \$ (1,365,641) |
| 37 | INCREASE (DECREASE) FIT | | (477,974) |
| 38 | INCREASE (DECREASE) NOI | | <u>\$ (887,667)</u> |

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PUGET SOUND ENERGY-ELECTRIC
RATE CASE EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | AMOUNT | |
|-------------|---|--------------|--------------|
| 1 | EXPENSES TO BE NORMALIZED | | |
| 2 | | | |
| 3 | | | |
| 4 | 2011 AND 2009 GRC EXPENSES TO BE NORMALIZED | \$ 1,040,000 | |
| 5 | | | |
| 6 | ANNUAL NORMALIZATION (LINE 4 ÷ 2 YEARS) | 520,000 | |
| 7 | LESS TEST YEAR EXPENSE | 183,893 | |
| 8 | INCREASE (DECREASE) EXPENSE | \$ 336,107 | 336,107 |
| 9 | | | |
| 10 | 2014 AND 2013 PCORC EXPENSES TO BE NORMALIZED | \$ 273,000 | |
| 11 | | | |
| 12 | ANNUAL NORMALIZATION (LINE 10 ÷ 4 YEARS) | 68,250 | |
| 13 | LESS TEST YEAR EXPENSE | - | |
| 14 | INCREASE (DECREASE) EXPENSE | \$ 68,250 | \$ 68,250 |
| 15 | | | |
| 16 | | | |
| 17 | TOTAL INCREASE (DECREASE) EXPENSE | | \$ 404,357 |
| 18 | | | |
| 19 | INCREASE(DECREASE) FIT @ | 35% | (141,525) |
| 20 | INCREASE(DECREASE) NOI | | \$ (262,832) |

PUGET SOUND ENERGY-ELECTRIC
BAD DEBTS
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
 COMMISSION BASIS REPORT

| LINE NO. | YEAR | NET | GROSS | SALES FOR | OTHER | SALES FOR | NET | PERCENT |
|-------------|--|---------------|------------------|---------------|--------------|-------------|------------------|----------------------------|
| | | WRITEOFF'S | REVENUES | RESALE | OPERATING | RESALE FIRM | REVENUES | WRITEOFFS TO REVENUE |
| | | December | August | August | August | August | August | |
| 1 | 12 ME 12/31/2013 and 8/31/2 | \$ 14,147,611 | \$ 2,136,090,988 | \$ 39,991,496 | \$ 7,882,218 | \$ 343,586 | \$ 2,087,873,688 | 0.6776% |
| 2 | 12 ME 12/31/2015 and 8/31/2 | 12,194,538 | 2,030,915,814 | 38,417,261 | 44,931,386 | 318,610 | 1,947,248,557 | 0.6262% |
| 3 | 12 ME 12/31/2016 and 8/31/2 | 17,232,326 | 2,221,903,291 | 54,786,787 | 16,912,199 | 324,713 | 2,149,879,591 | 0.8015% |
| 4 | | | | | | | | |
| 5 | 3-YR AVERAGE OF NET WRITE OFF RATE | | | | | | | 0.7018% |
| 6 | | | | | | | | |
| 7 | REPORTING PERIOD REVENUES | | 2,388,935,751 | 180,683,383 | 60,271,453 | 325,348 | \$ 2,147,655,566 | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | PROFORMA BAD DEBT RATE | | | | | | 0.7018% | |
| 11 | PROFORMA BAD DEBTS | | | | | | 15,072,247 | |
| 12 | | | | | | | | |
| 13 | UNCOLLECTIBLES CHARGED TO EXPENSE IN TEST YEAR | | | | | | 17,480,805 | |
| 14 | INCREASE (DECREASE) EXPENSE | | | | | | | \$ (2,408,559) |
| 15 | | | | | | | | |
| 16 | INCREASE (DECREASE) NOI | | | | | | | \$ 2,408,559 |
| 17 | INCREASE (DECREASE) FIT | | | | | | 35% | 842,996 |
| 18 | INCREASE (DECREASE) NOI | | | | | | | <u><u>\$ 1,565,563</u></u> |

**PUGET SOUND ENERGY-ELECTRIC
INCENTIVE PLAN
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT**

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | ADJUSTMENT |
|-------------|-------------------------------------|---------------|--------------|----------------------------|
| 1 | INCREASE(DECREASE) IN EXPENSE | \$ 9,561,011 | \$ 6,702,114 | \$ (2,858,897) |
| 2 | | | | |
| 3 | PAYROLL TAXES ASSOCI WITH MERIT PAY | \$ 772,052 | \$ 541,196 | \$ (230,856) |
| 4 | INCREASE(DECREASE) IN EXPENSE | \$ 10,333,063 | \$ 7,243,310 | \$ (3,089,753) |
| 5 | | | | |
| 6 | INCREASE (DECREASE) INCOME | | | 3,089,753 |
| 7 | INCREASE (DECREASE) FIT @ | | 35% | 1,081,414 |
| 8 | | | | |
| 9 | INCREASE (DECREASE) NOI | | | <u><u>\$ 2,008,340</u></u> |

PUGET SOUND ENERGY-ELECTRIC
EXCISE TAX & FILING FEE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|-------------------------------------|------------------|
| 1 | RESTATED EXCISE TAXES | \$ 78,298,671 |
| 2 | CHARGED TO EXPENSE FOR TEST YEAR | \$ 78,306,196 |
| 3 | INCREASE(DECREASE) EXCISE TAX | \$ (7,525) |
| 4 | | |
| 5 | RESTATED WUTC FILING FEE | \$ 4,334,904 |
| 6 | CHARGED TO EXPENSE FOR TEST YEAR | 4,362,729 |
| 7 | INCREASE(DECREASE) WUTC FILING FEE | \$ (27,825) |
| 8 | | |
| 9 | INCREASE(DECREASE) EXPENSE | \$ (35,350) |
| 10 | | |
| 11 | INCREASE(DECREASE) OPERATING INCOME | \$ 35,350 |
| 12 | | |
| 13 | INCREASE(DECREASE) FIT | 35% \$ 12,373 |
| 14 | | |
| 15 | INCREASE(DECREASE) NOI | <u>\$ 22,978</u> |

PUGET SOUND ENERGY-ELECTRIC
D&O INSURANCE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | TEST YEAR | RESTATED | ADJUSTMENT |
|-------------|--------------------------------------|------------|-----------|------------------|
| 1 | D & O INS. CHG EXPENSE | \$ 110,774 | \$ 93,300 | \$ (17,473) |
| 2 | | | | |
| 3 | INCREASE (DECREASE) IN EXPENSE | \$ 110,774 | \$ 93,300 | \$ (17,473) |
| 4 | | | | |
| 5 | INCREASE (DECREASE) OPERATING INCOME | | | 17,473 |
| 6 | | | | |
| 7 | INCREASE (DECREASE) FIT @ | | 35% | 6,116 |
| 8 | | | | |
| 9 | INCREASE (DECREASE) NOI | | | <u>\$ 11,358</u> |

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PUGET SOUND ENERGY-ELECTRIC
MONTANA ENERGY TAX
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|-----------------------------------|-------------------|
| 1 | Actual KWh | 4,529,179,000 |
| 2 | Transmission Line Loss % for WECC | 0.05 |
| 3 | WETT Tax Rate | 0.00015 |
| 4 | WETT Tax | \$ 645,408 |
| 5 | | |
| 6 | EEELT Tax Rate | 0.0002 |
| 7 | EEELT Tax | \$ 905,836 |
| 8 | | |
| 9 | RESTATED ENERGY TAX | 1,551,244 |
| 10 | CHARGED TO EXPENSE | 1,539,549 |
| 11 | INCREASE (DECREASE) INCOME | \$ (11,695) |
| 12 | | |
| 13 | INCREASE (DECREASE) FIT @ 35% | (4,093) |
| 14 | INCREASE (DECREASE) NOI | <u>\$ (7,602)</u> |

| |
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PUGET SOUND ENERGY-ELECTRIC
INTEREST ON CUSTOMER DEPOSITS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE | | | AMOUNT |
|-------------|--------------------------------|-----------|------------------|
| NO. | DESCRIPTION | | |
| 1 | INTEREST EXPENSE FOR TEST YEAR | \$ | 117,816 |
| 2 | | | |
| 3 | | | |
| 4 | INCREASE (DECREASE) NOI | <u>\$</u> | <u>(117,816)</u> |

PUGET SOUND ENERGY-ELECTRIC
ASC 815
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | | ACTUAL | RESTATED | ADJUSTMENT |
|-------------|--------------------------------------|-----------------|----------|------------------------|
| 1 | ASC 815 OPERATING EXPENSE | \$ (83,794,605) | \$ - | \$ 83,794,605 |
| 2 | | | | |
| 3 | INCREASE (DECREASE) IN EXPENSE | \$ (83,794,605) | \$ - | \$ 83,794,605 |
| 4 | | | | |
| 5 | INCREASE (DECREASE) OPERATING INCOME | | | (83,794,605) |
| 6 | | | | |
| 7 | INCREASE (DECREASE) DEFERRED FIT @ | 35% | | (29,328,112) |
| 8 | | | | |
| 9 | INCREASE (DECREASE) NOI | | | <u>\$ (54,466,493)</u> |

**PUGET SOUND ENERGY-ELECTRIC
PENSION PLAN
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT**

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | ADJUSTMENT |
|-------------|---------------------------------|--------------|--------------|-----------------------|
| 1 | QUALIFIED RETIREMENT FUND | \$ 5,379,071 | \$ 7,470,047 | \$ 2,090,976 |
| 2 | | | | |
| 3 | INCREASE (DECREASE) IN EXPENSE | \$ 5,379,071 | \$ 7,470,047 | \$ 2,090,976 |
| 4 | | | | |
| 5 | INCREASE (DECREASE) INCOME | | | (2,090,976) |
| 6 | INCREASE (DECREASE) FIT @ | | 35% | (731,842) |
| 7 | | | | |
| 8 | INCREASE (DECREASE) NOI | | | <u>\$ (1,359,135)</u> |

PUGET SOUND ENERGY-ELECTRIC
INJURIES AND DAMAGES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | ADJUSTMENT |
|-------------|---|------------|-----------|-------------------|
| 1 | INJURIES & DAMAGES ACCRUALS | \$ 112,500 | \$ 46,667 | \$ (65,833) |
| 2 | INJURIES & DAMAGES PAYMENTS IN EXCESS OF ACCRUALS | 476,368 | 346,176 | (130,193) |
| 3 | INCREASE/(DECREASE) IN EXPENSE | 588,868 | 392,842 | (196,026) |
| 4 | | | | |
| 5 | INCREASE/(DECREASE) IN OPERATING EXPENSE (LINE 3) | | | \$ (196,026) |
| 6 | INCREASE (DECREASE) FIT @ | | 35% | 68,609 |
| 7 | | | | |
| 8 | INCREASE (DECREASE) NOI | | | <u>\$ 127,417</u> |

PUGET SOUND ENERGY-ELECTRIC
WILD HORSE SOLAR
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
 COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | ADJUSTMENT |
|-------------|---|-------------------|-------------|---------------------|
| 1 | <u>WILD HORSE SOLAR RATEBASE (AMA)</u> | | | |
| 2 | <u>UTILITY PLANT RATEBASE</u> | | | |
| 3 | PLANT BALANCE | \$ 4,539,303 | | \$ (4,539,303) |
| 4 | ACCUM DEPRECIATION | (1,625,082) | | 1,625,082 |
| 5 | DEFERRED INCOME TAX LIABILITY | (984,139) | | 984,139 |
| 6 | NET WH SOLAR PLANT RATEBASE | 1,930,082 | - | (1,930,082) |
| 7 | | | | |
| 8 | <u>WILD HORSE SOLAR OPERATING EXPENSE</u> | | | |
| 9 | DEPRECIATION EXPENSE | 188,181 | | (188,181) |
| 10 | | | | |
| 11 | INCREASE (DECREASE) EXPENSE | <u>\$ 188,181</u> | <u>\$ -</u> | <u>\$ (188,181)</u> |
| 12 | | | | |
| 13 | INCREASE (DECREASE) FIT @ | | 35% | 65,863 |
| 14 | INCREASE (DECREASE) NOI | | | <u>\$ 122,318</u> |

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| PAGE 4.01 |
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PUGET SOUND ENERGY-ELECTRIC
CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | RATE |
|-------------|---|-------------------------------|
| 1 | BAD DEBTS | 0.007018 |
| 2 | ANNUAL FILING FEE | 0.002000 |
| 3 | STATE UTILITY TAX ((1 - LINE 1) * 3.8734%) | 3.8734% <u>0.038462</u> |
| 4 | | |
| 5 | SUM OF TAXES OTHER | 0.047480 |
| 6 | | |
| 7 | CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 5) | 0.952520 |
| 8 | FEDERAL INCOME TAX ((1 - LINE 5) * 35%) | 35% <u>0.333382</u> |
| 9 | CONVERSION FACTOR (1 - LINE 8) | <u><u>0.619138</u></u> |

**Puget Sound Energy (“PSE”)
Additional Information Provided With
December 2016 Commission Basis Report**

This additional information supplied with PSE’s December 2016 Commission Basis Report (“CBR”) includes cost per customer trend analysis similar to reports supplied with PSE’s CBRs since December 2013. The information included with this report contains non-production O&M cost per customer for calendar years 2011 through 2016 using the same categories and methodology utilized in the development of the K-Factor which was supported by Exhibit No. ____ (KJB-16) in WUTC Docket Nos. UE-130137 and UG-130138 (“ERF/Decoupling Proceedings”).

As demonstrated on page three of this report, the overall annual average increase in non-production O&M for 2016 is lower than the historical growth rate presented in the ERF/Decoupling Proceedings at 1.5% versus 3.8%, and is lower than the benchmark of 1.9% used in developing the O&M component of the K-factor in the ERF/Decoupling Proceedings.

Page five of this analysis demonstrates that the electric annual growth rate on a cost per customer basis has declined to 2.3%, which is below the 4.7% electric historical growth rate presented in the ERF/Decoupling Proceedings. Page six of this analysis demonstrates that the natural gas annual growth rate on a cost per customer basis has declined to 0.3% compared to the 2.2% historical growth rate in Natural Gas related O&M presented in the ERF/Decoupling Proceedings.

Results of Earnings Test: The Company’s performance as detailed in its CBR, shows over-earnings for both gas and electric operations. When reporting on a Commission basis, prior to any earnings sharing, the electric rate of return is 8.06%, or .29% above authorized which equates to \$11.9 million of earnings sharing. Likewise, the gas rate of return on a Commission basis is 7.93%, or .16% above authorized which equates to \$2.2 million in earnings sharing. After the earnings sharing is accounted for, PSE’s rate of return is 7.91% and 7.85% for electric and gas respectively for the reporting period.

PSE’s rate plan and the company’s demonstrated efforts to align costs to customer growth offset by an increase in power costs have all contributed to allowing PSE to earn above its authorized rate of return. Additionally, there are other factors that are contributing to PSE’s reported earnings.

One important factor that increased the Company’s reported earnings in the CBR is the requirement to apply commission normalizing adjustments to the test year. In contrast to the CBR reported earnings, the Company’s actual results of operations demonstrate that the Company under-earned for gas and would have shared less earnings on electric based on test year results. On a Test Year basis¹, the company’s actual results of operations show that PSE over-earned less than on a Commission Basis at 7.98% for Electric and barely over-earned at 7.78% for Gas operations. Thus, PSE was over earning, but not to the extent that it will be sharing after adjustment based on the CBR.

For instance, weather was much warmer than normal for the reporting period. Although weather is not a factor in test year natural gas operations, since it is mostly all recovered on a decoupled basis, weather

¹ For the purposes of this calculation, Test Year was adjusted to remove ASC815, the test year earnings sharing accrual activity and to include the Tax Benefit of Interest in Net Operating Income.

still has a significant impact in the test year on the generation side of electric operations. Even though PSE did not experience the benefit of the normal weather, the Commission required adjustment requires PSE to share as if it did. When taking into account this adjustment to revenue and the offsetting increase in power costs, PSE's electric net operating income was increased by \$5.5 million above its actual earnings, which resulted in an 11 basis points increase in ROR and \$4.4 million in sharing.

It should also be noted that this Commission Basis Report includes an adjustment that adds back revenues associated with the Merger Rate Credit that were paid to customers during the reporting period through Schedule 132. This adjustment added \$4.0 million and \$1.7 million of net operating income to electric and gas, respectively, which resulted in 8 basis points and \$3.1 million of additional sharing for electric and 10 basis points and \$1.4 million in additional sharing for gas. Although it is appropriate to include the Merger Rate Credit adjustment in a general rate case to ensure these funds come from investors and do not get included in the base revenue requirement, PSE believes that it is inappropriate to add back these revenues in the commission basis report, especially for purposes of determining earnings sharing, considering PSE has already given these rate credits to customers through Schedule 132. This adjustment essentially requires PSE to pay earnings sharing on amounts that have already been credited to customers and that will never be included in PSE's earnings. Based on brief discussions with Commission Staff, the company has continued to include the adjustment in this CBR, despite the company's concerns regarding its appropriateness. Commission Staff indicated that this adjustment is likely required under WAC 480-100-257(2)(a), which requires showing "booked results of ...operations and rate base, and all the necessary adjustments as accepted by the commission in the utility's most recent general rate case or subsequent orders". A narrow interpretation of that section could be used to require PSE to include this adjustment; however, PSE still believes that this treatment should not be applicable for a CBR. Section (2) subsection (b) of the WAC states that adjustments can be made for "any other item that materially distorts reporting period earnings" and PSE believes it is this section of the WAC that allows the company to exclude these revenues for Commission reporting purposes. As discussed above, PSE believes the adjustment should not be included in the CBR, however, rather than changing its historical approach PSE's 2016 CBR report has continued to add back these revenues in a Commission Basis adjustment.

In conclusion, a summary of PSE's test year rate of return and earnings sharing and the impacts of Commission required adjustments is summarized below.

| Description | Electric | | Gas | |
|--------------------|----------|---------------|-------|--------------|
| | ROR | Sharing | ROR | Sharing |
| Test Year | 7.98% | \$ 8,903,809 | 7.78% | \$ 100,867 |
| Weather | 0.11% | \$ 4,391,930 | | |
| Merger Rate Credit | 0.08% | 3,117,816 | 0.10% | 1,398,896 |
| Other | -0.11% | (4,468,355) | 0.05% | 688,311 |
| Commission Basis | 8.06% | \$ 11,945,200 | 7.93% | \$ 2,188,074 |

**PUGET SOUND ENERGY
COMBINED RESULTS OF OPERATIONS
COMMISSION BASIS REPORT**

| LINE NO. | DESCR | 12ME Dec 2011 | 12ME Dec 2012 | 12ME Dec 2013 | 12ME Dec 2014 | 12ME Dec 2015 | 12ME Dec 2016 | COMPOUND GROWTH RATE |
|----------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------|
| | | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | |
| 1 | COMBINED EXPENSES: | | | | | | | |
| 2 | TRANSMISSION EXPENSE | \$ 9,530,907 | \$ 19,073,045 | \$ 19,383,744 | \$ 21,589,406 | \$ 19,801,305 | \$ 20,320,134 | |
| 3 | DISTRIBUTION EXPENSE | 130,531,255 | 126,441,451 | 127,563,845 | 136,490,873 | 131,977,836 | 146,062,640 | |
| 4 | CUSTOMER ACCOUNT EXPENSES | 78,512,657 | 80,013,147 | 82,230,612 | 82,709,937 | 76,520,034 | 71,881,945 | |
| 5 | CUSTOMER SERVICE EXPENSES | 4,800,000 | 3,249,127 | 3,914,400 | 5,603,627 | 3,810,121 | 4,899,412 | |
| 6 | ADMIN & GENERAL EXPENSE | 142,745,361 | 145,172,486 | 154,517,147 | 159,194,144 | 156,849,476 | 170,342,501 | |
| 7 | TOTAL EXPENSES | \$ 366,120,180 | \$ 373,949,255 | \$ 387,609,749 | \$ 405,587,987 | \$ 388,958,771 | \$ 413,506,632 | 2.5% |
| 8 | | | | | | | | |
| 9 | AVERAGE CUSTOMER COUNT | 1,840,114 | 1,852,951 | 1,858,766 | 1,876,129 | 1,898,648 | 1,927,305 | |
| 10 | ACTUAL COST PER CUSTOMER | \$ 198.97 | \$ 201.81 | \$ 208.53 | \$ 216.18 | \$ 204.86 | \$ 214.55 | CALCULATED 1.5% |
| 11 | 2011 GROWN AT HISTORICAL RATE | \$ 198.97 | \$ 206.45 | \$ 214.22 | \$ 222.28 | \$ 230.64 | \$ 239.32 | COMBINED ERF 3.8% |

Calculation of Combined Escalation Factors from ERF

| Description | 2006 GRC | | | 2011 GRC | | |
|---|---------------|---------------|---------------|---------------|---------------|----------------|
| | Electric | Gas | Combined | Electric | Gas | Combined |
| 7 Number of years between test years | | | | 5.25 | 5.25 | 5.25 |
| 8 | | | | | | |
| 9 Transmission & Distribution Expense | \$ 65,086,999 | \$ 34,532,486 | \$ 99,619,485 | \$ 92,084,397 | \$ 49,783,566 | \$ 141,867,963 |
| 10 Customer Account & Services Expenses | 37,706,383 | 25,038,278 | 62,744,661 | 49,173,646 | 31,704,844 | 80,878,490 |
| 11 Admin & General Expenses | 74,379,848 | 41,714,840 | 116,094,688 | 99,871,160 | 43,995,146 | 143,866,305 |
| 12 | | | | | | |
| 13 Total O&M | 177,173,230 | 101,285,604 | 278,458,834 | 241,129,203 | 125,483,555 | 366,612,758 |
| 14 | | | | | | |
| 15 Average Customer Count | 1,004,833 | 678,712 | 1,683,546 | 1,075,057 | 750,800 | 1,825,856 |
| 16 | | | | | | |
| 17 Average Cost per Customer | \$ 176.32 | \$ 149.23 | \$ 165.40 | \$ 224.29 | \$ 167.13 | \$ 200.79 |
| 18 | | | | | | |
| 19 | | | | | | |
| 20 Annual Escalation Factor | | | | 4.7% | 2.2% | 3.8% |
| 21 | | | | | | |
| 22 | | | | | | |

**PUGET SOUND ENERGY
ELECTRIC RESULTS OF OPERATIONS
COMMISSION BASIS REPORT**

| LINE NO. | DESCR | 12ME Dec 2011 | 12ME Dec 2012 | 12ME Dec 2013 | 12ME Dec 2014 | 12ME Dec 2015 | 12ME Dec 2016 | COMPOUND GROWTH RATE |
|----------|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------|
| | | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | |
| 1 | <u>COMBINED EXPENSES:</u> | | | | | | | |
| 2 | TRANSMISSION EXPENSE | \$ 9,481,215 | \$ 19,058,040 | \$ 19,355,851 | \$ 21,589,071 | \$ 19,801,305 | \$ 20,320,134 | |
| 3 | DISTRIBUTION EXPENSE | 78,245,091 | 74,862,781 | 77,321,920 | 84,585,141 | 82,427,091 | 86,297,607 | |
| 4 | CUSTOMER ACCOUNT EXPENSES | 48,140,876 | 49,220,845 | 50,570,101 | 51,078,600 | 48,055,081 | 45,755,373 | |
| 5 | CUSTOMER SERVICE EXPENSES | 3,719,955 | 2,032,132 | 2,090,482 | 2,575,945 | 2,145,431 | 2,655,739 | |
| 6 | ADMIN & GENERAL EXPENSE | 96,361,837 | 99,264,866 | 106,511,054 | 110,332,421 | 109,690,022 | 117,707,588 | |
| 7 | TOTAL EXPENSES | \$ 235,948,974 | \$ 244,438,664 | \$ 255,849,409 | \$ 270,161,178 | \$ 262,118,931 | \$ 272,736,441 | 2.9% |
| 8 | | | | | | | | |
| 9 | AVERAGE CUSTOMER COUNT | 1,083,403 | 1,089,296 | 1,085,381 | 1,091,517 | 1,103,635 | 1,119,719 | |
| 10 | ACTUAL COST PER CUSTOMER | \$ 217.79 | \$ 224.40 | \$ 235.72 | \$ 247.51 | \$ 237.51 | \$ 243.58 | CALCULATED 2.3% |
| 11 | 2011 GROWN AT HISTORICAL RATE | \$ 217.79 | \$ 228.00 | \$ 238.69 | \$ 249.89 | \$ 261.61 | \$ 273.88 | COMBINED ERF 4.7% |

**PUGET SOUND ENERGY
GAS RESULTS OF OPERATIONS
COMMISSION BASIS REPORT**

| LINE NO. | DESCR | 12ME Dec 2011 | 12ME Dec 2012 | 12ME Dec 2013 | 12ME Dec 2014 | 12ME Dec 2015 | 12ME Dec 2016 | 2011-2016 |
|----------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------|
| | | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | RESTATED RESULTS OF OPERATIONS | COMPOUND GROWTH RATE |
| 1 | COMBINED EXPENSES: | | | | | | | |
| 2 | TRANSMISSION EXPENSE | \$ 49,692 | \$ 15,005 | \$ 27,893 | \$ 335 | \$ - | \$ - | |
| 3 | DISTRIBUTION EXPENSE | 52,286,164 | 51,578,669 | 50,241,925 | 51,905,732 | 49,550,744 | 59,765,034 | |
| 4 | CUSTOMER ACCOUNT EXPENSES | 30,371,782 | 30,792,302 | 31,660,511 | 31,631,337 | 28,464,953 | 26,126,572 | |
| 5 | CUSTOMER SERVICE EXPENSES | 1,080,045 | 1,216,995 | 1,823,918 | 3,027,682 | 1,664,690 | 2,243,672 | |
| 6 | ADMIN & GENERAL EXPENSE | 46,383,523 | 45,907,620 | 48,006,093 | 48,861,723 | 47,159,453 | 52,634,913 | |
| 7 | TOTAL EXPENSES | \$ 130,171,206 | \$ 129,510,591 | \$ 131,760,339 | \$ 135,426,809 | \$ 126,839,840 | \$ 140,770,191 | 1.6% |
| 8 | | | | | | | | |
| 9 | AVERAGE CUSTOMER COUNT | 756,711 | 763,655 | 773,385 | 784,612 | 795,013 | 807,586 | |
| 10 | ACTUAL COST PER CUSTOMER | \$ 172.02 | \$ 169.59 | \$ 170.37 | \$ 172.60 | \$ 159.54 | \$ 174.31 | CALCULATED 0.3% |
| 11 | 2011 GROWN AT HISTORICAL RATE | \$ 172.02 | \$ 175.77 | \$ 179.61 | \$ 183.53 | \$ 187.53 | \$ 191.62 | COMBINED ERF 2.2% |