

Electric Commission Basis Report Cover Letter
December 31, 2015

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

| | | <u>Adjusted Results of Operations</u> | <u>Earnings Sharing</u> | <u>After Earnings Sharing</u> |
|--|-------|---|-----------------------------|-----------------------------------|
| Restated Net Operating Income | a | \$ 420,761,238 | \$ (7,398,943) | \$ 413,362,295 |
| Restated Rate Base | b | \$ 5,224,753,571 | \$ - | \$ 5,224,753,571 |
| Normalized Overall Rate of Return | c=a/b | 8.05% | -0.14% | 7.91% |
| | | | | |
| Restated Net Operating Income | d=a | \$ 420,761,238 | \$ (7,398,943) | \$ 413,362,295 |
| Restated Interest Expense | e | \$ 163,012,311 | | \$ 163,012,311 |
| Restated NOI less Restated Interest Exp | f=d-e | \$ 257,748,926 | \$ (7,398,943) | \$ 250,349,984 |
| | | | | |
| Restated Rate Base | g=b | \$ 5,224,753,571 | \$ - | \$ 5,224,753,571 |
| Actual Equity Percent | h | 48.15% | | 48.15% |
| Equity Rate Base | i=g*h | \$ 2,515,718,844 | \$ - | \$ 2,515,718,844 |
| | | | | |
| Restated Return on Actual Equity | j=f/i | 10.25% | -0.30% | 9.95% |

PUGET SOUND ENERGY, INC.

**Utility Capital Structure
Cost of Capital and Rate of Return
For The 12 Months Ending December 31, 2015**

| 1 | (A) | (B) | (C) | (D) | (E) |
|----|-------------------------------------|-------------------------------|-----------------------|-------------|---------------------|
| 2 | | | | | |
| 3 | | | | | Weighted |
| 4 | | | | | Cost of |
| 5 | <u>Description</u> | <u>Amount (i)</u> | <u>Ratio</u> | <u>Cost</u> | <u>Capital</u> |
| 6 | | | | | |
| 7 | Short Term Debt | \$53,886,027 | 0.72% | 5.81% | 0.04% (A) |
| 8 | | | | | |
| 9 | Long Term Debt | \$3,805,121,532 | 51.13% | 6.03% | 3.08% (A) |
| 10 | | | | | |
| 11 | Common Stock | <u>\$3,583,713,207</u> | <u>48.15%</u> | 9.80% | <u>4.72%</u> |
| 12 | | | | | |
| 13 | Total | <u>\$7,442,720,766</u> | <u>100.00%</u> | | <u>7.84%</u> |
| 14 | | | | | |
| 15 | | | | | |
| 16 | (i) - Average of Month-End Balances | | | Total (A) | 3.12% |

**Puget Sound Energy
Electric Earnings Sharing**

| Line No. | Description (a) | Calculation (b) | Source (c) |
|----------|--------------------------------|--------------------|--|
| 1 | Restated Rate Base | \$ 5,224,753,571 | Electric Commission Basis Report pg 14 line 36 |
| 2 | Threshold | 7.77% | (Source: UE130137/UG130138) |
| 3 | Maximum Net Operating Income | \$ 405,963,352 | line 1 x line 2 |
| 4 | Restated Net Operating Income | \$ 420,761,238 | Electric Commission Basis Report pg 14 line 34 |
| 5 | Difference | \$ 14,797,886 | line 4 - line 3 |
| 6 | Excess Earnings | \$ 14,797,886 | Greater of zero or line 5 |
| 7 | Earnings Sharing Percentage | 50% | UE-121697 |
| 8 | After-Tax Earnings Sharing | \$ 7,398,943 | line 6 x line 7 |
| 9 | Net to Gross Conversion Factor | 0.620346 | As Approved in ERF |
| 10 | Earnings Sharing for CY 2015 | \$ 11,927,123 | line 8 / line 9 |

PUGET SOUND ENERGY
PERIODIC ALLOCATED RESULTS OF OPERATIONS
FOR THE 12 MONTHS ENDED DECEMBER 31, 2015

(Common cost is spread based on allocation factors developed for the 12 ME12/31/2015)

| | Electric | Gas | Total Amount |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| 1 - OPERATING REVENUES: | | | |
| 2 - SALES TO CUSTOMERS | \$ 2,066,412,206 | \$ 906,702,132 | \$ 2,973,114,337 |
| 3 - SALES FOR RESALE-FIRM | \$ 325,565 | \$ - | 325,565 |
| 4 - SALES TO OTHER UTILITIES | 193,328,153 | - | 193,328,153 |
| 5 - OTHER OPERATING REVENUES | 45,018,172 | 40,846,432 | 85,864,604 |
| 6 - TOTAL OPERATING REVENUES | \$ 2,305,084,096 | \$ 947,548,564 | \$ 3,252,632,659 |
| 7 | | | |
| 8 - OPERATING REVENUE DEDUCTIONS: | | | |
| 9 | | | |
| 10 - POWER COSTS: | | | |
| 11 - FUEL | \$ 249,907,364 | \$ - | \$ 249,907,364 |
| 12 - PURCHASED AND INTERCHANGED | 534,089,569 | 403,309,816 | 937,399,385 |
| 13 - WHEELING | 110,658,354 | - | 110,658,354 |
| 14 - RESIDENTIAL EXCHANGE | (112,472,707) | - | (112,472,707) |
| 15 - TOTAL PRODUCTION EXPENSES | \$ 782,182,580 | \$ 403,309,816 | \$ 1,185,492,396 |
| 16 | | | |
| 17 - OTHER ENERGY SUPPLY EXPENSES | \$ 117,539,552 | \$ 2,134,042 | \$ 119,673,595 |
| 18 - TRANSMISSION EXPENSE | 19,801,305 | - | 19,801,305 |
| 19 - DISTRIBUTION EXPENSE | 82,427,091 | 49,550,744 | 131,977,836 |
| 20 - CUSTOMER ACCTS EXPENSES | 49,083,589 | 28,977,998 | 78,061,587 |
| 21 - CUSTOMER SERVICE EXPENSES | 18,482,385 | 6,465,250 | 24,947,635 |
| 22 - CONSERVATION AMORTIZATION | 100,343,072 | 10,522,856 | 110,865,928 |
| 23 - ADMIN & GENERAL EXPENSE | 110,317,114 | 47,377,201 | 157,694,316 |
| 24 - DEPRECIATION | 261,194,264 | 117,082,009 | 378,276,273 |
| 25 - AMORTIZATION | 44,770,372 | 11,211,689 | 55,982,061 |
| 26 - AMORTIZ OF PROPERTY LOSS | 20,604,866 | - | 20,604,866 |
| 27 - OTHER OPERATING EXPENSES | (4,059,001) | (45,370) | (4,104,371) |
| 28 - FAS 133 | (12,688,452) | - | (12,688,452) |
| 29 - TAXES OTHER THAN INCOME TAXES | 220,330,534 | 99,607,852 | 319,938,386 |
| 30 - INCOME TAXES | 800 | - | 800 |
| 31 - DEFERRED INCOME TAXES | 150,752,249 | 59,998,023 | 210,750,272 |
| 32 - TOTAL OPERATING REV. DEDUCT. | \$ 1,961,082,322 | \$ 836,192,110 | \$ 2,797,274,432 |
| NET OPERATING INCOME | \$ 344,001,774 | \$ 111,356,454 | \$ 455,358,227 |

**PUGET SOUND ENERGY
BALANCE SHEET
COMMISSION BASIS REPORT
As of December 31, 2015**

| FERC Account and Description | Dec-15 | Dec 15 AMA |
|--|----------------------|----------------------|
| **UTILITY PLANT | | |
| ***Electric Plant | | |
| 101 Electric Plant in Service | 9,088,280,487 | 8,999,197,449 |
| 102 Electric Plant Purchased or Sold | - | - |
| 105 Electric Plant Held for Future Use | 49,903,527 | 49,951,700 |
| 106 Comp.Construction Not Classfd.-Electric | 35,067,732 | 26,971,201 |
| 107 Construction Work in Prog. - Electric | 247,426,745 | 200,159,325 |
| 114 Electric Plant Acquisition Adjustments | 282,791,675 | 282,791,675 |
| Total Electric Plant | 9,703,470,165 | 9,559,071,351 |
| ***Gas Plant | | |
| 101 Gas Plant in Service | 3,315,161,396 | 3,241,857,015 |
| 105 Gas Plant Held for Future Use | 6,138,775 | 6,116,654 |
| 106 Comp. Construction Not Classfd.- Gas | 30,778,732 | 36,118,911 |
| 107 Construction Work in Progress - Gas | 84,010,942 | 65,790,691 |
| 117.3 Gas Strd.in Resvr.& Pipln.-Noncurr. | 8,654,564 | 8,654,564 |
| Total Gas Plant | 3,444,744,410 | 3,358,537,835 |
| ***Common Plant | | |
| 101 Plant in Service - Common | 470,875,206 | 464,616,714 |
| 101.1 - Property under capital leases | 378,231 | 3,977,738 |
| 106 Comp Construction Not Classfd. - Common | 45,878 | 951,297 |
| 107 Construction Work in Progress - Common | 77,357,379 | 44,357,639 |
| Total Common Plant | 548,656,694 | 513,903,389 |
| ***Accumulated Depreciation and Amortization | | |
| 108 Accumulated Provision for Depreciation | (4,793,383,292) | (4,659,196,008) |
| 111 Accumulated Provision for Amortization | (124,309,224) | (121,592,792) |
| 115 Accm.Prv.for Amort.of Plant Acquis.Adj. | (111,608,704) | (106,246,155) |
| Less: Accumulated Depr and Amortizat | (5,029,301,219) | (4,887,034,955) |
| **NET UTILITY PLANT | 8,667,570,050 | 8,544,477,620 |
| **OTHER PROPERTY AND INVESTMENTS | | |
| ***Other Investments | | |
| 121 Nonutility Property | 3,759,918 | 4,366,687 |
| 122 Accm.Prov.for Depr.& Amort.Non-utility P | 398,836 | (174,989) |
| 123.1 Investment in Subsidiary Companies | 29,897,623 | 29,735,809 |
| 124 Other Investments | 50,595,598 | 50,744,389 |
| ***Total Other Investments | 84,651,974 | 84,671,895 |
| **TOTAL OTHER PROPERTY AND INVESTMENT | 84,651,974 | 84,671,895 |
| **CURRENT ASSETS | | |
| ***Cash | | |
| 131 Cash | 39,443,112 | 18,078,849 |
| 134 Other Special Deposits | 3,659,935 | 11,285,380 |
| 135 Working Funds | 4,207,857 | 3,810,483 |
| 136 Temporary Cash Investments | - | 39,083,333 |
| ***Total Cash | 47,310,904 | 72,258,046 |

**PUGET SOUND ENERGY
BALANCE SHEET
COMMISSION BASIS REPORT
As of December 31, 2015**

| FERC Account and Description | Dec-15 | Dec 15 AMA |
|---|---------------|-------------------|
| ***Restricted Cash | - | - |
| ***Total Restricted Cash | - | - |
| ***Accounts Receivable | | |
| 141 Notes Receivable | 3,312,955 | 2,810,793 |
| 142 Customer Accounts Receivable | 247,661,911 | 179,674,344 |
| 143 Other Accounts Receivable | 70,009,510 | 84,049,415 |
| 146 Accounts Receiv.from Assoc. Companies | 459,716 | 703,598 |
| 171 Interest and Dividends Receivable | - | - |
| 173 Accrued Utility Revenues | 217,273,664 | 151,729,025 |
| 185 Temporary Facilities | - | 2,893 |
| 191 Unrecovered Purchased Gas Costs | (12,589,440) | (7,405,438) |
| ***Total Accounts Receivable | 526,128,317 | 411,564,630 |
| ***Allowance for Doubtful Accounts | | |
| 144 - Accumulated provision for uncollectible account cre | (9,755,943) | (9,626,179) |
| ***Less: Allowance for Doubtful Accounts | (9,755,943) | (9,626,179) |
| ***Materials and Supplies | | |
| 151 Fuel Stock | 18,852,704 | 19,609,479 |
| 154 Plant Materials and Operating Supplies | 74,041,849 | 78,896,779 |
| 156 Other Materials and Supplies | 289,557 | 162,110 |
| 158.1 Carbon Allowances | 4,083 | 33,010 |
| 163 Stores Expense Undistributed | 4,198,466 | 5,115,349 |
| 164.1 Gas Stored - Current | 38,129,091 | 36,485,293 |
| 164.2 Liquefied Natural Gas Stored | 52,337 | 549,117 |
| ***Total Materials and Supplies | 135,568,088 | 140,851,137 |
| ***Unrealized Gain-Derivative Instrumnts (ST) | | |
| 175 Invest in Derivative Instrumnts -Opt ST | 24,418,315 | 15,813,387 |
| 176 Invest in Derivative Instrumnts-Gain ST | - | - |
| ***Unrealized Gain on Derivatives (ST) | 24,418,315 | 15,813,387 |
| ***Prepayments and Other Current Assets | | |
| 165 Prepayments | 16,774,526 | 18,896,301 |
| 174 Misc.Current and Accrued Assets | - | 7,232,655 |
| 186 Miscellaneous Deferred Debits | 4,200 | 5,878 |
| ***Total Prepayments & Othr.Currt.Assets | 16,778,725 | 26,134,834 |
| Current Deferred Taxes | | |
| Total Current Deferred Taxes | 609,193,138 | 609,705,271 |
| ***TOTAL CURRENT ASSETS | 1,349,641,544 | 1,266,701,125 |
| ***LONG-TERM ASSETS | | |
| 128 Qualified Pension Plan Funded Status | 20,161,969 | 20,161,786 |
| 165 Long-Term Prepaid | 9,700,672 | 4,490,952 |
| 165.8 Long-Term Prepaid Contra | (9,700,672) | (404,195) |
| 165.9 Long-Term Prepaid | 9,700,672 | 404,195 |
| 175 Invest in Derivative Instrumnts -Opt LT | 5,225,474 | 3,472,977 |
| 176 Invest in Derivative Instrumnts-Gain LT | - | - |
| 181 Unamortized Debt Expense | 30,022,060 | 29,787,426 |
| 182.1 Extraordinary Property Losses | 125,776,621 | 114,533,082 |

**PUGET SOUND ENERGY
BALANCE SHEET
COMMISSION BASIS REPORT
As of December 31, 2015**

| FERC Account and Description | Dec-15 | Dec 15 AMA |
|--|--------------------------|--------------------------|
| 182.2 Unrecovered Plant & Reg Study Costs | 10,358,135 | 12,995,707 |
| Subtotal WUTC AFUDC | 52,197,238 | 52,795,463 |
| 182.3 Other Regulatory Assets | 551,203,016 | 563,948,214 |
| 183 Prelm. Survey and Investigation Charges | - | 8,354 |
| 184 Clearing Accounts | - | (316,074) |
| 186 Miscellaneous Deferred Debits | 244,822,111 | 247,012,417 |
| 187 Def.Losses from Dispos.of Utility Plant | 543,918 | 528,399 |
| 189 Unamortized Loss on Reacquired Debt | 44,984,231 | 40,871,672 |
| **TOTAL LONG-TERM ASSETS | 1,094,995,444 | 1,090,290,376 |
| *TOTAL ASSETS | \$ 11,196,859,012 | \$ 10,986,141,015 |
| *CAPITALIZATION AND LIABILITIES | | |
| **CURRENT LIABILITIES | | |
| 230 Asset Retirement Obligations | (352,791) | (2,109,379) |
| 244 FAS 133 Opt Unrealized Loss ST | (131,420,314) | (130,498,641) |
| 245 FAS 133 Unrealized Loss ST | - | (97,839) |
| 231 Notes Payable | (159,004,000) | (40,625,167) |
| 232 Accounts Payable | (284,129,757) | (242,269,037) |
| 233 Notes Payable to Associated Companies | - | (13,260,860) |
| 234 Accounts Payable to Asscted Companies | - | - |
| 235 Customer Deposits | (30,018,551) | (26,799,653) |
| 236 Taxes Accrued | (114,561,816) | (102,419,153) |
| 237 Interest Accrued | (47,771,880) | (58,382,122) |
| 238 Dividends Declared | - | - |
| 241 Tax Collections Payable | (876,546) | (1,618,110) |
| 242 Misc. Current and Accrued Liabilities | (20,571,463) | (27,568,698) |
| 243 Obligations Under Cap.Leases - Current | (378,231) | (3,899,408) |
| **TOTAL CURRENT LIABILITIES | (789,085,348) | (649,548,066) |
| **DEFERRED TAXES | | |
| ***Reg. Liability for Def.Income Tax | | |
| 283 Accum.Deferred Income Taxes - Other | (71,485,315) | (77,444,185) |
| ***Total Reg.Liab.for Def.Income Tax | (71,485,315) | (77,444,185) |
| ***Deferred Income Tax | | |
| 255 Accum.Deferred Investment Tax Credits | - | - |
| 282 Accum. Def. Income Taxes - Other Prop. | (1,797,521,701) | (1,740,848,737) |
| 283 Accum.Deferred Income Taxes - Other | (298,343,340) | (289,005,868) |
| ***Total Deferred Income Tax | (2,095,865,040) | (2,029,854,605) |
| **TOTAL DEFERRED TAXES | (2,167,350,355) | (2,107,298,789) |
| **OTHER DEFERRED CREDITS | | |
| Subtotal 227 Oblig Under Cap Lease - Noncurr | - | (78,938) |
| Total Unrealized Loss on Derivatives -LT | (47,775,659) | (53,183,751) |
| 228.2 Accum. Prov.for Injuries and Damages | (175,000) | (521,500) |
| 228.3 Pension & Post Retirement Liabilities | (105,662,084) | (123,202,817) |
| 228.4 Accum. Misc.Operating Provisions | (302,749,690) | (306,472,814) |
| 229 Accum Provision for Rate Refunds | - | - |
| 230 Asset Retirement Obligations (FAS 143) | (84,674,717) | (65,060,673) |
| 252 Customer Advances for Construction | (70,204,450) | (69,614,747) |

**PUGET SOUND ENERGY
BALANCE SHEET
COMMISSION BASIS REPORT
As of December 31, 2015**

| FERC Account and Description | Dec-15 | Dec 15 AMA |
|--|----------------------------|----------------------------|
| 253 Other Deferred Credits | (352,032,420) | (335,193,032) |
| 254 Other Regulatory Liabilities | (138,764,099) | (129,228,450) |
| 256 Def. Gains from Dispos.of Utility Plt | (3,420,721) | (1,693,256) |
| 257 Unamortized Gain on Reacquired Debt | - | - |
| **TOTAL OTHER DEFERRED CREDITS | (1,105,458,840) | (1,084,249,978) |
| **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) | (2,790,850,858) |
| 214 Capital Stock Expense | 7,133,879 | 7,133,879 |
| 215 Appropriated Retained Earnings | (14,048,059) | (12,518,426) |
| 216 Unappropriated Retained Earnings | (209,018,228) | (214,326,764) |
| 216.1 Unappr.Undistrib.Subsidiary Earnings | 14,599,821 | 14,761,635 |
| 219 Other Comprehensive Income | 149,548,979 | 162,774,839 |
| 433 Balance Transferred from Income | (304,188,836) | (168,132,338) |
| 438 Dividends Declared - Common Stock | 270,233,279 | 134,391,060 |
| 439 Adjustments to Retained Earnings | 5,848,610 | 5,848,610 |
| ****Total Common Equity | (3,362,991,534) | (3,339,922,650) |
| ***TOTAL SHAREHOLDER'S EQUITY | (3,362,991,534) | (3,339,922,650) |
| ***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) | (3,556,318,333) |
| 226 Unamort.Disct. on Long-term Debt-Debit | 1,887,064 | 1,196,801 |
| Long-term Debt | (3,771,972,936) | (3,805,121,532) |
| ****Long-term Debt Total | (3,771,972,936) | (3,805,121,532) |
| ***REDEEMABLE SECURITIES AND LTD | (3,771,972,936) | (3,805,121,532) |
| **TOTAL CAPITALIZATION | (7,134,964,469) | (7,145,044,182) |
| *TOTAL CAPITALIZATION AND LIABILITIES | \$ (11,196,859,012) | \$ (10,986,141,015) |

**Puget Sound Energy
Commission Basis Report
Electric Rate Base
December 31, 2015**

Page 2.03

| 1 | Account | Description | AMA 12/31/2015 |
|------|--------------------------|--|-------------------|
| 3 | | Rate Base | |
| 4 | 101 / 102 / 230XXX1 | Electric Plant in Service | \$ 8,947,070,316 |
| 5 | 101 / 253XXX3 | Common Plant-Allocation to Electric | 310,047,382 |
| 6 | 114XXX1 | Electric Plant Aquisition Adjustment | 282,791,675 |
| 6a | 18600001 / 451/ 461 | Snoqualmie Deferral -UE-130559 | 8,813,742 |
| 6b | 18600801 / 811/ 821 | Baker Deferral - UE-131387 | 2,244,503 |
| 6c | 1822XXX1 | White River Deferred Plant Costs | 30,506,661 |
| 6d | 1823XXX1 | White River Deferred Relicensing & CWIP | (5,071,528) |
| 6e | 16599011 &18232321 | Prepaid Colstrip 1&2 WEC Co Coal Resrv Ded. | 2,250,000 |
| 6f | 18600531 / 671/ 691/791 | Ferndale Deferral - UE-12843 | 19,588,498 |
| 6g | 25300831 | Hopkins II Wake Effect Settlement | - |
| 6h | 18230381/18230391 | Goldendale Deferral -UE-070533 | - |
| 6i | 18235521 | Mint Farm Deferral | 27,963,017 |
| 6j | 1340xxxx | BPA Deposits | 650,056 |
| 6k | 18606XX | WHE Deferred Costs-UE-090704 | - |
| 6l | 18231041 | Prepaid Major Maint Sumas | - |
| 6m | 18230351 | Chelan PUD Contract Initiation | 134,271,739 |
| 6n | 18220091 | Upper Baker - Unrecovered Plant & Reg. Study Costs | 361,902 |
| 6o | 18232301 & 311 & 331 | LSR Deposit Carry Charge & Deferral UE-100882 | 90,244,997 |
| | 18600531 &671 & 25301151 | Ferndale Deferral Accounts | 12,338,824 |
| 7 | 18230041 | Colstrip Common FERC Adj - Reg Asset | 21,589,277 |
| 8 | 18230051 | Accum Amortization Colstrip-Common FERC | (16,429,792) |
| 9 | 18230061 | Colstrip Def Depr FERC Adj - Reg | 1,247,047 |
| 10 | 18230071 | BPA Power Exch Invstmt - Reg Asset | 113,632,921 |
| 11 | 18230081 | BPA Power Exch Inv Amortization - Reg Asset | (106,579,773) |
| 12 | 18230031 | Electric - Def AFUDC - Regulatory Asset | 52,528,599 |
| 13 | 1861051 | Capitalized OH | - |
| 14 | 10500001 | Electric - Plant Held for Future Use | 49,951,700 |
| 15 | 10500003 | Common Plant Held for Fut Use-Alloc to Electric | - |
| 16 | 10600501 | Electric - Const Completed Non Classified | 20,170,869 |
| 16a | 10600503 | Common - Const Completed Non Classified | 541,141 |
| 17 | 108XXX1 | Elec-Accum Depreciation | (3,335,377,763) |
| 18 | 108XXX3 | Common Accum Depr-Allocation to Electric | (63,378,775) |
| 19 | 111XXX1 | Elec-Accum Amortization | (28,121,006) |
| 20 | 11100003 | Common Accum Amort-Allocation to Electric | (59,262,578) |
| 21 | 115XXX1 | Accum Amort Acq Adj - Electric | (106,246,155) |
| 22 | 18230221 | Accum Unamort Consvr Costs | (108,652,206) |
| 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 Tax | - |
| 26b | 19000151 | DFIT - Westcoast Capacity Assignment - Electric | 457,531 |
| 26c | 19000711 | DFIT- BNP Electric | 627,231 |
| 27 | 19000191 | RB-Consrv Pre91 Tax Settlmt - Accum Def Inc Tax | - |
| 27.1 | 19000701 | DFIT SSCM INT - ELEC | - |
| 28 | 235XXX1 | Customer Deposits - Electric | (4,590,716) |
| 28a | 23500003 | Customer Deposits - Common | (15,193,119) |
| 29 | 25400081 | Residential Exchange | - |
| 29.1 | 25400191& 25400201 | Westcoast Pipeline Capacity Regulatory Liabilities | (3,099,320) |
| 30 | 252XXX1 | Cust Advances for Construction | (48,944,983) |
| 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 | (1,218,917,842) |
| 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 | 283XXX | Electric Portion of Common Deferred Taxes | (26,340,572) |
| 35a2 | 19000433 | NOL Carryforward | 101,129,433 |
| 36 | 28300161 | Def Inc Tax - Energy Conservation & FAS 133 | - |
| 37 | 28300261 | Def FIT Bond Redemption Costs | - |
| 37a | 28300091 | Accum Def Inc Tax - Snoqualmie | (3,084,810) |

Puget Sound Energy
Commission Basis Report
Electric Rate Base
December 31, 2015

Page 2.03

| 1 | Account | Description | AMA 12/31/2015 |
|-----|--------------------------------|---|---------------------------|
| 37b | 28300741 | Accum Def Inc Tax - Baker | (785,576) |
| 37c | 28300011 | Def FIT - White River Water Right | (8,902,297) |
| 37d | 28300731 | Accum Def Inc Tax - Ferndale | (6,855,974) |
| 37e | 28300431 | Deferred Taxes WNP#3 | (2,276,092) |
| 37f | 19000441 | Deferred FIT FAS 143 Whitehorn 2 &3 | 5,006,466 |
| 37g | 19000553 | Common DFIT Summit Purchase Opt Buyout - Elec | 179,522 |
| 37h | 19000561 | Def FIT - Wind Loss Settlement Agreemen | - |
| 37i | 28300541 \ 28300551 | DFIT Goldendale Deferral -UE-070533 | (4,318,589) |
| 37j | 28300601\28300611\2830066 | DFIT Mint Fam Costs-UE-090704 | (9,787,056) |
| 37k | 28300631\28300641\2830067 | DFIT Wild Horse Costs-UE-090704 | - |
| 37l | 28300561 | DFIT - Interest Chelan PUD Reg Asset | (15,080,750) |
| 37m | 28300081 & 28300721 | DFIT BPA Prepayment & LSR | (6,593,174) |
| 38 | 124001X1 | Conservation Rate Base | - |
| 39 | 18230181 | 1995 Conservation Trust Rate Base | - |
| 40 | | | - |
| 41 | Working Capital- Rate Base | | \$ 194,511,983 |
| 42 | Rate Base | | \$ 5,226,826,587 |
| 43 | | | |
| 44 | | | |
| 45 | | | |
| 46 | Gross Utility Plant in Service | | 9,610,573,083 |
| 47 | Less Accum Dep and Amort | | (3,592,386,276) |
| 48 | Deferred Debits and Credits | | 278,399,164 |
| 49 | Deferred Taxes | | (1,195,542,548) |
| 50 | Allowance for Working Capital | | 194,511,983 |
| 51 | Customer Deposits/Advances | | (68,728,818) |
| 52 | Total Rate Base | | 5,226,826,587 |

Puget Sound Energy
Commission Basis Report
Combined Working Capital
December 31, 2015

| |
|------------------|
| Page 2.04 |
|------------------|

| Line No. | Description | AMA 12/31/2015 |
|-------------|---|-------------------|
| 1 | Average Invested Capital | |
| 2 | Common Stock | \$ 859,038 |
| 3 | Preferred Stock | - |
| 4 | Additional Paid in Capital | 3,261,370,654 |
| 5 | Unamortized Debt Expense | (24,621,463) |
| 6 | Unappropriated Retained Earnings | 303,506,300 |
| 7 | Notes Payable - Misc | - |
| 8 | Long Term Debt | 3,805,121,532 |
| 9 | Short Term Debt | 53,886,027 |
| 10 | Accumulated Deferred ITC | - |
| 11 | Treasury Grants | 172,070,436 |
| 12 | Deferred Debits-Other | (69) |
| 13 | Unamortized Gain/Loss on Debt | (40,871,672) |
| 14 | Total Average Invested Capital | 7,531,320,783 |
| 15 | | |
| 16 | Average Operating Investments - Electric | |
| 17 | | |
| 18 | Plant in Service (includes acquisition adj) | 9,250,032,860 |
| 19 | Electric Future Use Property | 49,951,700 |
| 20 | Customer Advances for Construction | (48,944,983) |
| 21 | Customer Deposits | (19,783,835) |
| 22 | Deferred Taxes | (1,035,426,186) |
| 23 | Deferred Debits/Credits - Other | 214,464,509 |
| 24 | Less: Accumulated Depreciation | (3,469,744,923) |
| 25 | Conservation Investment | (108,652,206) |
| 26 | Common Plant-Allocation to Electric | 310,588,523 |
| 27 | Common Accum Depr-Allocation to Electric | (122,641,352) |
| 28 | Common Deferred Taxes-Allocation to Electric | (26,161,050) |
| 29 | NOL Carryforward | 101,129,433 |
| 30 | Total Average Operating Investment - Electric | 5,094,812,490 |
| 31 | | |
| 32 | Average Operating Investments - Gas | |
| 33 | | |
| 34 | Gas Utility Plant in Service | 3,276,648,418 |
| 35 | Deferred Items - Other | 79,966,168 |
| 36 | Gas Stored Underground, Non-Current | 8,654,564 |
| 37 | Gas Accumulated Depreciation | (1,238,016,018) |
| 38 | Gas Customer Advances for Construction | (20,669,764) |
| 39 | Gas Customer Deposits | (7,015,797) |
| 40 | DFIT 17 | (502,100,019) |
| 41 | PGA | (7,405,438) |
| 42 | Common Plant-Allocation to Gas | 143,421,889 |
| 43 | Common Accumulated Depreciation-Allocation to Gas | (56,632,661) |
| 44 | Common Deferred Tax | (12,080,508) |
| 45 | NOL Carryforward | 24,995,234 |
| 46 | Total Average Operating Investment - Gas | 1,689,766,068 |
| 47 | | |
| 48 | Total Electric & Gas Operating Investment | 6,784,578,559 |
| 49 | | |
| 50 | Construction Work in Progress | |
| 51 | | |
| 52 | Elec Construction Work in Process | 230,504,386 |
| 53 | Gas Construction Work in Process | 79,803,269 |
| 54 | Other Work in Process | 1,078,809 |
| 55 | Electric Preliminary Surveys | 8,354 |

Puget Sound Energy
Commission Basis Report
Combined Working Capital
December 31, 2015

Page 2.04

| Line No. | Description | AMA 12/31/2015 |
|--------------------------------------|--|-----------------------|
| 56 | Total Construction Work in Progress | 311,394,818 |
| 57 | | |
| 58 | Nonoperating | |
| 59 | | |
| 60 | Non-Utility Property | 4,191,697 |
| 61 | Investment in Associated Companies | 30,360,469 |
| 62 | Other Investments & FAS 133 | (48,058,778) |
| 63 | Deferred Items-Other | 195,272,485 |
| 64 | Deferred Federal Income Tax | (14,972,837) |
| 65 | Investment Tracking Funds | 2,978,048 |
| 66 | Environmental Receivables | - |
| 67 | Current Accounts - Gas Allocation only | - |
| 68 | Merchandising Inventory - Gas Only | 67,537 |
| 69 | Total Non Operating Investment | 169,838,621 |
| 70 | | |
| 71 | Total CWIP & Nonoperating Investment | 481,233,439 |
| 72 | | |
| 73 | Total Average Investments | 7,265,811,998 |
| 74 | Rounding | |
| 75 | Total Investor Supplied Capital | \$ 265,508,785 |
| Allocation of Working Capital | | |
| Electric Working Capital | | |
| | Total Investment | \$ 7,265,811,998 |
| | Less: Electric CWIP | \$ (230,504,386) |
| | Less: Gas | \$ (79,803,269) |
| | Interest Bearing Regulatory Assets | |
| | Other Work in Progress | (1,078,809) |
| | Preliminary Surveys | (8,354) |
| | Total | 6,954,417,180 |
| | Electric Working Capital Ratio | 3.8178% |
| | Electric Working Capital | \$ 194,511,983 |
| Gas Working Capital | | |
| | Total Investment | 7,265,811,998 |
| | Less: Electric CWIP | (230,504,386) |
| | Less: Gas CWIP | (79,803,269) |
| | Interest Bearing Regulatory Assets | |
| | Other Work in Progress | (1,078,809) |
| | Preliminary Surveys | (8,354) |
| | Total | 6,954,417,180 |
| | Gas Working Capital Ratio | 3.8178% |
| | Gas Working Capital | \$ 64,512,629 |
| | Non Operating Working Capital | \$ 6,484,173 |

PUGET SOUND ENERGY-ELECTRIC & GAS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
ALLOCATION METHODS

| <u>Method</u> | <u>Description</u> | | <u>Electric</u> | <u>Gas</u> | <u>Total</u> |
|---------------|---|------------|------------------|------------------|------------------|
| 1 | * <u>12 Month Average Number of Customers</u> | 12/31/2015 | 1,103,635 | 795,013 | 1,898,648 |
| | Percent | | 58.13% | 41.87% | 100.00% |
| 2 | * <u>Joint Meter Reading Customers</u> | 12/31/2015 | 744,988 | 443,615 | 1,188,603 |
| | Percent | | 62.68% | 37.32% | 100.00% |
| 3 | * <u>Non-Production Plant</u> | | | | |
| | Distribution | 12/31/2015 | 3,427,911,734 | 3,170,129,548 | 6,598,041,282 |
| | Transmission | 12/31/2015 | 1,353,650,227 | - | 1,353,650,227 |
| | Direct General Plant | 12/31/2015 | 215,105,516 | 32,505,652 | 247,611,168 |
| | Total | | \$ 4,996,667,477 | \$ 3,202,635,200 | \$ 8,199,302,677 |
| | Percent | | 60.94% | 39.06% | 100.00% |
| 4 | * <u>4-Factor Allocator</u> | | | | |
| | Number of Customers | 12/31/2015 | 1,103,635 | 795,013 | 1,898,648 |
| | Percent | | 58.13% | 41.87% | 100.00% |
| | Labor - Direct Charge to O&M | 12/31/2015 | 53,594,846 | 22,414,610 | 76,009,456 |
| | Percent | | 70.51% | 29.49% | 100.00% |
| | T&D O&M Expense (Less Labor) | 12/31/2015 | 70,238,565 | 28,233,694 | 98,472,260 |
| | Percent | | 71.33% | 28.67% | 100.00% |
| | Net Classified Plant (Excluding General (Common) Plant) | 12/31/2015 | 5,583,571,547 | 1,996,524,045 | 7,580,095,592 |
| | Percent | | 73.66% | 26.34% | 100.00% |
| | Total Percentages | | 273.63% | 126.37% | 400.00% |
| | Percent | | 68.41% | 31.59% | 100.00% |
| 5 | * <u>Employee Benefits</u> | | | | |
| | Direct Labor Accts 500-935 | 12/31/2015 | 59,153,762 | 25,364,270 | 84,518,032 |
| | Total | | \$ 59,153,762 | \$ 25,364,270 | \$ 84,518,032 |
| | Percent | | 69.99% | 30.01% | 100.00% |

| |
|----------------|
| Page 1 Summary |
|----------------|

**PUGET SOUND ENERGY-ELECTRIC
RESULTS OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT**

| LINE NO. | ACTUAL RESULTS OF OPERATIONS | TOTAL ADJUSTMENTS | RESTATED RESULTS OF OPERATIONS |
|-------------|--------------------------------------|----------------------|--------------------------------------|
| 1 | <u>OPERATING REVENUES:</u> | | |
| 2 | \$ 2,066,412,206 | \$ (59,358,843) | \$ 2,007,053,362 |
| 3 | 325,565 | 5,744 | 331,309 |
| 4 | 193,328,153 | - | 193,328,153 |
| 5 | 45,018,172 | 24,445,120 | 69,463,292 |
| 6 | 2,305,084,096 | (34,907,980) | 2,270,176,116 |
| 7 | | | |
| 8 | <u>OPERATING REVENUE DEDUCTIONS:</u> | | |
| 9 | | | |
| 10 | <u>POWER COSTS:</u> | | |
| 11 | \$ 249,907,364 | \$ 85,895 | \$ 249,993,259 |
| 12 | 534,089,569 | 2,417,086 | 536,506,655 |
| 13 | 110,658,354 | - | 110,658,354 |
| 14 | (112,472,707) | 112,472,707 | - |
| 15 | 782,182,580 | 114,975,688 | 897,158,269 |
| 16 | | | |
| 17 | \$ 117,539,552 | \$ - | \$ 117,539,552 |
| 18 | 19,801,305 | - | 19,801,305 |
| 19 | 82,427,091 | - | 82,427,091 |
| 20 | 49,083,589 | (1,028,508) | 48,055,081 |
| 21 | 18,482,385 | (16,336,954) | 2,145,431 |
| 22 | 100,343,072 | (100,300,523) | 42,549 |
| 23 | 110,317,114 | (627,092) | 109,690,022 |
| 24 | 261,194,264 | (188,181) | 261,006,083 |
| 25 | 44,770,372 | - | 44,770,372 |
| 26 | 20,604,866 | - | 20,604,866 |
| 27 | (4,059,001) | 14,013,283 | 9,954,282 |
| 28 | (12,688,452) | 12,688,452 | - |
| 29 | 220,330,534 | (130,111,668) | 90,218,866 |
| 30 | 800 | 124,305,766 | 124,306,566 |
| 31 | 150,752,249 | (129,057,706) | 21,694,542 |
| 32 | \$ 1,961,082,322 | \$ (111,667,444) | \$ 1,849,414,878 |
| 33 | | | |
| 34 | \$ 344,001,774 | \$ 76,759,464 | \$ 420,761,238 |
| 35 | | | |
| 36 | \$ 5,226,826,587 | \$ (2,073,017) | \$ 5,224,753,571 |
| 37 | | | |
| 38 | 6.58% | | 8.05% |
| 39 | | | |
| 40 | <u>RATE BASE:</u> | | |
| 41 | \$ 9,610,573,083 | \$ (4,539,303) | \$ 9,606,033,780 |
| 42 | (3,592,386,276) | 1,436,902 | (3,590,949,374) |
| 43 | 278,399,164 | - | 278,399,164 |
| 44 | (1,195,542,548) | 1,029,384 | (1,194,513,164) |
| 45 | 194,511,983 | - | 194,511,983 |
| 46 | (68,728,818) | - | (68,728,818) |
| 47 | \$ 5,226,826,587 | \$ (2,073,017) | \$ 5,224,753,571 |

Summary 3

PUGET SOUND ENERGY-ELECTRIC
STATEMENT OF OPERATING INCOME AND ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | INCENTIVE PAY 3.09 | EXCISE TAX & FILING FEE 3.10 | D&O INSURANCE 3.11 | MONTANA ENERGY TAX 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 | | | | | | | | | | |
| 2 | | \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - | | \$ (59,358,843) |
| 3 | | | | | | | | | | 5,744 |
| 4 | | | | | | | | | | - |
| 5 | | | | | | | | | | 24,445,120 |
| 6 | | \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | -\$ (34,907,980) |
| 7 | | | | | | | | | | |
| 8 | | | | | | | | | | |
| 9 | | | | | | | | | | |
| 10 | | | | | | | | | | |
| 11 | | \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - | | \$ 85,895 |
| 12 | | | | | | | | | | 2,417,086 |
| 13 | | | | | | | | | | - |
| 14 | | | | | | | | | | 112,472,707 |
| 15 | | \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | 114,975,688 |
| 16 | | | | | | | | | | |
| 17 | | \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - | | \$ - |
| 18 | | | | | | | | | | - |
| 19 | | | | | | | | | | - |
| 20 | | | | | 25,645 | | | | | (1,028,508) |
| 21 | | | | | | | | | | (16,336,954) |
| 22 | | | | | | | | | | (100,300,523) |
| 23 | 377,217 | (100,011) | (17,546) | | | | (1,256,099) | (8,022) | | (627,092) |
| 24 | | | | | | | | | (188,181) | (188,181) |
| 25 | | | | | | | | | | - |
| 26 | | | | | | | | | | - |
| 27 | | | | | | | | | | 14,013,283 |
| 28 | | | | | | 12,688,452 | | | | 12,688,452 |
| 29 | 30,219 | - | | (60,929) | | | | | | (130,111,668) |
| 30 | (142,603) | 35,004 | 6,141 | 21,325 | | | 439,635 | 2,808 | 65,863 | 124,305,766 |
| 31 | | | | | | (4,440,958) | | | | (129,057,706) |
| 32 | \$ 264,833 | \$ (65,007) | \$ (11,405) | \$ (39,604) | \$ 25,645 | \$ 8,247,494 | \$ (816,464) | \$ (5,214) | \$ (122,317) | \$ (111,667,444) |
| 33 | | | | | | | | | | |
| 34 | \$ (264,833) | \$ 65,007 | \$ 11,405 | \$ 39,604 | \$ (25,645) | \$ (8,247,494) | \$ 816,464 | \$ 5,214 | \$ 122,317 | \$ 76,759,464 |
| 35 | | | | | | | | | | |
| 36 | \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | (2,073,017) | \$ (2,073,017) |
| 37 | | | | | | | | | | |
| 38 | | | | | | | | | | |
| 39 | | | | | | | | | | |
| 40 | | | | | | | | | | |
| 41 | \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | (4,539,303) | \$ (4,539,303) |
| 42 | | | | | | | | \$ | 1,436,902 | 1,436,902 |
| 43 | | | | | | | | | | - |
| 44 | | | | | | | | | 1,029,384 | 1,029,384 |
| 45 | | | | | | | | | | - |
| 46 | | | | | | | | | | - |
| 47 | \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | (2,073,017) | \$ (2,073,017) |

PUGET SOUND ENERGY-ELECTRIC
TEMPERATURE NORMALIZATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
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>6.9% or 7.3%</u> |
| 4 | Jan-15 | 2,169,780,309 | 2,253,424,687 | 83,644,378 | 77,872,916 |
| 5 | Feb-15 | 1,799,267,978 | 1,935,602,562 | 136,334,584 | 126,927,498 |
| 6 | Mar-15 | 1,896,815,980 | 1,983,337,869 | 86,521,889 | 80,551,879 |
| 7 | Apr-15 | 1,745,628,460 | 1,765,436,824 | 19,808,364 | 18,441,587 |
| 8 | May-15 | 1,632,475,882 | 1,655,419,544 | 22,943,662 | 21,360,550 |
| 9 | Jun-15 | 1,659,643,808 | 1,627,622,985 | (32,020,823) | (29,811,387) |
| 10 | Jul-15 | 1,771,296,918 | 1,715,012,774 | (56,284,144) | (52,400,538) |
| 11 | Aug-15 | 1,698,106,531 | 1,668,169,143 | (29,937,388) | (27,871,708) |
| 12 | Sep-15 | 1,583,486,214 | 1,587,038,301 | 3,552,087 | 3,292,785 |
| 13 | Oct-15 | 1,709,553,137 | 1,766,399,581 | 56,846,444 | 52,696,654 |
| 14 | Nov-15 | 2,071,074,561 | 2,035,463,340 | (35,611,221) | (33,011,602) |
| 15 | Dec-15 | 2,293,718,205 | 2,346,983,827 | 53,265,622 | 49,377,232 |
| 16 | | <u>22,030,847,983</u> | <u>22,339,911,438</u> | <u>309,063,455</u> | <u>287,425,865</u> |
| 17 | | | | | |
| 18 | REVENUE Schedule 7 | | | 267,287,851 | 18,127,462 |
| 19 | Schedule 24 | | | 13,564,036 | 848,444 |
| 20 | Schedule 25 | | | 5,243,777 | 326,720 |
| 21 | Schedule 26 | | | (2,873,248) | (184,699) |
| 22 | Schedule 29 | | | (215,187) | (13,407) |
| 23 | Schedule 31 | | | (776,109) | (45,183) |
| 24 | Schedule 43 | | | 4,772,905 | 272,591 |
| 25 | Schedule 40 | | | 258,383 | 16,659 |
| 26 | Firm Resale | | | 163,457 | 5,744 |
| 27 | INCREASE (DECREASE) SALES TO CUSTOMERS | | | <u>287,425,865</u> | \$ 19,354,331 |
| 28 | | | | - | |
| 29 | UNCOLLECTIBLES @ | | | 0.0063810 | \$ 123,500 |
| 30 | ANNUAL FILING FEE @ | | | 0.0020000 | 38,709 |
| 31 | INCREASE (DECREASE) EXPENSE | | | | 162,209 |
| 32 | | | | | |
| 33 | STATE UTILITY TAX @ | | | 0.0384870 | \$ 744,890 |
| 34 | INCREASE (DECREASE) TAXES OTHER | | | | 744,890 |
| 35 | | | | | |
| 36 | INCREASE (DECREASE) OPERATING INCOME | | | | 18,447,232 |
| 37 | | | | | |
| 38 | INCREASE (DECREASE) FIT @ | | | 35% | 6,456,531 |
| 39 | INCREASE (DECREASE) NOI | | | | <u>\$ 11,990,701</u> |

**PUGET SOUND ENERGY-ELECTRIC
REVENUE & EXPENSE RESTATING
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT**

| LINE NO. | DESCRIPTION | AMOUNT | ADJUSTMENT |
|-------------|---|-------------------------------|----------------------|
| 1 | SALES TO CUSTOMERS: | | |
| 2 | REMOVED MERGER RATE CREDIT SCH 132 | \$ 6,127,575 | |
| 3 | DECOUPLING DEFERRAL CORRECTION (1) | 9,020,794 | |
| 4 | REMOVE TEST YEAR EARNINGS SHARING ACCRUAL | 12,814,144 | |
| 5 | REMOVE SCHEDULE 95A TREASURY GRANTS | <u>52,644,964</u> | |
| 6 | | | |
| 7 | INCREASE (DECREASE) SALES TO CUSTOMERS | <u>80,607,476</u> | |
| 8 | | | |
| 9 | INCREASE (DECREASE) REVENUES | | \$ 80,607,476 |
| 10 | | | |
| 11 | UNCOLLECTIBLES @ | 0.0063810 \$ 514,356 | |
| 12 | ANNUAL FILING FEE @ | 0.0020000 <u>161,215</u> | |
| 13 | INCREASE (DECREASE) EXPENSE | | 675,571 |
| 14 | | | |
| 15 | STATE UTILITY TAX @ | 0.0384870 \$ <u>3,102,340</u> | |
| 16 | INCREASE (DECREASE) TAXES OTHER | | 3,102,340 |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | OTHER OPERATING EXPENSES: | | |
| 21 | REMOVE SCHEDULE 95A TREASURY GRANTS | | |
| 22 | AMORTIZATION OF INTEREST AND GRANTS | 38,177,690 | |
| 23 | REMOVE ACCRUAL FOR FUTURE PTC LIABILITY | | |
| 24 | (ACTUAL PTC'S REMOVED IN FIT ADJUSTMENT NO. 3.04) | <u>(29,954,454)</u> | |
| 25 | INCREASE (DECREASE) OPERATING EXPENSES | | <u>8,223,236</u> |
| 26 | | | |
| 27 | INCREASE (DECREASE) OPERATING INCOME BEFORE FIT | | 68,606,329 |
| 28 | | | |
| 29 | INCREASE (DECREASE) FIT @ | 35% | <u>24,012,215</u> |
| 30 | | | |
| 31 | INCREASE (DECREASE) NOI | | <u>\$ 44,594,114</u> |
| 32 | | | |
| 33 | (1) Adjustment relates to a correction that was booked in the 1st quarter of 2015 following the requested treatment in PSE's Motion | | |
| 34 | to Amend Order No. 07 in UE-121697 & UG-121705 and in PSE's Schedule 142 filing made March 31, 2015. The adjustment | | |
| 35 | relates to 2014 activity. Therefore, under WAC 480-100-257 (2) (b), PSE is making this material out-of-period adjustment to 2015 | | |
| 36 | results to remove activity related to a prior period. | | |

PAGE 3.03

PUGET SOUND ENERGY-ELECTRIC
POWER COSTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | INCREASE (DECREASE) |
|-------------|---|----------------|----------------|------------------------|
| 1 | PRODUCTION EXPENSES: | | | |
| 2 | FUEL | \$ 249,907,364 | \$ 249,993,259 | \$ 85,895 |
| 3 | PURCHASED AND INTERCHANGED | 534,089,569 | 538,727,973 | 4,638,404 |
| 4 | WHEELING | 110,658,354 | 110,658,354 | - |
| 5 | SALES TO OTHER UTILITIES | (193,328,153) | (193,328,153) | - |
| 6 | PURCHASES/SALES OF NON-CORE GAS & OTHER REV | 15,489,205 | 15,489,205 | - |
| 7 | SUBTOTAL - POWER COSTS TO BE ADJUSTED | \$ 716,816,340 | \$ 721,540,638 | \$ 4,724,299 |
| 8 | | | | |
| 9 | INCREASE(DECREASE) INCOME | | | \$ (4,724,299) |
| 10 | | | | |
| 11 | INCREASE(DECREASE) FIT @ | 35% | | (1,653,505) |
| 12 | INCREASE(DECREASE) NOI | | | \$ (3,070,794) |

| |
|-----------|
| PAGE 3.04 |
|-----------|

PUGET SOUND ENERGY-ELECTRIC
FEDERAL INCOME TAX
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|--|--------------------|
| 1 | TAXABLE INCOME BEFORE INTEREST DEDUCTION | \$ 433,452,307 |
| 2 | | |
| 3 | ADD BACK | |
| 4 | CURRENT FIT | 35.00% 151,708,307 |
| 5 | DEFERRED FIT | 26,135,500 |
| 6 | | |
| 7 | | |
| 8 | CURRENT FIT | \$ 800 |
| 9 | DEFERRED FIT-DEBIT | \$503,244,595 |
| 10 | DEFERRED FIT-CREDIT | (\$352,492,346) |
| 11 | SUB TOTAL | 150,753,049 |
| 12 | | |
| 13 | | |
| 14 | INCREASE(DECREASE) FIT | \$ 151,707,507 |
| 15 | INCREASE(DECREASE) DEFERRED FIT | (124,616,748) |
| 16 | INCREASE(DECREASE) NOI | \$ (27,090,759) |

| |
|-----------|
| PAGE 3.05 |
|-----------|

PUGET SOUND ENERGY-ELECTRIC
TAX BENEFIT OF RESTATED INTEREST
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|----------------------------|-------------------------|
| 1 | RATE BASE | \$ 5,224,753,571 |
| 2 | | |
| 3 | WEIGHTED COST OF DEBT | 3.12% |
| 4 | RESTATED INTEREST | <u>\$ 163,012,311</u> |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | INCREASE (DECREASE) INCOME | <u>\$ (163,012,311)</u> |
| 10 | | |
| 11 | INCREASE (DECREASE) FIT @ | 35% \$ (57,054,309) |
| 12 | | |
| 13 | INCREASE (DECREASE) NOI | <u>\$ 57,054,309</u> |

PAGE 3.06

PUGET SOUND ENERGY-ELECTRIC
PASS-THROUGH REVENUE & EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | AMOUNT | ADJUSTMENT |
|-------------|---|----------|-------------------------|
| 1 | <u>REMOVE REVENUES ASSOCIATED WITH RIDERS:</u> | | |
| 2 | CONSERVATION RIDER - SCHEDULE 120 | | \$ 105,095,065 |
| 3 | PROPERTY TAX TRACKER - SCHEDULE 140 | | 53,776,476 |
| 4 | MUNICIPAL TAXES - SCHEDULE 81 | | 80,608,878 |
| 5 | LOW INCOME RIDER - SCHEDULE 129 | | 16,296,450 |
| 6 | RESIDENTIAL EXCHANGE - SCH 194 | | (118,180,999) |
| 7 | REC PROCEEDS - SCH 137 REC AND BIOGAS PROCEEDS | | (3,527,795) |
| 8 | EXPENSE OFFSET FOR SCH 137 REC AND BIOGAS PROCEEDS | | 2,526,440 |
| 9 | DECOUPLING SCH 142 REVENUE | | 4,007,625 |
| 10 | DECOUPLING SCH 142 SURCHARGE AMORT EXPENSE | | (3,819,796) |
| 11 | GREEN POWER - SCH 135/136 | | 4,600,045 |
| 12 | GREEN POWER - SCH 135/136 ELIMINATE OVER EXPENSED | | (1,316,825) |
| 13 | REMOVE JPUD GAIN ON SALE SCH 133 | | (5,195,775) |
| 14 | TOTAL (INCREASE) DECREASE REVENUES | | <u>\$ 134,869,787</u> |
| 15 | | | |
| 16 | <u>DECREASE REVENUE SENSITIVE ITEMS FOR DECREASE IN REVENUES:</u> | | |
| 17 | BAD DEBTS | 0.63810% | \$ (843,284) |
| 18 | ANNUAL FILING FEE | 0.20000% | (264,311) |
| 19 | STATE UTILITY TAX | 3.84870% | (5,086,269) |
| 20 | TOTAL | | <u>\$ (6,193,865)</u> |
| 21 | | | |
| 22 | <u>REMOVE EXPENSES ASSOCIATED WITH RIDERS</u> | | |
| 23 | CONSERVATION AMORTIZATON - SCHEDULE 120 | | \$ (100,300,523) |
| 24 | PROPERTY TAX AMORTIZATION EXP - SCHEDULE 140 | | (51,323,139) |
| 25 | MUNICIPAL TAXES - SCHEDULE 81 | | (77,502,130) |
| 26 | LOW INCOME AMORTIZATION - SCHEDULE 129 | | (15,552,989) |
| 27 | RESIDENTIAL EXCHANGE - SCH 194 | | 112,472,707 |
| 28 | AMORT ON INTEREST ON REC PROCEEDS - SCH 137 | | 840,414 |
| 29 | GREEN POWER - SCH 135/136 TAGS CHARGED TO 557 | | (2,221,318) |
| 30 | GREEN POWER - SCH 135/136 CHARGED TO 908/909 | | (783,965) |
| 31 | GREEN POWER - SCH 135/136 BENEFITS PORTION OF ADMIN | | (65,721) |
| 32 | GREEN POWER - SCH 135/136 TAXES PORTION OF ADMIN | | (16,649) |
| 33 | REMOVE JPUD AMORT EXPENSE SCH 133 | | 4,949,632 |
| 34 | TOTAL INCREASE (DECREASE) EXPENSE | | <u>\$ (129,503,681)</u> |
| 35 | | | |
| 36 | INCREASE (DECREASE) OPERATING INCOME BEFORE FIT | | \$ 827,759 |
| 37 | INCREASE (DECREASE) FIT | | 289,716 |
| 38 | INCREASE (DECREASE) NOI | | <u>\$ 538,043</u> |

PAGE 3.07

PUGET SOUND ENERGY-ELECTRIC
RATE CASE EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
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 | 80,774 | |
| 8 | INCREASE (DECREASE) EXPENSE | \$ 439,226 | 439,226 |
| 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 | | \$ 507,476 |
| 18 | | | |
| 19 | INCREASE(DECREASE) FIT @ | 35% | (177,617) |
| 20 | INCREASE(DECREASE) NOI | | \$ (329,859) |

PUGET SOUND ENERGY-ELECTRIC
INCENTIVE PLAN
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | ADJUSTMENT |
|-------------|-------------------------------------|--------------|--------------|---------------------|
| 1 | INCREASE(DECREASE) IN EXPENSE | \$ 6,057,237 | \$ 6,434,454 | \$ 377,217 |
| 2 | | | | |
| 3 | PAYROLL TAXES ASSOCI WITH MERIT PAY | \$ 485,245 | \$ 515,464 | \$ 30,219 |
| 4 | INCREASE(DECREASE) IN EXPENSE | \$ 6,542,483 | \$ 6,949,918 | \$ 407,436 |
| 5 | | | | |
| 6 | INCREASE (DECREASE) INCOME | | | (407,436) |
| 7 | INCREASE (DECREASE) FIT @ | | 35% | (142,603) |
| 8 | | | | |
| 9 | INCREASE (DECREASE) NOI | | | <u>\$ (264,833)</u> |

| |
|------------------|
| PAGE 3.10 |
|------------------|

PUGET SOUND ENERGY-ELECTRIC
EXCISE TAX & FILING FEE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|-------------------------------------|---------------|
| 1 | RESTATED EXCISE TAXES | \$ 81,511,906 |
| 2 | CHARGED TO EXPENSE FOR TEST YEAR | \$ 81,511,906 |
| 3 | INCREASE(DECREASE) EXCISE TAX | \$ - |
| 4 | | |
| 5 | RESTATED WUTC FILING FEE | \$ 4,119,016 |
| 6 | CHARGED TO EXPENSE FOR TEST YEAR | 4,219,027 |
| 7 | INCREASE(DECREASE) WUTC FILING FEE | \$ (100,011) |
| 8 | | |
| 9 | INCREASE(DECREASE) EXPENSE | \$ (100,011) |
| 10 | | |
| 11 | INCREASE(DECREASE) OPERATING INCOME | \$ 100,011 |
| 12 | | |
| 13 | INCREASE(DECREASE) FIT | 35% \$ 35,004 |
| 14 | | |
| 15 | INCREASE(DECREASE) NOI | \$ 65,007 |

| |
|------------------|
| PAGE 3.11 |
|------------------|

PUGET SOUND ENERGY-ELECTRIC
D&O INSURANCE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | TEST YEAR | RESTATED | ADJUSTMENT |
|-------------|--------------------------------------|------------|------------|------------------|
| 1 | D & O INS. CHG EXPENSE | \$ 137,394 | \$ 119,848 | \$ (17,546) |
| 2 | | | | |
| 3 | INCREASE (DECREASE) IN EXPENSE | \$ 137,394 | \$ 119,848 | \$ (17,546) |
| 4 | | | | |
| 5 | INCREASE (DECREASE) OPERATING INCOME | | | 17,546 |
| 6 | | | | |
| 7 | INCREASE (DECREASE) FIT @ | | 35% | 6,141 |
| 8 | | | | |
| 9 | INCREASE (DECREASE) NOI | | | <u>\$ 11,405</u> |

PAGE 3.12

PUGET SOUND ENERGY-ELECTRIC
MONTANA ENERGY TAX
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | AMOUNT |
|-------------|-----------------------------------|---------------|
| 1 | ACTUAL KWh | 4,495,032,000 |
| 2 | TRANSMISSION LINE LOSS % for WECC | 0.05 |
| 3 | WETT TAX RATE | 0.00015 |
| 4 | WETT TAX | \$ 640,542 |
| 5 | | |
| 6 | EEELT TAX RATE | 0.0002 |
| 7 | EEELT TAX | \$ 899,006 |
| 8 | | |
| 9 | RESTATED ENERGY TAX | 1,539,548 |
| 10 | CHARGED TO EXPENSE | 1,600,477 |
| 11 | INCREASE (DECREASE) INCOME | \$ 60,929 |
| 12 | | |
| 13 | INCREASE (DECREASE) FIT @ | 21,325 |
| | 35% | |
| 14 | INCREASE (DECREASE) NOI | \$ 39,604 |

| |
|-----------|
| PAGE 3.13 |
|-----------|

PUGET SOUND ENERGY-ELECTRIC
INTEREST ON CUSTOMER DEPOSITS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE | | | |
|-------------|--------------------------------|----|-----------------|
| NO. | DESCRIPTION | | AMOUNT |
| 1 | INTEREST EXPENSE FOR TEST YEAR | \$ | 25,645 |
| 2 | | | |
| 3 | | | |
| 4 | INCREASE (DECREASE) NOI | \$ | <u>(25,645)</u> |

| |
|------------------|
| PAGE 3.14 |
|------------------|

PUGET SOUND ENERGY-ELECTRIC
ASC 815
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | | ACTUAL | RESTATED | ADJUSTMENT |
|-------------|--------------------------------------|-----------------|----------|----------------|
| 1 | ASC 815 OPERATING EXPENSE | \$ (12,688,452) | \$ - | \$ 12,688,452 |
| 2 | | | | |
| 3 | INCREASE (DECREASE) IN EXPENSE | \$ (12,688,452) | \$ - | \$ 12,688,452 |
| 4 | | | | |
| 5 | INCREASE (DECREASE) OPERATING INCOME | | | (12,688,452) |
| 6 | | | | |
| 7 | INCREASE (DECREASE) DEFERRED FIT @ | 35% | | (4,440,958) |
| 8 | | | | |
| 9 | INCREASE (DECREASE) NOI | | | \$ (8,247,494) |

| |
|------------------|
| PAGE 3.15 |
|------------------|

PUGET SOUND ENERGY-ELECTRIC
PENSION PLAN
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | ACTUAL | RESTATED | ADJUSTMENT |
|-------------|---------------------------------|--------------|--------------|-------------------|
| 1 | QUALIFIED RETIREMENT FUND | \$ 9,283,700 | \$ 8,027,601 | \$ (1,256,099) |
| 2 | | | | |
| 3 | INCREASE (DECREASE) IN EXPENSE | \$ 9,283,700 | \$ 8,027,601 | \$ (1,256,099) |
| 4 | | | | |
| 5 | INCREASE (DECREASE) INCOME | | | 1,256,099 |
| 6 | INCREASE (DECREASE) FIT @ | | 35% | 439,635 |
| 7 | | | | |
| 8 | INCREASE (DECREASE) NOI | | | <u>\$ 816,464</u> |

PUGET SOUND ENERGY-ELECTRIC
INJURIES AND DAMAGES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | ACTUAL | RESTATE | ADJUSTMENT |
|-------------|---|------------|------------|-------------|
| 1 | INJURIES & DAMAGES ACCRUALS | \$ 68,031 | \$ 39,851 | \$ (28,179) |
| 2 | INJURIES & DAMAGES PAYMENTS IN EXCESS OF ACCRUALS | \$ 217,806 | \$ 237,964 | 20,158 |
| 3 | INCREASE/(DECREASE) IN EXPENSE | 285,837 | 277,815 | (8,022) |
| 4 | | | | |
| 5 | INCREASE/(DECREASE) IN OPERATING EXPENSE (LINE 3) | | | \$ (8,022) |
| 6 | INCREASE (DECREASE) FIT @ | | 35% | 2,808 |
| 7 | | | | |
| 8 | INCREASE (DECREASE) NOI | | | \$ 5,214 |

PAGE 3.17

PUGET SOUND ENERGY-ELECTRIC
WILD HORSE SOLAR
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
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 | (1,436,902) | | 1,436,902 |
| 5 | DEFERRED INCOME TAX LIABILITY | (1,029,384) | | 1,029,384 |
| 6 | NET WH SOLAR PLANT RATEBASE | 2,073,017 | \$ - | (2,073,017) |
| 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% | <u>65,863</u> |
| 14 | INCREASE (DECREASE) NOI | | | <u>\$ 122,317</u> |

PUGET SOUND ENERGY-ELECTRIC
CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

| LINE NO. | DESCRIPTION | RATE |
|-------------|---|-------------------------|
| 1 | BAD DEBTS | 0.006381 |
| 2 | ANNUAL FILING FEE | 0.002000 |
| 3 | STATE UTILITY TAX ((1 - LINE 1) * 3.8734%) | 3.8734% <u>0.038487</u> |
| 4 | | |
| 5 | SUM OF TAXES OTHER | 0.046868 |
| 6 | | |
| 7 | CONVERSION FACTOR EXCLUDING FEDERAL INCOME TAX (1 - LINE 5) | 0.953132 |
| 8 | FEDERAL INCOME TAX ((1 - LINE 5) * 35%) | 35% <u>0.333596</u> |
| 9 | CONVERSION FACTOR (1 - LINE 8) | <u><u>0.619536</u></u> |

**Puget Sound Energy (“PSE”)
Additional Information Provided With
December 2015 Commission Basis Report**

This additional information supplied with PSE’s December 2015 Commission Basis Report (“CBR”) includes cost per customer trend analysis similar to reports supplied with PSE’s CBRs since December 2013. The attached information contains non-production O&M cost per customer for calendar years 2011 through 2015 using the same categories and methodology utilized in the development of the K-Factor (KJB-16).

As demonstrated on page two, the overall annual average increase in non-production O&M for 2015 is lower than the historical growth rate presented in the ERF/Decoupling proceedings at 0.7% 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 proceeding.

Page three of the analysis demonstrates that the electric annual growth rate has declined to 2.2%, which is below the 4.7% electric historical growth rate presented in the ERF/Decoupling proceedings. Page four of the analysis, provides the natural gas annual growth rate, which is negative 1.9% which represents a decline on a cost per customer basis compared to the 2.2% historical growth rate in Natural Gas related O&M presented in the ERF/Decoupling proceedings. One contributing factor for the decline in the natural gas cost per customer is the four-factor allocator which has been trending more toward electric since 2011, primarily due to the additional production rate base added between 2012 and 2014. As discussed in prior reports, it is for this reason that the company has focused its discussion on the combined O&M impacts.

One of the key changes implemented in 2015 which lowered O&M costs was the amendment of PSE’s contract with Landis + Gyr to transfer the ownership of the Automated Meter Read (“AMR”) technology and equipment to PSE, allowing PSE to reduce its contracted meter reading costs by \$7 million in the reporting period compared to the prior year, and \$5 million below the 2011 contract costs.

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 8.05%, or .28% above authorized which equates to \$11.9 million of earnings sharing. Likewise, the gas rate of return on a Commission basis is 8.17%, or .40% above authorized which equates to \$5.5 million in earnings sharing. After the earning sharing is accounted for, PSE’s rate of return is 7.91% and 7.97% for electric and gas respectively for the reporting period.

It should 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. PSE questions whether this adjustment is appropriate for inclusion in the company’s CBR. This adjustment added \$3.8 million and \$1.6 million of net operating income to electric and gas, respectively, which resulted in 7 basis points and \$3.2 million of additional sharing for electric and 9 basis points and \$1.3 million in additional sharing for gas. Although it is appropriate to include the

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.

Lower than expected power costs, along with PSE's rate plan and the company's demonstrated efforts to align costs to customer growth have all contributed to allowing PSE to earn above its authorized rate of return. However, 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 continued to under-earn for electric and would have shared less earnings on gas based on test year results. On a Test Year basis¹, the company's actual results of operations show that PSE under earned its ROR at 7.75% for Electric; and with an ROR at 8.00% for Gas operations, PSE was over earning, but not to the extent that it will be sharing after adjustment based on the CBR. The reported over-earnings result when the CBR adjustments required per WAC 480-100-257 are made to the test year.

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 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 \$5.2 million above its actual earnings, which resulted in a 10 basis points increase in ROR and \$4.3 million in sharing.

Another Commission required adjustment relates to the normalization of hydro and wind in PSE's power costs. Because the CBR requires reporting the results under normal power supply conditions², PSE adjusts its test year power costs to assume that hydro and wind generation levels matched that assumed in its most recent general rate case or power cost only rate case. Because hydro and wind conditions were less than assumed in PSE's most recent rate case, PSE had to increase its net operating income for purposes of the CBR reporting, even though the benefit of such hydro and wind generation did not truly exist in the reporting period. This adjustment further increased net operating income by \$5.4 million above PSE's actual earnings, which resulted in 10 basis points increase in ROR and \$4.5 million in sharing.

Another factor for consideration is that, although the earnings sharing mechanism relates to the rate plan which only applies to PSE's delivery business, it is calculated on PSE's electric results in total which includes both its delivery and generation businesses. PSE's PCA mechanism contains a dead band of

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 NOI.

² WAC 480-100-257 (2)

\$20 million of power cost imbalances wherein PSE is exposed to 100% of the over or under recovery of its power costs within the dead band. For this reporting period, the earnings sharing mechanism has resulted in PSE sharing with customers \$6.3 million of benefits that fell within the PCA dead band (on a Commission Basis) that are also used to offset prior PCA deferrals.

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

| Description | Electric | | Gas | |
|--------------------------|----------|---------------|-------|--------------|
| | ROR | Sharing | ROR | Sharing |
| Test Year | 7.75% | -- | 8.00% | \$ 3,163,141 |
| Weather | 0.10% | \$ 4,306,466 | -- | -- |
| Normalize Wind and Hydro | 0.10% | 4,488,669 | -- | -- |
| Merger Rate Credit | 0.07% | 3,195,659 | 0.09% | 1,267,375 |
| Other | 0.03% | (63,671) | 0.08% | 1,074,818 |
| Commission Basis | 8.05% | \$ 11,927,122 | 8.17% | \$ 5,505,334 |

**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 | COMPOUND GROWTH RATE |
|----------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------|
| | | 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 | \$ 9,530,907 | \$ 19,073,045 | \$ 19,383,744 | \$ 21,589,406 | \$ 19,801,305 | |
| 3 | DISTRIBUTION EXPENSE | 130,531,255 | 126,441,451 | 127,563,845 | 136,490,873 | 131,977,836 | |
| 4 | CUSTOMER ACCOUNT EXPENSES | 78,512,657 | 80,013,147 | 82,230,612 | 82,709,937 | 76,520,034 | |
| 5 | CUSTOMER SERVICE EXPENSES | 4,800,000 | 3,249,127 | 3,914,400 | 5,603,627 | 3,810,121 | |
| 6 | ADMIN & GENERAL EXPENSE | 142,745,361 | 145,172,486 | 154,517,147 | 159,194,144 | 156,849,476 | |
| 7 | TOTAL EXPENSES | \$ 366,120,180 | \$ 373,949,255 | \$ 387,609,749 | \$ 405,587,987 | \$ 388,958,771 | 1.5% |
| 8 | | | | | | | |
| 9 | AVERAGE CUSTOMER COUNT | 1,840,114 | 1,852,951 | 1,858,766 | 1,876,129 | 1,898,648 | |
| 10 | ACTUAL COST PER CUSTOMER | \$ 198.97 | \$ 201.81 | \$ 208.53 | \$ 216.18 | \$ 204.86 | CALCULATED 0.7% |
| 11 | 2011 GROWN AT HISTORICAL RATE | \$ 198.97 | \$ 206.45 | \$ 214.22 | \$ 222.28 | \$ 230.64 | 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 | COMPOUND GROWTH RATE |
|----------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------|
| | | 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 | |
| 3 | DISTRIBUTION EXPENSE | 78,245,091 | 74,862,781 | 77,321,920 | 84,585,141 | 82,427,091 | |
| 4 | CUSTOMER ACCOUNT EXPENSES | 48,140,876 | 49,220,845 | 50,570,101 | 51,078,600 | 48,055,081 | |
| 5 | CUSTOMER SERVICE EXPENSES | 3,719,955 | 2,032,132 | 2,090,482 | 2,575,945 | 2,145,431 | |
| 6 | ADMIN & GENERAL EXPENSE | 96,361,837 | 99,264,866 | 106,511,054 | 110,332,421 | 109,690,022 | |
| 7 | TOTAL EXPENSES | \$ 235,948,974 | \$ 244,438,664 | \$ 255,849,409 | \$ 270,161,178 | \$ 262,118,931 | 2.7% |
| 8 | | | | | | | |
| 9 | AVERAGE CUSTOMER COUNT | 1,083,403 | 1,089,296 | 1,085,381 | 1,091,517 | 1,103,635 | |
| 10 | ACTUAL COST PER CUSTOMER | \$ 217.79 | \$ 224.40 | \$ 235.72 | \$ 247.51 | \$ 237.51 | CALCULATED 2.2% |
| 11 | 2011 GROWN AT HISTORICAL RATE | \$ 217.79 | \$ 228.00 | \$ 238.69 | \$ 249.89 | \$ 261.61 | 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 | 2011-2015 |
|-------------|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------|
| | | 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 | |
| 4 | CUSTOMER ACCOUNT EXPENSES | 30,371,782 | 30,792,302 | 31,660,511 | 31,631,337 | 28,464,953 | |
| 5 | CUSTOMER SERVICE EXPENSES | 1,080,045 | 1,216,995 | 1,823,918 | 3,027,682 | 1,664,690 | |
| 6 | ADMIN & GENERAL EXPENSE | 46,383,523 | 45,907,620 | 48,006,093 | 48,861,723 | 47,159,453 | |
| 7 | TOTAL EXPENSES | \$ 130,171,206 | \$ 129,510,591 | \$ 131,760,339 | \$ 135,426,809 | \$ 126,839,840 | -0.6% |
| 8 | | | | | | | |
| 9 | AVERAGE CUSTOMER COUNT | 756,711 | 763,655 | 773,385 | 784,612 | 795,013 | |
| 10 | ACTUAL COST PER CUSTOMER | \$ 172.02 | \$ 169.59 | \$ 170.37 | \$ 172.60 | \$ 159.54 | CALCULATED -1.9% |
| 11 | 2011 GROWN AT HISTORICAL RATE | \$ 172.02 | \$ 175.77 | \$ 179.61 | \$ 183.53 | \$ 187.53 | COMBINED ERF 2.2% |

| PUGET SOUND ENERGY ALLOCATION ANALYSIS | | | | | | |
|--|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Line No. | | 2011 CBR 12/31/11 | 2012 CBR 12/31/12 | 2013 CBR 12/31/13 | 2014 CBR 12/31/14 | 2015 CBR 12/31/15 |
| 1 | 12 Month Average Number of Customers | | | | | |
| 2 | Gas | 41.12% | 41.21% | 41.61% | 41.82% | 41.87% |
| 3 | Electric | 58.88% | 58.79% | 58.39% | 58.18% | 58.13% |
| 4 | Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 5 | | | | | | |
| 6 | Joint Meter Reading Customers | | | | | |
| 7 | Gas | 36.70% | 36.78% | 37.52% | 37.73% | 37.32% |
| 8 | Electric | 63.30% | 63.22% | 62.48% | 62.27% | 62.68% |
| 9 | Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 10 | | | | | | |
| 11 | Non-Production Plant | | | | | |
| 16 | Gas | 38.87% | 38.37% | 38.74% | 39.01% | 39.06% |
| 17 | DST | | | | | |
| 18 | TSM | | | | | |
| 19 | GNL | | | | | |
| 20 | Electric | 61.13% | 61.63% | 61.26% | 60.99% | 60.94% |
| 21 | DST | | | | | |
| 22 | TSM | | | | | |
| 23 | GNL | | | | | |
| 24 | Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 25 | | | | | | |
| 26 | FOUR FACTOR ALLOCATOR | | | | | |
| 27 | | | | | | |
| 28 | CUSTOMER COUNT | | | | | |
| 29 | Gas | 41.12% | 41.21% | 41.61% | 41.82% | 41.87% |
| 30 | Electric | 58.88% | 58.79% | 58.39% | 58.18% | 58.13% |
| 31 | Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 32 | | | | | | |
| 33 | | | | | | |
| 34 | LABOR - DIRECT CHARGE TO O&M | | | | | |
| 35 | Gas | 33.44% | 32.50% | 31.28% | 29.94% | 29.49% |
| 36 | Electric | 66.56% | 67.50% | 68.72% | 70.06% | 70.51% |
| 37 | Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 38 | | | | | | |
| 39 | | | | | | |
| 40 | T&D OPERATIONS & MAINTENANCE EXPENSE (LESS LABOR) | | | | | |
| 41 | Gas | 31.34% | 29.86% | 28.78% | 27.94% | 28.67% |
| 42 | Electric | 68.66% | 70.14% | 71.22% | 72.06% | 71.33% |
| 43 | Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 44 | | | | | | |
| 45 | | | | | | |
| 46 | CLASSIFIED PLANT | | | | | |
| 47 | Gas | 30.31% | 28.00% | 26.42% | 26.09% | 26.34% |
| 48 | Electric | 69.69% | 72.00% | 73.58% | 73.91% | 73.66% |
| 49 | Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 50 | | | | | | |
| 51 | FOUR FACTOR ALLOCATOR | | | | | |
| 52 | | 34.05% | 32.89% | 32.02% | 31.45% | 31.59% |
| 53 | | 65.95% | 67.11% | 67.98% | 68.55% | 68.41% |
| 54 | | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 55 | | | | | | |
| 56 | LABOR BENEFITS | | | | | |
| 57 | Gas | 33.28% | 33.12% | 31.70% | 30.41% | 30.01% |
| 58 | Electric | 66.72% | 66.88% | 68.30% | 69.59% | 69.99% |
| 59 | Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |