

**Gas Commission Basis Report Cover Letter
December 31, 2015**

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		<u>Adjusted Results of Operations</u>	<u>Earnings Sharing</u>	<u>After Earnings Sharing</u>
Restated Net Operating Income	a	\$ 139,397,960	\$ (3,420,657)	\$ 135,977,303
Restated Rate Base	b	\$ 1,706,005,751	\$ -	\$ 1,706,005,751
Normalized Overall Rate of Return	c=a/b	8.17%	-0.20%	7.97%
Restated Net Operating Income	d=a	\$ 139,397,960	\$ (3,420,657)	\$ 135,977,303
Restated Interest Expense	e	\$ 53,227,379		\$ 53,227,379
Restated NOI less Restated Interest Exp	f=d-e	\$ 86,170,581	\$ (3,420,657)	\$ 82,749,924
Restated Rate Base	g=b	\$ 1,706,005,751	\$ -	\$ 1,706,005,751
Actual Equity Percent	h	48.15%		48.15%
Equity Rate Base	i=g*h	\$ 821,441,769	\$ -	\$ 821,441,769
Restated Return on Actual Equity	j=f/i	10.49%	-0.42%	10.07%

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
Gas Earnings Sharing**

Line No.	Description (a)	Calculation (b)	Source (c)
1	Restated Rate Base	\$ 1,706,005,751	Gas Commission Basis Report pg 13 line 34
2	Threshold (Compounded)	7.770%	(Source: UE130137/UG130138)
3	Maximum Net Operating Income	\$ 132,556,647	line 1 x line 2
4	Restated Net Operating Income	\$ 139,397,960	Gas Commission Basis Report pg 13 line 32
5	Difference	\$ 6,841,313	line 4 - line 3
6	Excess Earnings	\$ 6,841,313	Greater of zero or line 5
7	Earnings Sharing Percentage	50%	UG-121705
8	After-Tax Earnings Sharing	\$ 3,420,657	line 6 x line 7
9	Net to Gross Conversion Factor	0.621335	As Approved in ERF
10	Earnings Sharing for CY 2015	\$ 5,505,334	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.Curr.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
Gas Rate Base
12/31/2015

	4-Factor Allocation
Electric	68.41%
Gas	31.59%

Line No.	Description	AMA 12/31/15
1	Gas Utility Plant in Service	3,276,648,418
2	Common Plant-Allocation to Gas	143,421,889
3	Gas Stored Underground - Non current	8,654,564
4	Total Plant in Service and Other Assets	<u>3,428,724,871</u>
5	Accumulated Provision for Depreciation	(1,238,016,018)
7	Common Accumulated Depreciation-Allocation to Gas	(56,632,661)
8	Customer Advances for Construction	(20,669,764)
9	Contributions in Aid of Construction - Accum. Def. FIT.	-
10	Liberalized Depreciation Total Accum. Def. FIT - Liberalized	(489,892,743)
11	NOL Carryforward	24,995,234
12	Customer Deposits	(7,015,797)
12	Accumulated Depreciation and Other Liabilities	<u>(1,787,231,749)</u>
13	Net Operating Investment	<u>1,641,493,122</u>
14	Allowance for Working Capital	<u>64,512,629</u>
15	Total Gas Rate Base	<u><u>1,706,005,751</u></u>

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

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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

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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

Method	Description		Electric	Gas	Total
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%

PUGET SOUND ENERGY-GAS
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	\$ 864,537,449	\$ (49,875,262)	\$ 814,662,188
3	42,164,682	(42,164,682)	-
4	40,846,432	17,963,461	58,809,893
5	<u>\$ 947,548,564</u>	<u>\$ (74,076,483)</u>	<u>\$ 873,472,081</u>
6			
7			
8	<u>OPERATING REVENUE DEDUCTIONS:</u>		
9			
10	<u>GAS COSTS:</u>		
11			
12	\$ 403,309,816	\$ (9,827,203)	\$ 393,482,613
13			
14	<u>\$ 403,309,816</u>	<u>\$ (9,827,203)</u>	<u>\$ 393,482,613</u>
15			
16	\$ 2,134,042	\$ (89,512)	\$ 2,044,530
17	-	-	-
18	49,550,744	-	49,550,744
19	28,977,998	(513,045)	28,464,953
20	6,465,250	(4,800,560)	1,664,690
21	10,522,856	(10,522,856)	-
22	47,377,201	(217,748)	47,159,453
23	117,082,009	0	117,082,009
24	11,211,689	-	11,211,689
25	-	-	-
26	(45,370)	-	(45,370)
27	99,607,852	(63,172,792)	36,435,060
28	-	13,060,712	13,060,712
29	59,998,023	(26,034,986)	33,963,037
30	<u>\$ 432,882,294</u>	<u>\$ (92,290,787)</u>	<u>\$ 340,591,507</u>
31			
32	\$ 111,356,454	\$ 28,041,507	\$ 139,397,960
33			
34	\$ 1,706,005,751	\$0	\$ 1,706,005,751
35			
36	6.53%		8.17%
37			
38	<u>RATE BASE:</u>		
39	\$ 3,428,724,871	\$ -	\$ 3,428,724,871
40	(1,294,648,679)	-	(1,294,648,679)
41	(489,892,743)	-	(489,892,743)
42	(2,690,327)	-	(2,690,327)
43	<u>\$ 1,641,493,122</u>	<u>\$ -</u>	<u>\$ 1,641,493,122</u>
44	64,512,629	-	64,512,629
45	<u>\$ 1,706,005,751</u>	<u>\$ -</u>	<u>\$ 1,706,005,751</u>

Summary-3

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

LINE NO.	EXCISE TAX & FILING FEE Adj 3.08	INTEREST ON CUST DEPOSITS Adj 3.09	PENSION PLAN Adj 3.10	D&O INSURANCE Adj 3.11	INJURIES AND DAMAGES Adj 3.12	INCENTIVE PAY Adj 3.13	TOTAL ADJUSTMENTS	ADJUSTED RESULTS OF OPERATIONS
1 OPERATING REVENUES								
2 SALES TO CUSTOMERS	\$	- \$	- \$	- \$	- \$		(49,875,262)	\$ 814,662,188
3 MUNICIPAL ADDITIONS							(42,164,682)	-
4 OTHER OPERATING REVENUES							17,963,461	58,809,893
5 TOTAL OPERATING REVENUES	\$	- \$	- \$	- \$	- \$		(74,076,483)	\$ 873,472,081
6								
7								
8 OPERATING REVENUE DEDUCTIONS:								
9								
10 GAS COSTS:								
11								
12 PURCHASED GAS	\$	- \$	- \$	- \$	- \$		(9,827,203)	\$ 393,482,613
13								
14 TOTAL PRODUCTION EXPENSES	\$	- \$	- \$	- \$	- \$		(9,827,203)	\$ 393,482,613
15								
16 OTHER ENERGY SUPPLY EXPENSES	\$	- \$	- \$	- \$	- \$		(89,512)	\$ 2,044,530
17 TRANSMISSION EXPENSE								
18 DISTRIBUTION EXPENSE								
19 CUSTOMER ACCTS EXPENSES		9,328					(513,045)	49,550,744
20 CUSTOMER SERVICE EXPENSES							(4,800,560)	28,464,953
21 CONSERVATION AMORTIZATION							(10,522,856)	1,664,690
22 ADMIN & GENERAL EXPENSE	(14,734)		(538,584)	(12,638)	(118,082)	131,742	(217,748)	-
23 DEPRECIATION								47,159,453
24 AMORTIZATION								117,082,009
25 AMORTIZATION OF PROPERTY LOSS								11,211,689
26 OTHER OPERATING EXPENSES								-
27 TAXES OTHER THAN F.I.T.						11,031	(63,172,792)	(45,370)
28 FEDERAL INCOME TAXES	5,157		188,505	4,423	41,329	(49,971)	13,060,712	36,435,060
29 DEFERRED INCOME TAXES							(26,034,986)	13,060,712
30 TOTAL OPERATING REV. DEDUCT.	\$ (9,577)	\$ 9,328	\$ (350,080)	\$ (8,215)	\$ (76,753)	\$ 92,803	\$ (92,290,787)	\$ 33,963,037
31								
32 NET OPERATING INCOME	\$ 9,577	\$ (9,328)	\$ 350,080	\$ 8,215	\$ 76,753	\$ (92,803)	\$ 28,041,507	\$ 139,397,960
33								
34 RATE BASE								\$ 1,706,005,751
35								
36 RATE OF RETURN								8.17%
37								
38 RATE BASE:								
39 UTILITY PLANT IN SERVICE AND OTHER ASSETS	\$	- \$	- \$	- \$	- \$			\$ 3,428,724,871
40 ACCUMULATED DEPRECIATION								(1,294,648,679)
41 ACCUMULATED DEFERRED FIT - LIBERALIZED								(489,892,743)
42 DEPRECIATION AND OTHER LIABILITIES								(2,690,327)
43 TOTAL NET INVESTMENT	\$	- \$	- \$	- \$	- \$			\$ 1,641,493,122
44 ALLOWANCE FOR WORKING CAPITAL								64,512,629
45 TOTAL RATE BASE	\$	- \$	- \$	- \$	- \$			\$ 1,706,005,751

PUGET SOUND ENERGY-GAS
TEMPERATURE NORMALIZATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	TEMPERATURE NORMALIZATION ADJUSTMENT:			
2		ACTUAL	TEMP ADJ	THERMS
3		<u>THERMS</u>	<u>THERMS</u>	<u>CHANGE</u>
4	Jan-15	20,194,899	21,195,875	1,000,976
5	Feb-15	20,523,958	22,295,142	1,771,184
6	Mar-15	22,694,410	24,089,843	1,395,433
7	Apr-15	20,674,507	20,957,948	283,441
8	May-15	19,663,517	20,341,640	678,123
9	Jun-15	18,934,885	19,821,306	886,421
10	Jul-15	16,802,470	16,802,470	0
11	Aug-15	16,745,312	16,745,312	0
12	Sep-15	19,122,925	19,122,925	0
13	Oct-15	18,714,054	19,898,414	1,184,360
14	Nov-15	21,307,429	20,904,383	(403,046)
15	Dec-15	23,996,189	24,573,556	577,367
16		<u>239,374,555</u>	<u>246,748,814</u>	<u>7,374,259</u>
17	REVENUE ADJUSTMENT:			
18				
19	TRANS. INTERRUPT WITH FIRM OPTION - COM		85T	42,997
20	TRANS. NON-EXCLUS INTER W/ FIRM OPTION - COM		87T	28,537
21	INTERRUPTIBLE WITH FIRM OPTION - COM		85	74,301
22	NON-EXCL INTERRUPT W/ FIRM OPTION - COM		87	25,489
23	SPECIAL CONTRACTS		SC	22,158
24	INCREASE (DECREASE) SALES TO CUSTOMERS			\$ 193,482
25				
26	OPERATING EXPENSES:			
27	PURCHASED GAS COSTS			<u>0</u>
28				\$ -
29	UNCOLLECTIBLES @		0.46180%	\$ 894
30	ANNUAL FILING FEE @		0.20000%	<u>387</u>
31	INCREASE (DECREASE) EXPENSE			1,281
32				
33	STATE UTILITY TAX @		3.83420%	<u>\$ 7,418</u>
34	INCREASE (DECREASE) TAXES OTHER			<u>7,418</u>
35				
36	INCREASE (DECREASE) OPERATING INCOME			184,783
37				
38	INCREASE (DECREASE) FIT @		35%	<u>64,674</u>
39	INCREASE (DECREASE) NOI			<u>\$ 120,109</u>

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

LINE NO.	DESCRIPTION	ADJUSTMENT
1	SALES TO CUSTOMERS:	
2		
3	REMOVE MERGER RATE CREDIT SCH 132	2,537,033
4		
5	TOTAL INCREASE (DECREASE) SALES TO CUSTOMERS	\$ 2,537,033
6		
7	OTHER OPERATING REVENUES:	
8		
9	REMOVE RENTALS ASSOC WITH SCH 132	52,589
10	REMOVE DECOUPLING ERRATA ADJUSTMENT RELATED TO 2014 (1)	2,219,089
11	REMOVE EARNINGS SHARING ACCRUALS	10,472,941
12		
13		
14	TOTAL INCREASE (DECREASE) OPERATING REVENUES	\$ 12,744,619
15		
16	TOTAL INCREASE (DECREASE) REVENUES	15,281,652
17		
18	UNCOLLECTIBLES @	0.46180% 70,571
19	ANNUAL FILING FEE @	0.20000% 30,563
20	INCREASE (DECREASE) EXPENSE	101,134
21		
22	STATE UTILITY TAX @	3.83420% \$ 585,929
23		
24	INCREASE (DECREASE) TAXES OTHER	585,929
25		
26	INCREASE (DECREASE) OPERATING INCOME	14,594,589
27	INCREASE (DECREASE) FIT @	35% 5,108,106
28	INCREASE (DECREASE) NOI	\$ 9,486,483
29		
30		

(1) Adjustment relates to a correction that was booked in the 1st quarter of 2015 following the requested treatment in PSE's Motion to Amend Order No. 07 in UE-121697 & UG-121705 and in PSE's Schedule 142 filing made March 31, 2015. The adjustment relates to 2014 activity. Therefore, under WAC 480-100-257 (2) (b), PSE is making this material out-of-period adjustment to 2015 results to remove activity related to a prior period.

Adj 3.03

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

LINE NO.	DESCRIPTION	AMOUNT
1	TAXABLE INCOME	\$ 75,467,140
2		
3	ADD BACK	
4	CURRENT FIT	26,413,499
	35.00%	
5	DEFERRED FIT	33,963,037
6	SUB TOTAL	<u>135,843,675</u>
7		
8	LESS INTEREST	<u>53,227,379</u>
9	TOTAL RESTATED FIT	82,616,296
10		
11	FIT PER BOOKS:	
12	CURRENT FIT	-
13	DEFERRED FIT-DEBIT	257,418,504
14	DEFERRED FIT CREDIT	(197,420,481)
15	DEFERRED FIT-INV TAX CREDIT	-
16	TOTAL CHARGED TO EXPENSE	<u>59,998,023</u>
17		
18	INCREASE (DECREASE) FIT	26,413,499
19	INCREASE (DECREASE) DEFERRED FIT	(26,034,986)
20	INCREASE(DECREASE) NOI	<u><u>\$ (378,512)</u></u>

Adj 3.04

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

LINE NO.	DESCRIPTION	AMOUNT
1	RATE BASE	\$ 1,706,005,751
2		
3	NET RATE BASE	<u>\$ 1,706,005,751</u>
4		
5	WEIGHTED COST OF DEBT	<u>3.12%</u>
6	RESTATED INTEREST	\$ 53,227,379
7		
8		
9		
10	INCREASE (DECREASE) INCOME	\$ (53,227,379)
11		
12	INCREASE (DECREASE) FIT @	35% (18,629,583)
13	INCREASE (DECREASE) NOI	<u><u>\$ 18,629,583</u></u>

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

LINE NO.	DESCRIPTION	ADJUSTMENT
1	<u>REMOVE REVENUES ASSOCIATED WITH RIDERS:</u>	
2	REMOVE LOW INCOME RIDER - SCHEDULE 129	5,043,093
3	REMOVE CONSERVATION TRACKER - SCHEDULE 120	11,008,323
4	REMOVE PROPERTY TAX TRACKER - SCHEDULE 140	20,317,851
5	REMOVE REVENUE ASSOC WITH PGA AMORTIZATION - SCHEDULE 106	10,289,833
6	REMOVE CARBON OFFSET - SCHEDULE 137	98,237
7	REMOVE OTHER ASSOC WITH CARBON OFFSET - SCHEDULE 137	(4,523)
8	REMOVE DECOUPLING SCH 142 REVENUE	5,848,440
9	REMOVE DECOUPLING SCH 142 SURCHARGE AMORT EXPENSE	(5,585,495)
10	REMOVE MUNICIPAL TAXES ASSOC WITH SALES TO CUSTOMERS	42,164,682
11	REMOVE MUNICIPAL TAXES ASSOC WITH OTHER OPRTG REV	371,175
12	TOTAL (INCREASE) DECREASE REVENUES	<u>\$ 89,551,617</u>
13		
14	<u>DECREASE REVENUE SENSITIVE ITEMS FOR DECREASE IN REVENUES:</u>	
15	UNCOLLECTIBLES @ 0.004618	\$ (413,549)
16	ANNUAL FILING FEE 0.002000	(179,103)
17	STATE UTILITY TAX 0.038342	(3,433,588)
18	TOTAL	<u>\$ (4,026,241)</u>
19		
20	<u>REMOVE EXPENSES ASSOCIATED WITH RIDERS</u>	
21	REMOVE LOW INCOME AMORTIZATION - SCHEDULE 129	(4,800,560)
22	REMOVE CONSERVATION AMORTIZATION - SCHEDULE 120	(10,522,856)
23	REMOVE PROPERTY TAX AMORTIZATION EXP - SCHEDULE 140	(19,421,833)
24	REMOVE PGA DEFERRAL AMORTIZATION EXP - SCHEDULE 106	(9,827,203)
25	REMOVE CARBON OFFSET AMORTIZATION EXP - SCHEDULE 137	(89,512)
26	REMOVE MUNICIPAL TAXES ASSOC WITH SALES TO CUSTOMERS	(40,921,750)
27	TOTAL INCREASE (DECREASE) EXPENSE	<u>\$ (85,583,713)</u>
28		
29	INCREASE (DECREASE) OPERATING INCOME BEFORE FIT	\$ 58,337
30	INCREASE (DECREASE) FIT (LINE 26 * 35%)	20,418
31	INCREASE (DECREASE) NOI	<u><u>\$ 37,919</u></u>

PUGET SOUND ENERGY-GAS
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	2011 AND 2009 GRC EXPENSES TO BE NORMALIZED	\$ 1,040,000	
4			
5	ANNUAL NORMALIZATION (LINE 3 / 2)	520,000	
6	LESS TEST YEAR EXPENSE: GRC DIRECT CHARGES TO O&M	37,299	
7	INCREASE (DECREASE) EXPENSE	\$ 482,701	\$ 482,701
8			
9			
10	TOTAL INCREASE (DECREASE) EXPENSE		\$ 482,701
11			
12	INCREASE(DECREASE) FIT @	35%	(168,945)
13	INCREASE(DECREASE) NOI		\$ (313,755)

Adj 3.07

PUGET SOUND ENERGY-GAS
BAD DEBTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
COMMISSION BASIS REPORT

LINE NO.	YEAR	NET WRITEOFFS	GROSS REVENUES	OTHER OPERATING REVENUE	NET REVENUES	PERCENT WRITEOFFS TO REVENUE
		December	August	August	August	
1	12 ME 12/31/2012 and 8/31/2012	\$ 4,956,862	\$ 1,134,406,076	\$ 13,609,006	\$1,120,797,070	0.4423%
2	12 ME 12/31/2013 and 8/31/2013	\$ 4,892,400	\$ 1,001,308,155	\$ 15,716,065	\$ 985,592,090	0.4964%
3	12 ME 12/31/2015 and 8/31/2015	\$ 4,066,021	\$ 975,271,378	\$ 65,323,769	\$ 909,947,609	0.4468%
4						
5	3-YR AVERAGE OF NET WRITE OFF RATE					0.4618%
6						
7	REPORTING PERIOD REVENUES		\$ 947,548,564	\$ 40,846,432	\$ 906,702,132	
8						
9	RESTATED BAD DEBT RATE				0.4618%	
10	RESTATED BAD DEBTS				\$ 4,187,150	
11						
12	UNCOLLECTIBLES CHARGED TO EXPENSE IN TEST YEAR				4,367,438	
13	INCREASE (DECREASE) EXPENSE					\$ (180,288)
14						
15	INCREASE(DECREASE) IN INCOME					\$ 180,288
16	INCREASE (DECREASE) FIT				35%	63,101
17	INCREASE (DECREASE) NOI					<u>\$ 117,187</u>

Adj 3.08

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

LINE NO.	DESCRIPTION	AMOUNT
1	RESTATED EXCISE TAXES	\$ 35,459,565
2	CHARGED TO EXPENSE FOR TEST YEAR	\$35,459,565
3	INCREASE(DECREASE) EXCISE TAX	\$ -
4		
5	RESTATED WUTC FILING FEE	\$ 1,900,373
6	CHARGED TO EXPENSE FOR TEST YEAR	1,915,107
7	INCREASE(DECREASE) WUTC FILING FEE	\$ (14,734)
8		
9	INCREASE(DECREASE) EXPENSE	\$ (14,734)
10		
11	INCREASE(DECREASE) OPERATING INCOME	\$ 14,734
12		
13	INCREASE(DECREASE) FIT 35%	\$ 5,157
14		
15	INCREASE(DECREASE) NOI	\$ 9,577

Adj 3.09

PUGET SOUND ENERGY-GAS
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	\$	9,328
2			
3			
4	INCREASE (DECREASE) NOI	\$	<u><u>(9,328)</u></u>

Adj 3.10

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

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	QUALIFIED RETIREMENT FUND	\$ 3,980,623	\$ 3,442,039	\$ (538,584)
2				
3				
4	INCREASE (DECREASE) IN EXPENSE	\$ 3,980,623	\$ 3,442,039	\$ (538,584)
5				
6	INCREASE (DECREASE) INCOME			538,584
7	INCREASE (DECREASE) FIT @		35%	188,505
8				
9	INCREASE (DECREASE) NOI			<u><u>\$ 350,080</u></u>

Adj 3.11

PUGET SOUND ENERGY-GAS
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	\$ 98,962	\$ 86,324	\$ (12,638)
2				
3	INCREASE (DECREASE) IN EXPENSE	\$ 98,962	\$ 86,324	\$ (12,638)
4				
5	INCREASE (DECREASE) OPERATING INCOME			12,638
6				
7	INCREASE (DECREASE) FIT @		35%	4,423
8				
9	INCREASE (DECREASE) NOI			<u>\$ 8,215</u>

Adj 3.12

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

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	INJURIES & DAMAGES ACCRUALS	\$ 313,882	\$ 108,586	\$ (205,296)
2	INJURIES & DAMAGES PAYMENTS IN EXCESS OF ACCRUALS	\$ 133,331	\$ 220,545	87,214
3	INCREASE/(DECREASE) IN EXPENSE	447,213	329,132	(118,082)
4				
5	INCREASE/(DECREASE) IN OPERATING EXPENSE (LINE 3)			\$ (118,082)
6	INCREASE (DECREASE) FIT @		35%	41,329
7				
8	INCREASE (DECREASE) NOI			\$ 76,753

Adj 3.13

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

LINE NO.	DESCRIPTION	ACTUAL	RESTATED	ADJUSTMENT
1	INCENTIVE/MERIT PAY			
2	TOTAL INCENTIVE PAY	\$ 2,627,194	\$ 2,758,937	\$ 131,742
3				
4	PAYROLL TAXES ASSOC WITH MERIT PAY	219,989	231,021	11,031
5	INCREASE(DECREASE) EXPENSE	2,847,183	2,989,957	142,774
6				
7	INCREASE (DECREASE) OPERATING EXPENSE			142,774
8				
9	INCREASE(DECREASE) FIT @		35%	(49,971)
10	INCREASE(DECREASE) NOI			\$ (92,803)

Adj 4.01

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

LINE NO.	DESCRIPTION	BASE	RATE	AMOUNT
1	BAD DEBTS			0.004618
2	ANNUAL FILING FEE			0.002000
3	STATE UTILITY TAX (3.852% - (LINE 1 * 3.852%))		3.852%	0.038342
4				
5	SUM OF TAXES OTHER			0.044960
6				
7	CONVERSION FACTOR BEFORE FIT			0.955040
8	FEDERAL INCOME TAX ((1 - LINE 5) * 35%)		35%	0.334264
9	CONVERSION FACTOR (1 - (LINE 5 + LINE 7))			0.620776

**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	<u>COMBINED EXPENSES:</u>						
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%