

## Puget Sound Energy, Inc.

### Affiliated Interest and Subsidiary Transaction Report For the 12 months ended December 31, 2018

1. Refer to Exhibit 1 for a summary of all transactions, except transactions provided at tariff rates, which occurred between Puget Sound Energy, Inc. (PSE), its affiliated interests and subsidiary.

Refer to Exhibit 2 for the corporate organization chart of PSE and its affiliated interests and subsidiaries.

2. Financial information for affiliated interests and subsidiary with total transactions with PSE that equal or exceed \$100,000 during the reporting period:
  - A. Refer to Exhibit 3 for balance sheets and income statements for affiliated interests and subsidiary.
  - B. Refer to Exhibit 1 for a description of the products or services provided to or from PSE and each affiliated interest or subsidiary.
  - C. Refer to Exhibit 4 for a description of the pricing basis or costing method, and procedures for allocating costs for such products or services. Corporate common costs were allocated on a monthly basis. Corporate policy regarding the allocation of common costs is outlined in PSE's Controller Manual CTM-8, attached as Exhibit 4. Refer to Exhibit 1 for the amount and accounts charged during the year.
  - D. There were no loan terms assumed by PSE on behalf of any affiliated interest or subsidiary during the 12 months ended December 31, 2018.
  - E. There were no obligations or liabilities assumed by PSE on behalf of any affiliated interest or subsidiary during the 12 months ended December 31, 2018.
  - F. Refer to Exhibit 2 for a description of activities of each affiliated interest or subsidiary having transactions with PSE.
  - G. Refer to Exhibit 2 for a list of officers and directors common to PSE and affiliated interests and subsidiaries.

3. Not Applicable

4. All outstanding contracts from the current and previous years have been filed with the commission.

PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT

EXHIBIT 1

**EXHIBIT 1**

Puget Sound Energy, Inc.  
Summary of Transactions  
For the 12 Months Ended December 31, 2018

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

	<u>Amount</u>
<b><u>Puget Holdings LLC</u></b>	
Accounts payable to PSE	\$ 458,842
Reimbursement of labor and other expenses to PSE	\$ 964,798
<b><u>Puget Intermediate Holdings, Inc.</u></b>	
Accounts payable to PSE	\$ 118
Reimbursement of labor and other expenses to PSE	\$ 53,323
<b><u>Puget Equico LLC</u></b>	
Accounts payable to PSE	\$ 118
Reimbursement of labor and other expenses to PSE	\$ 26,961
<b><u>Puget Energy, Inc.</u></b>	
Account payable to PSE	\$ 141,112
Reimbursement of labor and other expenses to PSE	\$ 1,273,191
Dividends from PSE	\$ 173,716,006
<b><u>Puget LNG LLC</u></b>	
Accounts payable to PSE	\$ 7,328,143
Reimbursement of labor and other expenses to PSE	\$ 27,833,601
<b><u>Puget Western, Inc.</u></b>	
Accounts payable to PSE	\$ 36,119
Reimbursement of labor and other expenses to PSE	\$ 241,331
Dividends paid to PSE	\$ -

PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT

EXHIBIT 2

## EXHIBIT 2

### COMPANIES WITH AN AFFILIATED INTEREST

PUGET HOLDINGS, LLC. (Puget Holdings) is a limited liability energy services holding company formed on October 11, 2007 in the State of Delaware, which directly owns Puget Intermediate Holdings, Inc. (Puget Intermediate). All of the operations of Puget Holdings are conducted through its indirect subsidiary Puget Sound Energy (PSE). Puget Holdings has its principal executive office at 355 110<sup>th</sup> Avenue NE, Suite 1100, Bellevue, Washington 98004.

PUGET INTERMEDIATE HOLDINGS, INC. (Puget Intermediate) is an energy services holding company formed on October 24, 2007 in the State of Washington that directly owns Puget Equico, LLC. All of the operations of PIH are conducted through its indirect subsidiary PSE. Puget Intermediate has its principal executive office at 355 110<sup>th</sup> Avenue NE, Suite 1100, Bellevue, Washington 98004.

PUGET EQUICO, LLC (Puget Equico) is a limited liability energy services holding company formed on October 1, 2008 in the State of Washington, which directly owns Puget Energy. All of the operations of Puget Equico are conducted through its indirect subsidiary, PSE. Puget Equico has its principal executive office at 355 110<sup>th</sup> Avenue NE, Suite 1100, Bellevue, Washington 98004.

PUGET ENERGY, INC. (Puget Energy) is an energy services holding company incorporated in the State of Washington in 1999. All of its operations are conducted through its direct subsidiary PSE. Puget Energy has its principal executive office at 355 110<sup>th</sup> Avenue NE, Suite 1100, Bellevue, Washington 98004. Puget Energy had the following subsidiary at December 31, 2016.

PUGET LNG LLC., a Washington limited liability company, is a manufacturer and seller of fuel, formed on November 29, 2016. Address: 355 110<sup>th</sup> Avenue NE, Suite 1100, Bellevue, Washington 98004.

PUGET SOUND ENERGY, INC. (Puget Sound Energy) is a wholly-owned utility incorporated in the State of Washington, which generates purchases and sells electricity and purchases transports and sells natural gas in a service territory covering 6,000 square miles, principally in the Puget Sound region of Washington State. PSE has its principal executive office at Address: 355 110<sup>th</sup> Avenue NE, Suite 1100, Bellevue, Washington 98004. Puget Sound Energy had the following subsidiary at December 31, 2010.

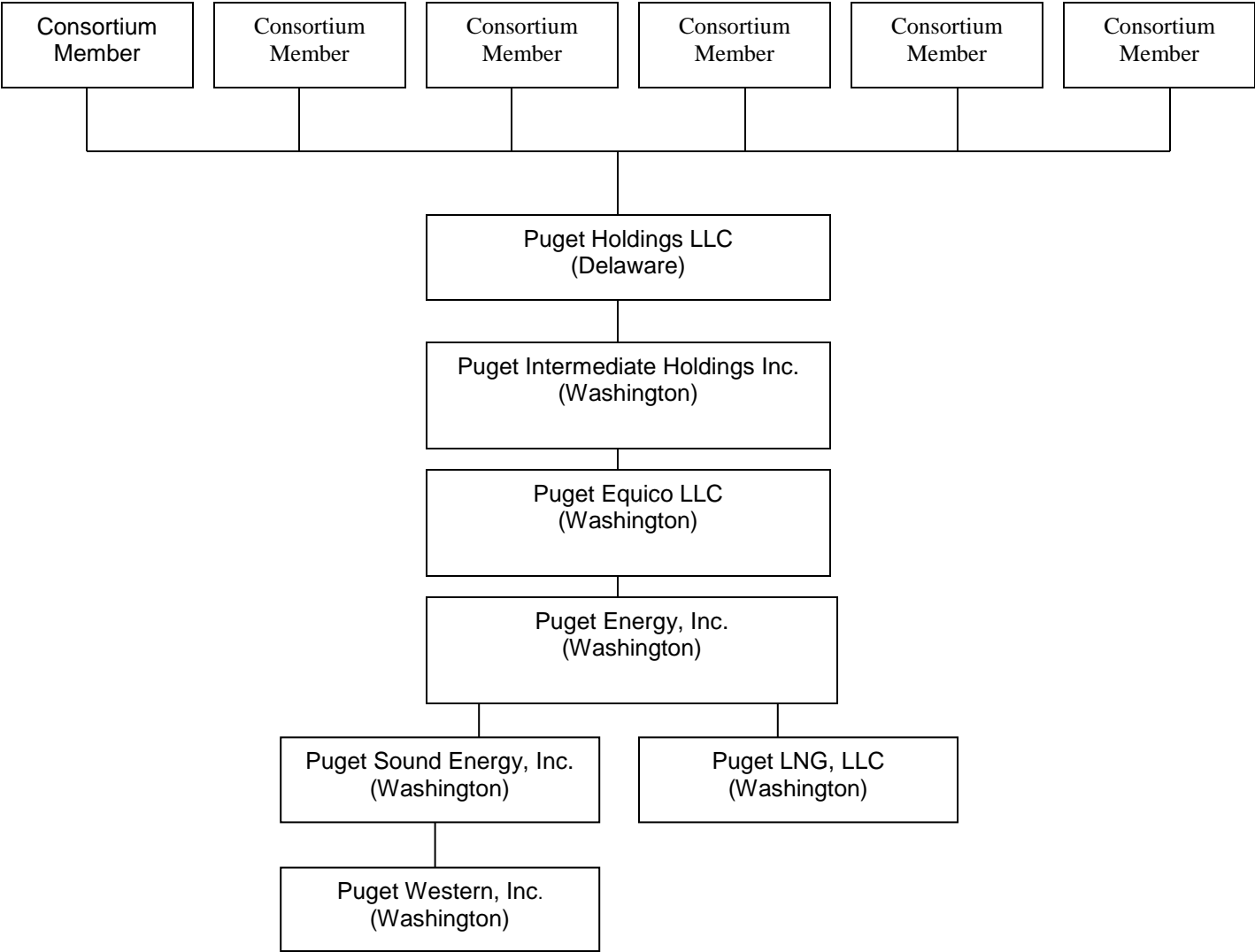
PUGET WESTERN, INC., a Washington corporation, is a real estate investment and development company. Address: 19515 North Creek Parkway, Suite 310, Bothell, Washington 98011.

### COMPANIES THAT MAY HAVE AN AFFILIATED INTEREST

MACQUARIE CAPITAL (USA), INC. (Macquarie Capital (USA)), incorporated in March 1, 1994, is a Delaware Corporation that is a wholly owned subsidiary of Macquarie Holdings (USA), Inc. (the "Parent"), which is an indirect wholly owned subsidiary of Macquarie Group Limited ("MGL"), a non-operating holding company located in Sydney, Australia. Macquarie Capital (USA) principal place of business is at 125 West 55th Street, New York, NY 10019.

MACQUARIE ENERGY, LLC (Macquarie Energy), the surviving entity of an internal corporate reorganization that took effect February 1, 2010, pursuant to which the power marketer, Macquarie Cook Power, Incorporated, merged into its affiliated natural gas marketer Macquarie Cook Energy LLC. Macquarie Energy, LLC is an indirect, wholly-owned subsidiary of Macquarie Bank Limited, which in turn is wholly-owned by Macquarie Group Limited ("MGL"), an Australian-based company which is a global provider of banking, financial, advisory, investment and funds management services. Macquarie Energy, LLC is a Delaware limited liability company with its principal place of business at 500 Dallas Street, Suite 3100, Houston, TX 77002.

**PUGET HOLDINGS  
CORPORATE STRUCTURE**



## **PUGET HOLDINGS LLC LISTING OF SUBSIDIARIES**

### **Puget Holdings LLC** TIN #26-1273439 (formed 10/12/2007)

#### **Directors**

Steve Hooper, Chair  
Scott Armstrong  
Andrew Chapman  
Kimberly Harris  
Chris Hind  
Karl Kuchel  
Christopher Leslie  
Paul McMillan  
Mary McWilliams  
Christopher Trumpy

#### **Officers**

Kimberly J. Harris, President and Chief Executive Officer  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President and General Counsel  
Steve King, Controller and Principal Accounting Officer  
Matthew McArthur, Treasurer  
Samuel S. Osborne, Assistant Secretary

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

#### **Directors**

Steve Hooper, Chair  
Scott Armstrong  
Andrew Chapman  
Kimberly Harris  
Chris Hind  
Karl Kuchel  
Christopher Leslie  
Paul McMillan  
Mary McWilliams  
Christopher Trumpy

#### **Officers**

Kimberly J. Harris, President and Chief Executive Officer  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President and General Counsel  
Steve King, Controller and Principal Accounting Officer  
Matthew McArthur, Treasurer  
Samuel S. Osborne, Assistant Secretary

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

#### **Directors**

Steve Hooper, Chair  
Scott Armstrong  
Andrew Chapman  
Kimberly Harris  
Chris Hind  
Karl Kuchel  
Christopher Leslie  
Paul McMillan  
Mary McWilliams  
Christopher Trumpy

#### **Officers**

Kimberly J. Harris, President and Chief Executive Officer  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President and General Counsel  
Steve King, Controller and Principal Accounting Officer  
Matthew McArthur, Treasurer  
Samuel S. Osborne, Assistant Secretary

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

**Directors**

Steve Hooper, Chair  
Scott Armstrong  
Andrew Chapman  
Kimberly Harris  
Chris Hind  
Karl Kuchel  
Christopher Leslie  
Paul McMillan  
Mary McWilliams  
Christopher Trumpy

**Officers**

Kimberly J. Harris, President and Chief Executive Officer  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Steve R. Secrist, Senior Vice President, General Counsel and CE&CO  
Steve King, Controller and Principal Accounting Officer  
Matthew McArthur, Treasurer  
Samuel S. Osborne, Assistant Secretary

**SUBSIDIARY OF PUGET ENERGY, INC.**

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

**Directors**

Steve Hooper, Chair  
Scott Armstrong  
Andrew Chapman  
Barbara Gordon  
Kimberly Harris  
Chris Hind  
Karl Kuchel  
Christopher Leslie  
Paul McMillan  
Mary McWilliams  
Christopher Trumpy

**Officers**

Kimberly J. Harris, President and Chief Executive Officer  
Daniel A. Doyle, Senior Vice President and Chief Financial Officer  
Booga K. Gilbertson, Senior Vice President Operations  
Margaret Hopkins, Vice President and Chief Information Officer  
Ken Johnson, Vice President, Regulatory and Government Affairs  
Marla Mellies, Senior Vice President and Chief Administrative Officer  
David Mills, Senior Vice President, Policy and Energy Supply  
Steve R. Secrist, Senior Vice President, General Counsel and CE&CO  
Andrew W. Wappler, Vice President Customer Operations and  
Communications  
Steve King, Controller and Principal Accounting Officer  
Matthew McArthur, Treasurer  
Samuel S. Osborne, Assistant Secretary

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

**Directors**

Roger Garratt, Chair  
David E. Mills  
Dan Doyle  
Dennis McLerran  
John Hatley

**Officers**

Roger Garratt, President  
Samuel Osborne, Vice President and Secretary  
Matthew McArthur, Treasurer

**SUBSIDIARY OF PUGET SOUND ENERGY, INC.**

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

**Directors**

Daniel A. Doyle, Chair  
Roger Garratt  
Samuel Osborne

**Officers**

Joel Molander, President  
Daniel A. Doyle, Treasurer  
Samuel Osborne, Secretary



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

**Directors**

Andrew W. Wappler, Chair  
Kendall J. Cammermeyer  
Margaret F. Hopkins  
Matthew McArthur  
Marla D. Mellies  
Robert W. Stolarski

**Officers**

Andrew W. Wappler, President  
Marla D. Mellies, Vice President  
Margaret F. Hopkins, Secretary  
Matthew McArthur, Treasurer

PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT

EXHIBIT 3

**Puget Western, Inc.**  
**BALANCE SHEET**  
**DECEMBER 31, 2018**

	PERIOD ENDED 12/31/2018	PERIOD ENDED 12/31/2017	\$ CHANGE FROM PRIOR YEAR END
<b>CURRENT ASSETS</b>			
Petty Cash	0	1	(1)
Cash - Money Market	153,449	874,842	(721,393)
Cash - MMkt Snoqualmie	0	88,428	(88,428)
Cash in Bank	564,548	12,045	552,503
Prepaid Escrow Deposits	66,000	0	66,000
Prepaid Property Taxes	0	0	0
Prepaid Rent	0	8,601	(8,601)
Prepaid Insurance	5,750	7,350	(1,600)
<b>Total Current Assets</b>	<b>789,747</b>	<b>991,267</b>	<b>(201,520)</b>
<b>Long-Term Assets</b>			
Furniture & Fixtures	6,673	298,267	(291,594)
Accum Depr FF&E	(5,674)	(294,268)	288,594
Sub-total	<b>999</b>	<b>3,999</b>	<b>(3,000)</b>
<b>Land Held for Sale or Development</b>			
Commercial Land	19,438,565	19,746,771	(308,206)
Project Development	4,864,066	5,039,827	(175,761)
Total Long-Term Assets	<b>24,302,631</b>	<b>24,790,597</b>	<b>(486,967)</b>
<b>TOTAL ASSETS</b>	<b>25,093,377</b>	<b>25,781,864</b>	<b>(688,487)</b>

**Puget Western, Inc.**  
**BALANCE SHEET**  
**DECEMBER 31, 2018**

	PERIOD ENDED 12/31/2018	PERIOD ENDED 12/31/2017	\$ CHANGE FROM PRIOR YEAR END
<b>CURRENT LIABILITIES</b>			
Interest Payable	50,848	50,848	0
Accounts Payable	0	468	(468)
Accounts Payable Accruals	20,000	13,756	6,244
ULID North Bend Accrual	52,500	53,100	(600)
<b>Total Current Liabilities</b>	<b>123,348</b>	<b>118,172</b>	<b>5,176</b>
<b>LONG-TERM LIABILITIES</b>			
Intercompany Payable to Parent-FIT	(1,923,402)	(1,779,477)	(143,925)
Notes Payable	2,411,777	2,411,777	0
Security Deposit Payable	0	8,306	(8,306)
Deferred FIT	(258,929)	(258,929)	0
<b>Total Long-Term Liabilities</b>	<b>229,446</b>	<b>381,677</b>	<b>(152,231)</b>
<b>TOTAL LIABILITIES</b>	<b>352,794</b>	<b>499,849</b>	<b>(147,055)</b>
<b>EQUITY</b>			
Common Stock	10,200	10,200	0
Additional Paid-In-Capital	44,487,244	44,487,244	0
Retained Earnings	(19,215,429)	(16,976,216)	(2,239,213)
Y-T-D Net Profit (Loss)	(541,432)	(2,239,213)	1,697,781
<b>TOTAL EQUITY</b>	<b>24,740,583</b>	<b>25,282,015</b>	<b>(541,432)</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>25,093,377</b>	<b>25,781,864</b>	<b>(688,487)</b>

**Puget Western Inc**  
**Income Statement**  
FOR THE YEAR TO DATE ENDED  
DECEMBER 31, 2018

	Budget				
	YTD Ended 12/31/18	YTD Ended 12/31/18	VARIANCE	YTD Ended 12/31/17	VARIANCE
<b>INCOME</b>					
Sales Revenue	\$1,403,500	\$1,475,000	(\$71,500)	\$60,000	\$1,343,500
Cost of Sale	1,250,420	961,470	(\$288,950)	9,045	\$1,241,375
Direct Selling Exp	121,663	106,489	(\$15,174)	5,396	\$116,267
<b>GROSS PROFIT ON SALES</b>	<b>31,417</b>	<b>407,041</b>	<b>(375,624)</b>	<b>45,559</b>	<b>(14,142)</b>
Rental Income	92,839	91,804	\$1,035	92,770	69
Interest Income	281	1,200	(919)	1,157	(876)
<b>TOTAL INCOME</b>	<b>124,537</b>	<b>500,045</b>	<b>(375,508)</b>	<b>139,486</b>	<b>(14,949)</b>
<b>EXPENSE</b>					
North Creek Rent	98,025	97,756	(269)	92,745	5,280
Impairment Expense	-	-	-	1,256,869	(1,256,869)
Consulting Fees	11,955	25,200	13,245	5,886	6,069
Legal Fees	-	2,400	2,400	-	-
Accounting Fees	26,991	25,350	(1,641)	24,798	2,193
Bank Service Charges	925	-	(925)	13	912
Property Taxes	247,514	221,194	(26,320)	219,561	27,953
Personal Property Tax	-	-	-	-	0
Marketing Expense	-	-	-	-	0
General & Admin. Expense	244,097	180,000	(64,097)	268,855	(24,758)
Depreciation Expense	3,000	2,888	(112)	2,888	112
Sub-Total	<b>632,507</b>	<b>554,788</b>	<b>(77,719)</b>	<b>1,871,615</b>	<b>(1,239,108)</b>
<b>OPERATING EXPENSE</b>					
Misc. Prop Mgmt Expense	1,601	3,178	1,577	2,659	(1,058)
Escrow/Title Fees	-	-	100	(174)	174
Employee Expense	-	-	-	-	0
Travel Expense	367	600	233	2,962	(2,595)
Meals & Entertainment	-	600	600	1,410	(1,410)
Office Supplies & Equipment	4,092	2,400	(1,692)	5,535	(1,443)
Utilities	102,924	105,696	2,772	162,725	(59,801)
Leasing Expense	4,587	-	(4,587)	-	-
Postage	213	196	(17)	221	(8)
Dues, Subscriptions, Manuals	-	430	430	-	0
Donations	785	250	(535)	785	0
PSE Strander Lease Expense	50,640	42,200	(8,440)	59,080	(8,440)
Insurance Expense	12,052	12,015	(37)	12,259	(207)
Licenses	126	203	77	207	(81)
<b>TOTAL OPERATING EXP.</b>	<b>177,387</b>	<b>167,768</b>	<b>(9,619)</b>	<b>247,669</b>	<b>(74,869)</b>
<b>TOTAL EXPENSES</b>	<b>809,894</b>	<b>722,556</b>	<b>(87,338)</b>	<b>2,119,284</b>	<b>(1,309,390)</b>
<b>INCOME (LOSS) BEFORE FIT</b>	<b>(685,357)</b>	<b>(222,511)</b>	<b>(462,846)</b>	<b>(1,979,798)</b>	<b>1,299,028</b>
Federal Income Tax	(143,925)	(46,727)	97,197	259,415	(403,340)
<b>NET INCOME</b>	<b>(541,432)</b>	<b>(175,784)</b>	<b>(365,648)</b>	<b>(2,239,213)</b>	<b>1,697,781</b>

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

	(A)	(B)
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<b>ASSETS:</b>		
<b>Nonutility Plant:</b>		
1 <b>Other Property and Investments:</b>		
2   Construction Work in Progress	\$ 159,748	\$ 101,813
3   Capitalized Interest	4,229	-
4   Plant, Property and Equipment	1,590	2,227
5 <b>Total Other Property and Investments</b>	<u>165,567</u>	<u>104,040</u>
6 <b>Current Assets:</b>		
7   Cash	2	1
8   Accounts Receivable	113	-
8 <b>Total Current Assets</b>	<u>115</u>	<u>1</u>
9 <b>Long-Term Assets:</b>		
10   Deferred Income Taxes	1,329	872
10 <b>Total Long-Term Assets</b>	<u>1,329</u>	<u>872</u>
11 <b>TOTAL ASSETS</b>	<u>\$ 167,011</u>	<u>\$ 104,913</u>
12		
13 <b>CAPITALIZATION AND LIABILITIES:</b>		
14 <b>Capitalization:</b>		
15   Common Equity	\$ 19,269	\$ 20,967
16 <b>Total Capitalization</b>	<u>19,269</u>	<u>20,967</u>
17 <b>Current Liabilities:</b>		
18   Accounts Payable	7,328	2,491
19   Short-Term Debt Owed to Puget Energy	138,219	78,155
20 <b>Accrued expenses:</b>		
21   Taxes	-	-
22   Salaries and Wages	-	-
23   Interest	482	202
24   Other	-	-
25 <b>Total Current Liabilities</b>	<u>146,029</u>	<u>80,848</u>
26 <b>Long-Term Liabilities:</b>		
27   Deferred Income Taxes	-	-
28   Other Deferred Credits	1,713	3,098
29 <b>Total Long-Term Liabilities</b>	<u>1,713</u>	<u>3,098</u>
30 <b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u>\$ 167,011</u>	<u>\$ 104,913</u>

**PUGET LNG, LLC**  
**GAAP BASIS INCOME STATEMENT**  
**TWELVE MONTHS ENDED DECEMBER 31, 2018**  
(Dollars in Thousands)

		(A)
	<u>Actual</u>	
1 <b>Operating Revenues:</b>		
2   Liquid Natural Gas	-	
3   Other	-	
4 <b>Total Operating Revenue</b>	<u>-</u>	
5		
6 <b>Operating Expenses:</b>		
7   Liquid Natural Gas	-	
8   Operations and Maintenance	2,014	
9   Depreciation and Amortization	108	
10   Taxes Other than Income Taxes	-	
11 <b>Total Operating Expenses</b>	<u>2,122</u>	
12		
13 <b>Operating Income</b>	(2,122)	
14 <b>Other Income (Deductions):</b>		
15   Other Income	-	
16   Other Expense	-	
17 <b>Interest Charges:</b>		
18   Interest Expense	<u>(34)</u>	
19 <b>Income Before Income Taxes</b>	(2,156)	
20   Income Taxes	(458)	
21 <b>Net Income</b>	<u>\$ (1,698)</u>	

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

**ASSETS**

	December 31,	
	2018	2017
Utility plant (at original cost, including construction work in progress of \$550,466 and \$495,937, respectively):		
Electric plant	\$ 10,587,231	\$ 10,232,771
Natural gas plant	4,164,489	3,882,733
Common plant	1,052,544	843,145
Less: Accumulated depreciation and amortization	(5,495,348)	(5,131,966)
Net utility plant	10,308,916	9,826,683
Other property and investments:		
Other property and investments	76,986	76,350
Total other property and investments	76,986	76,350
Current assets:		
Cash and cash equivalents	35,452	25,864
Restricted cash	18,041	10,145
Accounts receivable, net of allowance for doubtful accounts of \$8,408 and \$8,901, respectively	346,251	343,546
Unbilled revenue	205,285	222,186
Purchased gas adjustment receivable	9,921	—
Materials and supplies, at average cost	116,180	107,003
Fuel and natural gas inventory, at average cost	52,028	48,585
Unrealized gain on derivative instruments	46,507	22,247
Prepaid expenses and other	25,674	21,996
Total current assets	855,339	801,572
Other long-term and regulatory assets:		
Power cost adjustment mechanism	4,735	4,576
Other regulatory assets	773,552	948,540
Unrealized gain on derivative instruments	2,512	2,158
Other	75,483	71,827
Total other long-term and regulatory assets	856,282	1,027,101
Total assets	\$ 12,097,523	\$ 11,731,706

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



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

**CAPITALIZATION AND LIABILITIES**

	December 31,	
	2018	2017
<b>Capitalization:</b>		
<b>Common shareholder's equity:</b>		
Common stock \$0.01 par value, 150,000,000 shares authorized, 85,903,791 shares outstanding	\$ 859	\$ 859
Additional paid-in capital	3,275,105	3,275,105
Retained earnings	622,844	452,066
Accumulated other comprehensive income (loss), net of tax	(190,884)	(126,906)
<b>Total common shareholder's equity</b>	<b>3,707,924</b>	<b>3,601,124</b>
<b>Long-term debt:</b>		
First mortgage bonds and senior notes	3,764,417	3,164,412
Pollution control bonds	161,860	161,860
Junior subordinated notes	—	250,000
Debt discount, issuance costs and other	(31,417)	(26,361)
<b>Total long-term debt</b>	<b>3,894,860</b>	<b>3,549,911</b>
<b>Total capitalization</b>	<b>7,602,784</b>	<b>7,151,035</b>
<b>Current liabilities:</b>		
Accounts payable	480,195	359,585
Short-term debt	379,297	329,463
Current maturities of long-term debt	—	200,000
Purchased gas adjustment payable	—	16,051
<b>Accrued expenses:</b>		
Taxes	117,993	117,063
Salaries and wages	50,785	53,220
Interest	43,951	47,837
Unrealized loss on derivative instruments	46,661	64,859
Other	79,312	80,206
<b>Total current liabilities</b>	<b>1,198,194</b>	<b>1,268,284</b>
<b>Other Long-term and regulatory liabilities:</b>		
Deferred income taxes	926,403	869,473
Unrealized loss on derivative instruments	11,095	21,235
Regulatory liabilities	745,880	730,273
Regulatory liability for deferred income taxes	976,582	1,012,260
Other deferred credits	636,585	679,146
<b>Total other long-term and regulatory liabilities</b>	<b>3,296,545</b>	<b>3,312,387</b>
Commitments and contingencies (Note 16)		
<b>Total capitalization and liabilities</b>	<b>\$ 12,097,523</b>	<b>\$ 11,731,706</b>

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

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

	Year Ended December 31,		
	2018	2017	2016
<b>Operating revenue:</b>			
Electric	\$ 2,455,919	\$ 2,420,663	\$ 2,238,492
Natural gas	850,748	997,759	890,510
Other	39,829	41,854	35,616
<b>Total operating revenue</b>	<b>3,346,496</b>	<b>3,460,276</b>	<b>3,164,618</b>
<b>Operating expenses:</b>			
<b>Energy costs:</b>			
Purchased electricity	638,775	590,030	531,596
Electric generation fuel	204,174	206,275	215,331
Residential exchange	(77,454)	(75,933)	(69,824)
Purchased natural gas	296,699	360,009	313,954
Unrealized (gain) loss on derivative instruments, net	(41,662)	30,790	(83,795)
Utility operations and maintenance	602,638	592,277	572,933
Non-utility expense and other	51,549	52,389	37,859
Depreciation and amortization	666,324	481,955	439,579
Conservation amortization	111,714	121,216	107,784
Taxes other than income taxes	336,603	360,673	328,649
<b>Total operating expenses</b>	<b>2,789,360</b>	<b>2,719,681</b>	<b>2,394,066</b>
<b>Operating income (loss)</b>	<b>557,136</b>	<b>740,595</b>	<b>770,552</b>
<b>Other income (deductions):</b>			
Other income	39,847	34,867	29,978
Other expense	(11,201)	(14,104)	(10,923)
<b>Interest charges:</b>			
AFUDC	13,695	10,826	9,304
Interest expense	(231,615)	(240,144)	(242,983)
<b>Income (loss) before income taxes</b>	<b>367,862</b>	<b>532,040</b>	<b>555,928</b>
<b>Income tax (benefit) expense</b>	<b>50,700</b>	<b>211,986</b>	<b>175,347</b>
<b>Net income (loss)</b>	<b>\$ 317,162</b>	<b>\$ 320,054</b>	<b>\$ 380,581</b>

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

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

**ASSETS**

	December 31,	
	2018	2017
Utility plant (at original cost, including construction work in progress of \$550,466 and \$495,937, respectively):		
Electric plant	\$ 8,515,482	\$ 8,135,847
Natural gas plant	3,598,732	3,307,545
Common plant	1,027,023	811,815
Less: Accumulated depreciation and amortization	(2,832,321)	(2,428,524)
Net utility plant	10,308,916	9,826,683
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	244,444	182,355
Total other property and investments	1,900,957	1,838,868
Current assets:		
Cash and cash equivalents	37,521	26,616
Restricted cash	18,041	10,145
Accounts receivable, net of allowance for doubtful accounts of \$8,408 and \$8,901, respectively	338,782	341,110
Unbilled revenue	205,285	222,186
Purchased gas adjustment receivable	9,921	—
Materials and supplies, at average cost	116,180	107,003
Fuel and natural gas inventory, at average cost	53,351	49,908
Unrealized gain on derivative instruments	46,507	22,247
Prepaid expense and other	25,674	21,996
Power contract acquisition adjustment gain	6,114	12,207
Total current assets	857,376	813,418
Other long-term and regulatory assets:		
Power cost adjustment mechanism	4,735	4,576
Regulatory assets related to power contracts	16,693	19,454
Other regulatory assets	773,552	948,532
Unrealized gain on derivative instruments	2,512	2,158
Power contract acquisition adjustment gain	156,597	162,711
Other	77,523	74,389
Total other long-term and regulatory assets	1,031,612	1,211,820
Total assets	<u>\$ 14,098,861</u>	<u>\$ 13,690,789</u>

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

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

**CAPITALIZATION AND LIABILITIES**

	December 31,	
	2018	2017
Capitalization:		
Common shareholder's equity:		
Common stock \$0.01 par value, 1,000 shares authorized, 200 shares outstanding	\$ —	\$ —
Additional paid-in capital	3,308,957	3,308,957
Retained earnings	629,003	465,355
Accumulated other comprehensive income (loss), net of tax	(77,202)	(24,282)
Total common shareholder's equity	<u>3,860,758</u>	<u>3,750,030</u>
Long-term debt:		
First mortgage bonds and senior notes	3,764,412	3,164,412
Pollution control bonds	161,860	161,860
Junior subordinated notes	—	250,000
Long-term debt	1,961,900	1,902,600
Debt discount, issuance costs and other	(215,681)	(220,943)
Total long-term debt	<u>5,672,491</u>	<u>5,257,929</u>
Total capitalization	<u>9,533,249</u>	<u>9,007,959</u>
Current liabilities:		
Accounts payable	480,069	359,586
Short-term debt	379,297	329,463
Current maturities of long-term debt	—	200,000
Purchased gas adjustment payable	—	16,051
Accrued expenses:		
Taxes	118,112	117,948
Salaries and wages	50,785	53,220
Interest	70,099	73,564
Unrealized loss on derivative instruments	46,661	64,859
Power contract acquisition adjustment loss	2,547	2,762
Other	79,312	80,206
Total current liabilities	<u>1,226,882</u>	<u>1,297,659</u>
Other Long-term and regulatory liabilities:		
Deferred income taxes	789,297	746,868
Unrealized loss on derivative instruments	11,095	21,235
Regulatory liabilities	747,203	731,587
Regulatory liability for deferred income taxes	975,974	1,011,626
Regulatory liabilities related to power contracts	162,711	174,918
Power contract acquisition adjustment loss	14,146	16,693
Other deferred credits	638,304	682,244
Total other long-term and regulatory liabilities	<u>3,338,730</u>	<u>3,385,171</u>
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	<u>\$ 14,098,861</u>	<u>\$ 13,690,789</u>

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

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

	Year Ended December 31,		
	2018	2017	2016
Operating revenue:			
Electric	\$ 2,455,919	\$ 2,420,663	\$ 2,238,492
Natural gas	850,748	997,759	890,510
Other	39,829	41,854	35,299
Total operating revenue	<u>3,346,496</u>	<u>3,460,276</u>	<u>3,164,301</u>
Operating expenses:			
Energy costs:			
Purchased electricity	638,775	590,030	531,596
Electric generation fuel	204,174	206,275	215,331
Residential exchange	(77,454)	(75,933)	(69,824)
Purchased natural gas	296,699	360,009	313,954
Unrealized (gain) loss on derivative instruments, net	(41,662)	30,790	(83,795)
Utility operations and maintenance	602,638	592,277	572,933
Non-utility expense and other	54,519	53,864	42,620
Depreciation and amortization	666,432	481,969	439,579
Conservation amortization	111,714	121,216	107,784
Taxes other than income taxes	336,603	360,673	328,649
Total operating expenses	<u>2,792,438</u>	<u>2,721,170</u>	<u>2,398,827</u>
Operating income (loss)	554,058	739,106	765,474
Other income (deductions):			
Other income	52,957	49,283	45,449
Other expense	(11,201)	(14,104)	(10,923)
Non-hedged interest rate swap expense	—	28	(1,062)
Interest charges:			
AFUDC	13,695	10,826	9,304
Interest expense	(343,795)	(354,802)	(355,139)
Income (loss) before income taxes	<u>265,714</u>	<u>430,337</u>	<u>453,103</u>
Income tax (benefit) expense	30,092	255,143	140,204
Net income (loss)	<u>\$ 235,622</u>	<u>\$ 175,194</u>	<u>\$ 312,899</u>

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

**PUGET EQUICO LLC**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**ASSETS**

	December 31,	
	2018	2017
Utility plant (at original cost, including construction work in progress of \$550,466 and \$495,937, respectively):		
Electric plant	\$ 8,515,482	\$ 8,135,847
Natural gas plant	3,598,732	3,307,545
Common plant	1,027,023	811,815
Less: Accumulated depreciation and amortization	(2,832,321)	(2,428,524)
Net utility plant	10,308,916	9,826,683
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	244,444	182,355
Total other property and investments	1,900,957	1,838,868
Current assets:		
Cash and cash equivalents	37,597	26,706
Restricted cash	18,041	10,145
Accounts receivable, net of allowance for doubtful accounts of \$8,408 and \$8,901, respectively	338,782	341,110
Unbilled revenue	205,285	222,186
Purchased gas adjustment receivable	9,921	—
Materials and supplies, at average cost	116,180	107,003
Fuel and natural gas inventory, at average cost	53,351	49,908
Unrealized gain on derivative instruments	46,507	22,247
Prepaid expense and other	25,674	21,996
Power contract acquisition adjustment gain	6,114	12,207
Total current assets	857,452	813,508
Other long-term and regulatory assets:		
Power cost adjustment mechanism	4,735	4,576
Regulatory assets related to power contracts	16,693	19,454
Other regulatory assets	773,552	948,532
Unrealized gain on derivative instruments	2,512	2,158
Power contract acquisition adjustment gain	156,597	162,711
Other	77,523	74,389
Total other long-term and regulatory assets	1,031,612	1,211,820
Total assets	<u>\$ 14,098,937</u>	<u>\$ 13,690,879</u>

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

**PUGET EQUICO LLC**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**CAPITALIZATION AND LIABILITIES**

	December 31,	
	2018	2017
Capitalization:		
Member's equity:		
Membership interest, \$1 par value, 100 shares authorized and outstanding	\$ —	\$ —
Additional paid-in capital	3,397,331	3,397,331
Retained earnings	540,779	377,139
Accumulated other comprehensive income (loss), net of tax	(77,202)	(24,282)
Total member's equity	<u>3,860,908</u>	<u>3,750,188</u>
Long-term debt:		
First mortgage bonds and senior notes	3,764,412	3,164,412
Pollution control bonds	161,860	161,860
Junior subordinated notes	—	250,000
Long-term debt	1,961,900	1,902,600
Debt discount, issuance costs and other	(215,681)	(220,943)
Total long-term debt	<u>5,672,491</u>	<u>5,257,929</u>
Total capitalization	<u>9,533,399</u>	<u>9,008,117</u>
Current liabilities:		
Accounts payable	480,069	359,586
Short-term debt	379,297	329,463
Current maturities of long-term debt	—	200,000
Purchased gas adjustment payable	—	16,051
Accrued expenses:		
Taxes	118,112	117,948
Salaries and wages	50,785	53,220
Interest	70,099	73,564
Unrealized loss on derivative instruments	46,661	64,859
Power contract acquisition adjustment loss	2,547	2,762
Other	79,312	80,206
Total current liabilities	<u>1,226,882</u>	<u>1,297,659</u>
Other Long-term and regulatory liabilities:		
Deferred income taxes	789,223	746,800
Unrealized loss on derivative instruments	11,095	21,235
Regulatory liabilities	747,203	731,587
Regulatory liability for deferred income taxes	975,974	1,011,626
Regulatory liabilities related to power contracts	162,711	174,918
Power contract acquisition adjustment loss	14,146	16,693
Other deferred credits	638,304	682,244
Total other long-term and regulatory liabilities	<u>3,338,656</u>	<u>3,385,103</u>
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	<u>\$ 14,098,937</u>	<u>\$ 13,690,879</u>

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

**PUGET EQUICO LLC**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in Thousands)

	Year Ended December 31,	
	2018	2017
Operating revenue:		
Electric	\$ 2,455,919	\$ 2,420,663
Natural gas	850,748	997,759
Other	39,829	41,854
Total operating revenue	<u>3,346,496</u>	<u>3,460,276</u>
Operating expenses:		
Energy costs:		
Purchased electricity	638,775	590,030
Electric generation fuel	204,174	206,275
Residential exchange	(77,454)	(75,933)
Purchased natural gas	296,699	360,009
Unrealized (gain) loss on derivative instruments, net	(41,662)	30,790
Utility operations and maintenance	602,638	592,277
Non-utility expense and other	54,547	53,893
Depreciation and amortization	666,432	481,969
Conservation amortization	111,714	121,216
Taxes other than income taxes	336,603	360,673
Total operating expenses	<u>2,792,466</u>	<u>2,721,199</u>
Operating income (loss)	554,030	739,077
Other income (deductions):		
Other income	52,957	49,283
Other expense	(11,201)	(14,076)
Interest charges:		
AFUDC	13,695	10,826
Interest expense	(343,795)	(354,802)
Income (loss) before income taxes	<u>265,686</u>	<u>430,308</u>
Income tax (benefit) expense	30,086	255,178
Net income (loss)	<u>\$ 235,600</u>	<u>\$ 175,130</u>

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



**PUGET INTERMEDIATE HOLDINGS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**ASSETS**

	December 31,	
	2018	2017
Utility plant (at original cost, including construction work in progress of \$550,466 and \$495,937, respectively):		
Electric plant	\$ 8,515,482	\$ 8,135,847
Natural gas plant	3,598,732	3,307,545
Common plant	1,027,023	811,815
Less: Accumulated depreciation and amortization	(2,832,321)	(2,428,524)
Net utility plant	10,308,916	9,826,683
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	244,444	182,355
Total other property and investments	1,900,957	1,838,868
Current assets:		
Cash and cash equivalents	40,380	26,803
Restricted cash	18,041	10,145
Accounts receivable, net of allowance for doubtful accounts of \$8,408 and \$8,901, respectively	338,782	341,466
Unbilled revenue	205,285	222,186
Purchased gas adjustment receivable	9,921	—
Materials and supplies, at average cost	116,180	107,003
Fuel and natural gas inventory, at average cost	53,351	49,908
Unrealized gain on derivative instruments	46,507	22,247
Prepaid expense and other	25,674	21,996
Power contract acquisition adjustment gain	6,114	12,207
Total current assets	860,235	813,961
Other long-term and regulatory assets:		
Power cost adjustment mechanism	4,735	4,576
Regulatory assets related to power contracts	16,693	19,454
Other regulatory assets	773,552	948,532
Unrealized gain on derivative instruments	2,512	2,158
Power contract acquisition adjustment gain	156,597	162,711
Other	77,523	74,389
Total other long-term and regulatory assets	1,031,612	1,211,820
Total assets	<u>\$ 14,101,720</u>	<u>\$ 13,691,332</u>

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

**PUGET INTERMEDIATE HOLDINGS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**CAPITALIZATION AND LIABILITIES**

	December 31,	
	2018	2017
Capitalization:		
Common shareholder's equity:		
Membership interest, \$1 par value, 100 shares authorized and outstanding	\$ —	\$ —
Additional paid-in capital	2,175,442	2,175,442
Retained earnings	442,437	298,785
Accumulated other comprehensive income (loss), net of tax	(77,202)	(24,282)
Total member's equity	<u>2,540,677</u>	<u>2,449,945</u>
Long-term debt:		
First mortgage bonds and senior notes	3,764,412	3,164,412
Pollution control bonds	161,860	161,860
Junior subordinated notes	—	250,000
Long-term debt	1,961,900	1,902,600
Puget Intermediate Holdings senior secured investors notes	1,665,222	1,626,823
Debt discount, issuance costs and other	(215,681)	(220,943)
Total long-term debt	<u>7,337,713</u>	<u>6,884,752</u>
Total capitalization	<u>9,878,390</u>	<u>9,334,697</u>
Current liabilities:		
Accounts payable	480,069	359,586
Short-term debt	379,297	329,463
Current maturities of long-term debt	—	200,000
Purchased gas adjustment payable	—	16,051
Accrued expenses:		
Taxes	118,237	118,981
Salaries and wages	50,785	53,220
Interest	70,099	73,564
Unrealized loss on derivative instruments	46,661	64,859
Power contract acquisition adjustment loss	2,547	2,762
Other	79,312	80,206
Total current liabilities	<u>1,227,007</u>	<u>1,298,692</u>
Other Long-term and regulatory liabilities:		
Deferred income taxes	446,890	419,640
Unrealized loss on derivative instruments	11,095	21,235
Regulatory liabilities	747,203	731,587
Regulatory liability for deferred income taxes	975,974	1,011,626
Regulatory liabilities related to power contracts	162,711	174,918
Power contract acquisition adjustment loss	14,146	16,693
Other deferred credits	638,304	682,244
Total other long-term and regulatory liabilities	<u>2,996,323</u>	<u>3,057,943</u>
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	<u>\$ 14,101,720</u>	<u>\$ 13,691,332</u>

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

**PUGET INTERMEDIATE HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in Thousands)

	Year Ended December 31,	
	2018	2017
Operating revenue:		
Electric	\$ 2,455,919	\$ 2,420,663
Natural gas	850,748	997,759
Other	39,829	41,854
Total operating revenue	<u>3,346,496</u>	<u>3,460,276</u>
Operating expenses:		
Energy costs:		
Purchased electricity	638,775	590,030
Electric generation fuel	204,174	206,275
Residential exchange	(77,454)	(75,933)
Purchased natural gas	296,699	360,009
Unrealized (gain) loss on derivative instruments, net	(41,662)	30,790
Utility operations and maintenance	602,638	592,277
Non-utility expense and other	54,601	53,951
Depreciation and amortization	666,432	481,969
Conservation amortization	111,714	121,216
Taxes other than income taxes	336,603	360,673
Total operating expenses	<u>2,792,520</u>	<u>2,721,257</u>
Operating income (loss)	553,976	739,019
Other income (deductions):		
Other income	52,957	49,283
Other expense	(11,201)	(14,076)
Interest charges:		
AFUDC	13,695	10,826
Interest expense - investors	(121,705)	(124,653)
Interest expense	(343,795)	(354,802)
Income (loss) before income taxes	<u>143,927</u>	<u>305,597</u>
Income tax (benefit) expense	4,184	429,609
Net income (loss)	<u>\$ 139,743</u>	<u>\$ (124,012)</u>

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

**PUGET HOLDINGS LLC**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**ASSETS**

	December 31,	
	2018	2017
Utility plant (at original cost, including construction work in progress of \$550,466 and \$495,937, respectively):		
Electric plant	\$ 8,515,482	\$ 8,135,847
Natural gas plant	3,598,732	3,307,545
Common plant	1,027,023	811,815
Less: Accumulated depreciation and amortization	(2,832,321)	(2,428,524)
Net utility plant	10,308,916	9,826,683
Other property and investments:		
Goodwill	1,656,513	1,656,513
Other property and investments	244,444	182,355
Total other property and investments	1,900,957	1,838,868
Current assets:		
Cash and cash equivalents	40,446	26,964
Restricted cash	18,041	10,145
Accounts receivable, net of allowance for doubtful accounts of \$8,408 and \$8,901, respectively	337,752	340,214
Unbilled revenue	205,285	222,186
Purchased gas adjustment receivable	9,921	—
Materials and supplies, at average cost	116,180	107,003
Fuel and natural gas inventory, at average cost	53,351	49,908
Unrealized gain on derivative instruments	46,507	22,247
Prepaid expense and other	25,674	21,999
Power contract acquisition adjustment gain	6,114	12,207
Total current assets	859,271	812,873
Other long-term and regulatory assets:		
Power cost adjustment mechanism	4,735	4,576
Regulatory assets related to power contracts	16,693	19,454
Other regulatory assets	773,552	948,532
Unrealized gain on derivative instruments	2,512	2,158
Power contract acquisition adjustment gain	156,597	162,711
Other	77,523	74,389
Total other long-term and regulatory assets	1,031,612	1,211,820
Total assets	<u>\$ 14,100,756</u>	<u>\$ 13,690,244</u>

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

**PUGET HOLDINGS LLC**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

**CAPITALIZATION AND LIABILITIES**

	December 31,	
	2018	2017
Capitalization:		
Members' equity:		
Membership interest, \$1 par value, 100 shares authorized and outstanding	\$ —	\$ —
Additional paid-in capital	2,200,062	2,200,062
Retained earnings	423,179	279,166
Accumulated other comprehensive income (loss), net of tax	(77,202)	(24,282)
Total members' equity	<u>2,546,039</u>	<u>2,454,946</u>
Long-term debt:		
First mortgage bonds and senior notes	3,764,412	3,164,412
Pollution control bonds	161,860	161,860
Junior subordinated notes	—	250,000
Long-term debt	1,961,900	1,902,600
Puget Intermediate Holdings senior secured investors notes	1,665,222	1,626,823
Debt discount, issuance costs and other	(215,681)	(220,943)
Total long-term debt	<u>7,337,713</u>	<u>6,884,752</u>
Total capitalization	<u>9,883,752</u>	<u>9,339,698</u>
Current liabilities:		
Accounts payable	480,012	359,586
Short-term debt	379,297	329,463
Current maturities of long-term debt	—	200,000
Purchased gas adjustment payable	—	16,051
Accrued expenses:		
Taxes	118,234	118,981
Salaries and wages	50,785	53,220
Interest	70,099	73,564
Unrealized loss on derivative instruments	46,661	64,859
Power contract acquisition adjustment loss	2,547	2,762
Other	79,312	80,207
Total current liabilities	<u>1,226,947</u>	<u>1,298,693</u>
Other Long-term and regulatory liabilities:		
Deferred income taxes	440,623	413,550
Unrealized loss on derivative instruments	11,095	21,235
Regulatory liabilities	747,203	731,587
Regulatory liability for deferred income taxes	975,974	1,011,626
Regulatory liabilities related to power contracts	162,711	174,918
Power contract acquisition adjustment loss	14,146	16,693
Other deferred credits	638,305	682,244
Total other long-term and regulatory liabilities	<u>2,990,057</u>	<u>3,051,853</u>
Commitments and contingencies (Note 16)		
Total capitalization and liabilities	<u>\$ 14,100,756</u>	<u>\$ 13,690,244</u>

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

**PUGET HOLDINGS LLC**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in Thousands)

	Year Ended December 31,	
	2018	2017
Operating revenue:		
Electric	\$ 2,455,919	\$ 2,420,663
Natural gas	850,748	997,759
Other	39,829	41,854
Total operating revenue	<u>3,346,496</u>	<u>3,460,276</u>
Operating expenses:		
Energy costs:		
Purchased electricity	638,775	590,030
Electric generation fuel	204,174	206,275
Residential exchange	(77,454)	(75,933)
Purchased natural gas	296,699	360,009
Unrealized (gain) loss on derivative instruments, net	(41,662)	30,790
Utility operations and maintenance	602,638	592,277
Non-utility expense and other	55,738	54,820
Depreciation and amortization	666,432	481,969
Conservation amortization	111,714	121,216
Taxes other than income taxes	336,603	360,673
Total operating expenses	<u>2,793,657</u>	<u>2,722,126</u>
Operating income (loss)	552,839	738,150
Other income (deductions):		
Other income	52,957	49,283
Other expense	(11,201)	(14,076)
Interest charges:		
AFUDC	13,695	10,826
Interest expense - investors	(121,705)	(124,653)
Interest expense	(343,795)	(354,802)
Income (loss) before income taxes	<u>142,790</u>	<u>304,728</u>
Income tax (benefit) expense	4,007	433,401
Net income (loss)	<u>\$ 138,783</u>	<u>\$ (128,673)</u>

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

PUGET SOUND ENERGY  
AFFILIATED INTEREST AND SUBSIDIARY  
TRANSACTIONS REPORT

EXHIBIT 4




**Controller's Manual**

<b>SUBJECT</b> <b>CORPORATE AND AFFILIATED INTEREST COST ALLOCATION</b> <b>METHODOLOGY</b>	Page 1 of 10 Date 12/21/17 Revision 6
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references

key words				
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Approvals:

 Stephen J King Controller & Principle Accounting Officer	/s/ Susan Free Manager Revenue Requirements
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**BACKGROUND**

**MERGER ORDER U-072375**

On January 16, 2009 pursuant to the First Condition of Order No. 08 issued by the Commission on December 30, 2008 in Docket No. U-072375, Puget Holdings LLC ("Puget Holdings") and Puget Sound Energy, Inc. ("PSE") accepted each of the conditions set forth in Attachment B to Order No. 08 as to the purchase of PSE by Puget Holdings. Puget Holdings closed on the purchase of the outstanding common stock of Puget Energy, Inc. (Puget Energy) on February 6, 2009 and in doing so accepted the terms of the Washington Utilities and Transportation Commission's order.

In Order No. 08 the Washington Utilities and Transportation Commission, approved and adopted subject to conditions a Settlement Stipulation proposed by all parties except Public Counsel, authorizing Puget Holdings to acquire Puget Energy, and its wholly-owned subsidiary PSE. As part of the requirements in Docket No. UE-072375 PSE must adhere to the following commitments<sup>1</sup> from the Settlement Stipulation regarding allocation of costs:

9. PSE will (i) maintain separate books and records; (ii) agree to prohibitions against loans or pledges of utility assets to Puget Energy or Puget Holdings without Commission approval; and (iii) generally hold PSE customers harmless from any business and financial risk exposures associated with Puget Energy, Puget Holdings, or any of their subsidiaries or affiliates, without Commission approval.

19. Puget Holdings and PSE will make reasonable commitments, consistent with recent Commission merger orders, to provide access to PSE's books and records; access to financial information and filings; audit rights with respect to the documents supporting any costs that may be allocable to PSE; and access to PSE's board minutes, audit reports, and information provided to credit rating agencies pertaining to PSE.

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





**Controller's Manual**

**SUBJECT**

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION  
METHODOLOGY**

Page 2 of 10  
Date 12/21/17  
Revision 6

20. Affiliate Transactions, Cross-Subsidization: PSE agrees (i) to file cost allocation methodologies used to allocate Puget Energy or Puget Holdings-related costs to PSE; (ii) to propose methods and standards for treatment of affiliate transactions; and (iii) that there will be no cross-subsidization by PSE customers of unregulated activities.

21. Transaction Costs: PSE and Puget Holdings agree that there will be no recovery of legal and financial advisory fees associated with the Proposed Transaction in rates and no recovery of the acquisition premium in rates.

26. In furtherance of Commitment 9:

(a) Puget Holdings and PSE commit that PSE's customers will be held harmless from the liabilities of any non-regulated activity of PSE or Puget Holdings. In any proceeding before the Commission involving rates of PSE, the fair rate of return for PSE will be determined without regard to any adverse consequences that are demonstrated to be attributable to the non-regulated activities. Any new non-regulated subsidiary will be established as a subsidiary of either Puget Holdings, Puget Intermediate Holdings Inc., or Puget Energy rather than as a subsidiary of PSE. Measures providing for separate financial and accounting treatment will be established for each non-regulated activity.

(b) Puget Holdings and PSE will notify the Commission subsequent to Puget Holdings' board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of Puget Holdings; or (2) the change in effective control or acquisition of any material part of PSE by any other firm, whether by merger, combination, transfer of stock or assets.

(c) Neither PSE nor Puget Holdings will assert in any future proceedings that, by virtue of the Proposed Transaction and the resulting corporate structure, the Commission is without jurisdiction over any transaction that results in a change of control of PSE.

27. In furtherance of Commitment 19:

(a) PSE and Puget Holdings will maintain the necessary books and records so as to provide an audit trail for all corporate, affiliate, or subsidiary transactions with PSE, or that result in costs that may be allocable to PSE.



**Controller's Manual**

**SUBJECT**

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION  
METHODOLOGY**

Page 3 of 10  
Date 12/21/17  
Revision 6

(b) PSE will provide Commission Staff and Public Counsel access to books and records (including those of Puget Holdings or any affiliate or subsidiary companies) required to be accessed to verify or examine transactions with PSE, or that result in costs that may be allocable to PSE. The Proposed Transaction will not result in reduced access to the necessary books and records that relate to transactions with PSE, or that result in costs that may be allocable to PSE, and the Proposed Transaction and resulting corporate structure will not be used by PSE as a basis to oppose requests for such books and records made by the Commission or by Commission Staff or Public Counsel.

(c) Nothing in the Proposed Transaction will limit or affect the Commission's rights with respect to inspection of accounts, books, papers and documents of PSE pursuant to RCW 80.04.070 or RCW 80.16.030. Nothing in the Proposed Transaction will limit or affect the Commission's rights with respect to inspection of accounts, books, papers and documents of Puget Holdings pursuant to RCW 80.16.030; provided, that such right to inspection shall be limited to those accounts, books, papers and documents of Puget Holdings that pertain to transactions affecting PSE's regulated utility operations.

(d) Puget Holdings and PSE will provide the Commission with access to written information provided by and to credit rating agencies that pertains to PSE. Puget Holdings and each of its members will also provide the Commission with access to written information provided by and to credit rating agencies that pertains to Puget Holdings' subsidiaries to the extent such information may potentially affect PSE.

28. In furtherance of Commitment 20:

(a) If and when any subsidiary of PSE becomes a subsidiary of Puget Holdings, Puget Intermediate Holdings Inc., or Puget Energy, PSE will so advise the Commission within thirty (30) days and will submit to the Commission a written document setting forth PSE's proposed corporate and affiliate cost allocation methodologies.

(b) PSE will notify the Commission of any change in corporate structure that affects PSE's corporate and affiliate cost allocation methodologies. PSE will propose revisions to such cost allocation methodologies to accommodate such changes. PSE will not argue that compliance with this provision constitutes



**Controller's Manual**

**SUBJECT**

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION  
METHODOLOGY**

Page 4 of 10  
Date 12/21/17  
Revision 6

approval by the Commission of a particular methodology for corporate and affiliate cost allocation.

(c) PSE and Puget Holdings will comply with all applicable provisions of Title 80 RCW, including those pertaining to transfers of property under Chapter 80.12 RCW, affiliated interests under Chapter 80.16 RCW, and securities and the assumption of obligations and liabilities under Chapter 80.08 RCW.

(d) With respect to the ratemaking treatment of affiliate transactions, PSE and Puget Holdings will comply with the Commission's then-existing practice; provided, however, that nothing in this Commitment limits PSE from also proposing a different ratemaking treatment for the Commission's consideration or limit the positions any other party may take with respect to ratemaking treatment.

(e) PSE will bear the burden of proof in any general rate case that any corporate and affiliate cost allocation methodology it proposes is reasonable for ratemaking purposes. Neither PSE nor Puget Holdings will contest the Commission's authority to disallow, for retail ratemaking purposes in a general rate case, unsupported, unreasonable, or misallocated costs from non-regulated or affiliate businesses to PSE's regulated utility operations.

29. PSE and Puget Holdings acknowledge that all existing orders issued by the Commission with respect to PSE or its predecessors, Puget Sound Power & Light Company and Washington Natural Gas Company, will remain in effect, and are not modified or otherwise affected by the Proposed Transaction or any order of the Commission approving the Proposed Transaction. Notwithstanding the immediately preceding sentence, the Commission's *Order Accepting Stipulation and Approving Corporate Reorganization to Create a Holding Company, With Conditions*, dated August 15, 2000, in Docket No. UE-991779 will be superseded and replaced in its entirety by any order of the Commission approving the Proposed Transaction.

**LIQUEFIED NATURAL GAS ORDER UG-151663**

On November 1, 2016, under UG-151663, the Commission approved a settlement agreement among parties to the proceeding that authorized the formation of a Puget Energy subsidiary, Puget LNG, LLC. Puget LNG is a special purpose limited liability company formed by Puget Energy solely for the purposes of owning, developing and financing the Tacoma LNG Facility with PSE. The Tacoma LNG Facility will provide LNG fuel to unregulated customers and will serve as a peaking resource for PSE's regulated core gas customers. The settlement agreement and order requires specific ring-fencing provisions that follow along the lines of the Merger Order requirements.



**Controller's Manual**

**SUBJECT**

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION  
METHODOLOGY**

Page 5 of 10

Date 12/21/17

Revision 6

The settlement agreement calls for specific agreed upon allocation factors. Specifically, paragraphs 25 and 26 of the settlement states:

25. *Each of the Settling Parties agree to the following capital cost allocators with respect to the Tacoma LNG Facility:*
- a. *Liquefaction Allocator. The liquefaction allocator allocates capital costs associated with liquefaction, which include the costs of facilities used to receive natural gas, treat the gas, cool the gas below its boiling point and deliver the gas to onsite storage.*
  - b. *Storage Allocator. The storage allocator allocates capital costs associated with storage, which include the costs of the site-erected full containment cryogenic storage tank as well as the costs of foundations and other supporting facilities.*
  - c. *Bunkering Allocator. The bunkering allocator allocates capital costs associated with bunkering, which include facilities used to move the LNG from the onsite storage tank to the marine loading facility, which will be located at TOTE's berthing location.*
  - d. *Truck Loading Allocator. The truck loading allocator allocates capital costs associated with truck loading, which include facilities used to move the LNG from the onsite storage tank to tanker trucks or ISO containers*
  - e. *Vaporization Allocator. The vaporization allocator allocates capital costs associated with vaporization, which include facilities used to vaporize the gas and inject it into PSE's distribution system.*
  - f. *Common Allocator. The common allocator allocates common project costs, which include facilities that cannot be allocated to any individual service (e.g., facility development, civil and site work, site utilities, etc.).*
26. *Each of the Settling Parties agree to the following Ownership Shares with respect to*



**Controller's Manual**

**SUBJECT**

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION  
METHODOLOGY**

Page 6 of 10  
Date 12/21/17  
Revision 6

*the following allocators:*

<i>Component Ownership Share</i>	<i>PSE</i>	<i>Puget LNG</i>
<i>Liquefaction</i>	<i>10%</i>	<i>90%</i>
<i>Storage</i>	<i>79%</i>	<i>21%</i>
<i>Bunkering</i>	<i>0%</i>	<i>100%</i>
<i>Truck Loading</i>	<i>5%</i>	<i>95%</i>
<i>Vaporization</i>	<i>100%</i>	<i>0%</i>

*The Ownership Shares for the common cost allocator shall equal the weighted costs of the liquefaction, storage, bunkering, truck loading, and vaporization allocation factors. Please see Attachment D to this Settlement Stipulation for the projected Ownership Shares of common items of the Tacoma LNG Facility.*

Attachment D to the LNG settlement which is copied below, provides the specific agreed upon allocations to be used for the Tacoma LNG Facility. Costs must be recorded and tracked in a manner consistent with the settlement agreement.



**Controller's Manual**

**SUBJECT**

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION  
METHODOLOGY**

Page 7 of 10

Date 12/21/17

Revision 6

**ATTACHMENT D  
Tacoma LNG Facility Ownership Shares**

Component Ownership Share	PSE	Puget LNG	Projected Capital Expenditures (No AFUDC)	Projected Capital Expenditures Allocated to PSE	Projected Capital Expenditures Allocated to Puget LNG
Liquefaction	10%	90%	\$88,546,234	\$8,854,623	\$79,691,611
Storage	79%	21%	\$96,237,245	\$76,027,424	\$20,209,821
Bunkering	0%	100%	\$29,671,922	\$0	\$29,671,922
Truck Loading	5%	95%	\$6,229,252	\$311,463	\$5,917,789
Vaporization	100%	0%	\$17,135,822	\$17,135,822	\$0
Common	43%	57%	\$72,884,330	\$31,340,262	\$41,544,068
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>\$310,704,805</b>	<b>\$133,669,593</b>	<b>\$177,035,212</b>

\* The common cost allocator for PSE shall equal the quotient of (i) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures Allocated to PSE," divided by (ii) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures (No AFUDC)."

\*\* The common cost allocator for Puget LNG shall equal the quotient of (i) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures Allocated to Puget LNG," divided by (ii) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column "Projected Capital Expenditures (No AFUDC)."

**GUIDELINES**

The guidelines that existed at the time Order No. 08 in WUTC Docket No. U-072375 and the LNG order were issued continue to be sufficient to maintain the new commitments outlined above. These guidelines were based on testimony provided in WUTC Docket No. UE-960195 and are summarized as follows.

As part of the merger proceeding in Docket No. UE-960195, the Commission reviewed and approved the cost allocation methodology presented by PSE. In the Commission order on page 48, it states:



**Controller's Manual**

**SUBJECT**

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION  
METHODOLOGY**

Page 8 of 10  
Date 12/21/17  
Revision 6

*h. The method for allocating costs between electric and gas operations and for accounting for intra-company transfers of natural gas set forth in the Stipulation shall be implemented.*

In Exhibit T-21 of Docket UE-960195, Merger Application, the direct testimony proposes a cost allocation methodology for electric, gas, common and non-regulated business. The cost allocation factors were:

1. *direct charging;*
2. *allocation using causal relationship; and*
3. *allocation using a general allocation factor.*

In the direct testimony, direct charging and allocation using causal relationships are defined as:

*Direct charging - Direct charging will be the preferred method for assignment of costs. When a cost can be uniquely identified to one service or the other, the costs will be charged to an account for that specific service.*

*Allocation using causal relationships – Costs that cannot be directly charged to one service or the other. Costs will be allocated based upon a common cause of the cost.*

In addition, the direct testimony addresses nonregulated subsidiary companies. In the testimony, when utility personnel provide services to nonregulated subsidiaries, the subsidiary would be billed for the salary, employee benefits and facility costs associated with supporting the utility employee. This methodology as discussed in Docket No. UE-960195 is consistent with previous cost allocations of Puget Sound Power & Light Company. Below is an excerpt from this testimony:

*Where practical, nonregulated subsidiaries will maintain separate facilities for staff and operations. The cost for these facilities and personnel will be charged to nonoperating expenses using the FERC system of accounts. When utility personnel provide service to the nonregulated subsidiary, the subsidiary will be billed for the salary, employee benefits and facility costs associated with supporting the utility employee. Facility costs will include an allocation for building rental, telephone service, purchasing support, payroll support, human resource and administrative support. Charges by subsidiary to the regulated company would have a similar overhead applied to its labor costs.*

**GUIDELINE** The purpose of this guideline is that PSE customers must be held harmless from the liabilities of any non-regulatory activities of PSE or its affiliated entities. The following guidelines are intended to establish procedures for allocating costs that are corporate in nature among and between PSE



**Controller's Manual**

**SUBJECT**

**CORPORATE AND AFFILIATED INTEREST COST ALLOCATION  
METHODOLOGY**

Page 9 of 10

Date 12/21/17

Revision 6

and its affiliates. Allocations will be based upon direct charging or upon an allocation using a causal or general relationship. Any related transactions will be charged on a monthly basis to the appropriate company.

When utility personnel provide service to a PSE affiliate or subsidiary, utility personnel will directly charge their time. In addition to their direct labor, labor overheads will be applied along with a facility overhead. Labor overheads will include the following overhead rates that are applied on direct labor: benefits, payroll tax, PTO, and incentives. Facility overhead includes an allocation for the following items:

- o Support departments including payroll, human resources, insurance, security, accounting, facilities and IT
- o Facilities rent
- o Furniture and office equipment

For cost allocation purposes herein, factors used for causal relationships will be determined as of December 31 of each year. Below are general guidelines for determining cost allocation of corporate related costs:

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



