

**Puget Holdings LLC and Puget Sound Energy, Inc.
Annual Report of Status of Commitments
to the Washington Utilities and Transportation Commission
for the period January 1, 2011 through December 31, 2011**

Commitment Number	Commitment Description	Status	Status Description
1	PSE and Puget Holdings commit to continue the Service Quality measures currently in place for PSE or as may be modified in any future proceeding.	Ongoing	Agreed per signed stipulation.
2	Puget Holdings acknowledges PSE's need for significant amounts of capital to invest in its energy supply and delivery infrastructure and commits that meeting these capital requirements will be considered a high priority by the Boards of Puget Holdings and PSE.	Ongoing	On November 9, 2011, the Board met and approved the capital budget recommended by management for 2012.
3	<p>Puget Holdings will secure and provide at closing contractually committed credit facilities for PSE and Puget Energy of a term not less than three years, in an amount not less than \$1.4 billion to support PSE's capital expenditure program as set forth in the summary of PSE's multi-year Business Plan, dated October 19, 2007.</p> <p>Commission Clarification: To ensure the availability of funds necessary to support PSE's capital expenditure program, Puget Holding's \$1.4 billion commitment must be fulfilled with either committed credit facilities, or with additional equity. Joint Applicants must file an affidavit with the Commission, prior to closing of the transaction, affirming that the capital expenditure credit facilities described in Commitment 3 have been secured on terms substantively identical to the credit agreements provided in Exhibit 424.</p>	Completed	<p>Puget Energy and PSE's current credit facilities to support PSE's capital expenditure program total \$1.4 billion in credit and consist of Puget Energy's \$1 billion Capital Expenditure Facility, and PSE's \$400 million Capital Expenditure Facility. In addition, PSE has a \$400 million working capital facility and a \$350 million facility to support energy hedging activities. All of these facilities expire in February 2014.</p> <p>On February 4, 2009, Joint Applicants filed the affidavit of Christopher Leslie as required by the Commission's Clarification.</p>
4	Puget Holdings acknowledges PSE's obligations under Washington's Renewable Portfolio Standard and commits to support PSE with additional expertise and capital as necessary to enable PSE to fulfill those obligations.	Ongoing	PSE is on track to meet the Renewable Energy Target requirement for the year 2013. PSE believes that it has acquired enough eligible renewable resources or renewable energy credits to meet the renewable energy target for 2013 as noted in RCW 19.285.040(2), as long as the actions of any governmental authority do not adversely affect the generation, transmission, or distribution of PSE's eligible renewable resources.

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5	Puget Holdings commits to work with PSE to acquire all renewable energy resources required by law and such other renewable energy resources as may from time to time be deemed advisable in accordance with its biennial integrated resource planning process.	Ongoing	Agreed per signed stipulation.
6	Puget Holdings commits to and supports PSE's Greenhouse Gas and Carbon Policy contained in PSE's current Integrated Resource Plan.	Ongoing	Agreed per signed stipulation. PSE's updated Greenhouse Gas and Carbon Policy was approved in May 2011 and published in the 2011 IRP.
7	Puget Holdings commits to and supports PSE's energy efficiency goals and objectives set forth in PSE's May 2007 Integrated Resource Plan and its ongoing collaborative efforts to expand and enhance them.	Completed	PSE is committed to complying with the energy efficiency and conservation biennial acquisition targets as may be periodically approved by the Commission and to continue to work collaboratively with the Conservation Resource Advisory Group on these issues.
8	<p>Within ninety (90) days of the Proposed Transaction closing, PSE and Puget Holdings will file a non consolidation opinion with the Commission which concludes, subject to customary assumptions and exceptions, that the ring fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of PSE with those of Puget Energy or its affiliates or subsidiaries.</p> <p>Commission Clarification: Puget Holdings and Puget Energy must file an affidavit with the Commission stating that neither Puget Holdings nor Puget Energy, nor any of their subsidiaries, will seek to include PSE in a bankruptcy without the unanimous consent of PSE's board of directors including PSE's independent director.</p>	Completed	<p>On February 4, 2009, Joint Applicants filed the affidavit of Christopher Leslie in compliance with the Commission's Clarification.</p> <p>PSE and Puget Holdings filed a non consolidation opinion on April 13, 2009.</p>
9 (i)	PSE will (i) maintain separate books and records;	Ongoing	PSE is maintaining separate books and records.

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9 (ii)	<p>(ii) agree to prohibitions against loans or pledges of utility assets to Puget Energy or Puget Holdings without Commission approval;</p> <p>Commission Clarification: Commitment 9(ii) is modified to read “agree to prohibitions against loans or pledges of utility assets to Puget Energy, Puget Holdings, <u>or any of their subsidiaries or affiliates</u>, without Commission approval.”</p>	Ongoing	Agreed per signed stipulation as clarified in the Commission’s Order.
9 (iii)	<p>and (iii) generally hold PSE customers harmless from any business and financial risk exposures associated with Puget Energy, Puget Holdings and its other affiliates.</p> <p>Commission Clarification: Pursuant to Commitment 9(iii), Puget Energy and Puget Holdings will file with the Commission, prior to closing of the transaction, a form of notice to prospective lenders describing the ring-fencing provisions included in Commitments 8, 9, 10, 24, 35, 36, 37, 39, and 40 stating that these provisions provide no recourse to PSE assets as collateral or security for debt issued by Puget Energy or Puget Holdings. This notice also must include a statement that any change in control of Puget Holdings or change in ownership of ten percent or more of Puget Holdings, including lenders taking equity interest, requires Commission approval, as specified in the Commission clarification of Commitment 26. This notice must be provided to prospective lenders.</p>	Ongoing / Completed	<p>Agreed per signed stipulation.</p> <p>On February 4, 2009, Joint Applicants filed a form of notice to prospective lenders describing the ring-fencing provisions included in Commitments 8, 9, 10, 24, 35, 36, 37, 39, and 40 in compliance with the Commission Clarification.</p>
10	PSE will maintain separate debt and preferred stock, if any. PSE will maintain its own corporate and debt credit rating, as well as ratings for long-term debt and preferred stock.	Ongoing	PSE has its own ratings and separate debt.
11	Any net cost savings that may be achieved by PSE as a result of the Proposed Transaction will be reflected in subsequent rate proceedings, as such savings materialize.	Ongoing	Agreed per signed stipulation.

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12	Puget Holdings and PSE commit that PSE will honor its labor contracts.	Ongoing	PSE's current labor contracts with the International Brotherhood of Electrical Workers Union (IBEW) and the United Association of Plumbers and Pipefitters (UA) expire March 31, 2014 and September 31, 2013, respectively.
13	PSE will maintain its pension funding policy in accordance with sound actuarial practice.	Ongoing	PSE made pension contributions totaling \$5.0 million in 2011.
14	PSE and Puget Holdings will maintain staffing and presence in the communities in which PSE operates at levels sufficient to maintain the provision of safe and reliable service and cost-effective operations.	Ongoing	PSE operates, maintains and staffs facilities in all 11 counties within its service territory as a means of providing safe, reliable and cost effective service to our customers. These facilities are comprised of a combination of company business offices, field service centers/operating bases, local customer offices and electric generating plants.
15	As part of the Proposed Transaction, Puget Holdings will seek to retain all current senior management of PSE. This Commitment shall not limit the ability of PSE to determine its organizational structure and select and retain personnel best able to meet PSE's need over time.	Ongoing	<p>On July 1, 2010, Stephen P. Reynolds voluntarily resigned his position as President to facilitate the management succession plan. Mr. Reynolds remained in his role as CEO until March 1, 2011.</p> <p>On July 1, 2010, Kimberly Harris was named President and assumed the additional role of CEO on March 1, 2011.</p> <p>In January 2011, Steve Secrist assumed the role of Vice President, General Counsel and Chief Ethics and Compliance Officer.</p> <p>In March 2011, CFO Bert Valdman resigned from PSE. Dan Doyle was hired as Sr. Vice President and CFO in November, 2011.</p> <p>Eric Markell, Senior Vice President and Chief Strategy Officer retired effective January 1, 2012.</p>

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16	<p>At least one director of PSE will be an Independent Director who is not a member, stockholder, director (except as such Independent Director of PSE), officer, or employee of Puget Holdings or its affiliates. The organizational documents for PSE will not permit PSE, without the unanimous consent of all its directors including the Independent Director, to consent to the institution of bankruptcy proceedings or the inclusion of PSE in bankruptcy proceedings. The Chief Executive Officer of PSE will be a member of the board of PSE.</p> <p>Commission Clarification: The Puget Holdings LLC governance will be on terms substantively the same as presented in the Draft LLC Agreement Term Sheet presented at hearing (Exhibit 63HC), including an Independent Manager as clarified by Exhibit 408. The Puget Energy Inc., Puget Intermediate Inc. and Equico LLC governance agreements will also include an independent manager as clarified by Exhibits 409 and 410. The Puget Holdings, Puget Intermediate, Equico, and Puget Energy governance agreements will be modified, as necessary, to require, in addition to supermajority member approval, supermajority Board approval, including the affirmative vote of the Independent Manager, of matters identified in Appendix C to the Draft LLC Agreement Term Sheet, subparts (D), (E) and (F). Puget Holdings LLC will file a copy of its final Corporate Bylaws with the Commission prior to closing of the transaction.</p>	Ongoing / Completed	<p>The independent director for PSE is Herb Simon. PSE's Chief Executive Officer is a member of the board of PSE.</p> <p>As indicated in Joint Applicant's compliance filing with the Commission dated February 4, 2009, Joint Applicants filed a copy of the final Limited Liability Company Agreement of Puget Holdings. Although the Final Order requires Puget Holdings to file "a copy of its final Corporate Bylaws with the Commission prior to closing of the transaction", Puget Holdings is a Delaware limited liability company and not a corporation, thus a limited liability company agreement—and not bylaws—governs the affairs of a limited liability company and the conduct of its business.</p>
17	PSE and Puget Holdings commit that PSE and Puget Energy corporate headquarters will remain in PSE's service territory.	Ongoing	The lease for PSE's corporate headquarters runs through July 31, 2018, for the PSE Building and October 31, 2020, for the PSE East Building.

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18	PSE and Puget Sound Energy Foundation will maintain its existing level of corporate contributions and community support in the State of Washington (as identified by PSE for such region in its budget for 2007) for a period five years after closing. Upon closing of the Proposed Transaction, Puget Holdings will make a one time contribution of \$5 million to the Puget Sound Energy Foundation.	Ongoing / Completed	<p>\$5 million was contributed to the Puget Sound Energy Foundation upon closing on February 6, 2009.</p> <p>PSE and the Puget Sound Energy Foundation continue to maintain their committed levels of giving through corporate contributions and community support.</p> <ul style="list-style-type: none"> • The amount PSE contributed for 2011 was \$650,000. • The amount the Foundation contributed for 2011 was \$670,000.
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.	Ongoing	Agreed per signed stipulation.
20 (i)	Affiliate Transactions, Cross-Subsidization: PSE agrees (i) to file cost allocation methodologies used to allocate Puget Energy or Puget Holdings-related costs to PSE;	Completed	On May 20, 2009, PSE filed a generic cost allocation methodology consistent with the Commission Clarification.
20 (ii)	(ii) to propose methods and standards for treatment of affiliate transactions;	Completed	Please see status description of 20 (i).
20 (iii)	<p>and (iii) that there will be no cross-subsidization by PSE customers of unregulated activities.</p> <p>Commission Clarification: The cost-allocation methodology filed pursuant to Commitment 20 will be a generic methodology that does not require Commission approval prior to its being proposed for specific application in a general rate case or other proceeding affecting rates.</p>	Ongoing	Please see status description of 20 (i).

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21	<p>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.</p> <p>Commission Clarification: The scope of transaction costs in Commitment 21 includes any compensation of senior executives tied to change of control.</p>	Completed	Compliance was demonstrated in PSE's 2009 GRC.
22	PSE and Puget Holdings commit to maintain existing low-income programs or as such programs may be modified in any future proceeding. In addition, the Joint Applicants commit to increase the budgeted funding of low-income energy efficiency programs in future years at a level commensurate with increases in funding for energy efficiency programs for other residential customers through the CRAG process.	Ongoing	<p>PSE has maintained its electric and natural gas bill assistance program.</p> <p>In addition, in December 2011, PSE filed its 2012-2013 Biennial Conservation Plan for both gas and electric sectors with the WUTC. The plan includes a specific Low Income Weatherization program as well as other residential programs in which low income customers may participate. The plan received extensive review by the CRAG. The Energy Project, a low-income advocate, is a member of the CRAG that helps determine the savings target and funding.</p>
23	PSE and Puget Holdings commit to continue to work with low-income agencies to address issues of low income customers.	Ongoing	Agreed per signed stipulation.

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24	<p>Puget Holdings and PSE will not advocate for a higher cost of debt or equity capital as compared to what PSE's cost of debt or equity capital would have been absent Puget Holdings' ownership.</p> <p>Commission Clarification: For future ratemaking purposes Commitments 24, 26(a) and 9(iii) are clarified as follows: (a) Determination of PSE's debt and equity costs will be no higher than such costs would have been assuming PSE's credit ratings by S&P and Moody's in effect on the day before the transaction closes and applying those credit ratings to then-current debt and equity markets, unless PSE proves that a lower credit rating is caused by circumstances or developments not the result of financial risks or other characteristics of the transaction. (b) PSE bears the burden to prove prudent in a future general rate case any pre-payment premium or increased cost of debt associated with existing PSE debt retired, repaid, or replaced as a part of the transaction. (c) Determination of the allowed return on equity in future general rate cases will include selection and use of one or more proxy group(s) of companies engaged in businesses substantially similar to PSE, without any limitation related to PSE's ownership structure.</p>	Ongoing	<p>Ongoing compliance will be demonstrated in PSE's next general rate case.</p> <p>a) The 2011 GRC proceeding included cost of capital proposals in PSE testimony (Gaines) which are no higher than they would have been absent Puget Holdings ownership. PSE's Moody's credit rating improved on 3-16-2011.</p> <p>b) PSE did not incur any premium or increased cost as it did not retire any long-term debt as part of the transaction.</p> <p>c) The 2011 GRC proceeding (most recent and in the testimony of Dr. Charles Olson) included proxy groups and other measures to propose the proper allowed ROE, without regard to PSE's new ownership structure.</p>
25 (i)	<p>In furtherance of Commitment 8, if the ring-fencing provisions are insufficient to obtain a non-consolidation opinion, Puget Holdings and PSE agree to promptly undertake the following actions: (i) Notify the Commission of this inability to obtain a non consolidation opinion.</p>	Completed	PSE and Puget Holdings filed a non-consolidation opinion on April 13, 2009.
25 (ii)	<p>(ii) Propose and implement, upon Commission approval, such additional ring-fencing provisions around PSE as are sufficient to obtain a non consolidation opinion subject to customary assumptions and exceptions.</p>	Completed	Please see status description of 25(i).

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26 (a)	<p>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.</p>	Ongoing	Agreed per signed stipulation.
26 (b)	<p>(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.</p>	Ongoing	Agreed per signed stipulation.
26 (c)	<p>(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.</p> <p>Commission Clarification: As regards Commitments 26(b), 26(c) and 28(c), within 14 days following the notice required by Commitment 26(b) PSE and Puget Holdings will seek Commission approval of any sale or transfer of: (1) any part of PSE that will give a new or existing member of Puget Holdings effective control of PSE, either in terms of ownership shares, or in terms of voting power under the then-applicable Puget Holdings LLC Agreement, or; (2) any material part of PSE. The term "material part of PSE" means any sale or transfer of stock representing ten percent or more of the equity ownership of Puget Holdings or PSE. (Exhibit 419) No sale or transfer subject to Commitment 26(b) may close prior to approval by the Commission.</p>	Ongoing	Agreed per signed stipulation.

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27 (a)	<p>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.</p>	Ongoing	Agreed per signed stipulation.
27 (b)	<p>(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.</p> <p>Commission Clarification: Commitment 27(b) includes reports Puget Holdings produces for its investors, to the extent those reports are pertinent to PSE.</p>	Ongoing	Agreed per signed stipulation.
27 (c)	<p>(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.</p>	Ongoing	Agreed per signed stipulation.
27 (d)	<p>(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.</p>	Ongoing	Agreed per signed stipulation.

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28 (a)	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.	Ongoing	Agreed per signed stipulation.
28 (b)	(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 approval by the Commission of a particular methodology for corporate and affiliate cost allocation.	Ongoing	Agreed per signed stipulation.
28 (c)	(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.	Ongoing	Agreed per signed stipulation.
28 (d)	(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.	Ongoing	Agreed per signed stipulation.
28 (e)	(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.	Ongoing	Agreed per signed stipulation.

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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 <i>Order Accepting Stipulation and Approving Corporate Reorganization to Create a Holding Company, With Conditions</i> , 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.	Ongoing	Agreed per signed stipulation.
30	Nothing in these Commitments shall be interpreted as a waiver of Puget Holdings' or PSE's rights to request confidential treatment for information that is the subject of any of the Commitments.	Ongoing	Agreed per signed stipulation.
31	<p>The Joint Applicants understand that the Commission has authority to enforce these Commitments in accordance with their terms. If there is a technical violation of the terms of these Commitments, then the offending party may, at the discretion of the Commission, have a period of thirty (30) calendar days to cure such technical violation.</p> <p>Commission Clarification: The scope of Commitment 31 includes the authority of the Commission to compel from Puget Holdings and Puget Energy the attendance of witnesses pertinent to matters affecting PSE. Puget Holdings waives its right to interpose any legal objection it might otherwise have to the Commission's jurisdiction to require the appearance of any such witnesses.</p> <p>Commission Clarification: Puget Holdings must file with the Commission prior to closing the transaction an affidavit affirming that it will submit to the jurisdiction of Washington state courts for enforcement of the Commission's orders adopting these commitments and subsequent orders affecting PSE.</p>	Ongoing / Completed	<p>Agreed per signed stipulation.</p> <p>On February 4, 2009, Joint Applicants filed the affidavit of Christopher Leslie as required by the Commission's Clarification.</p>

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32	<p>By April 1, 2009 and each April 1 thereafter through April 1, 2013, PSE will file a report with the Commission regarding the implementation of the Commitments as of December 31 of the preceding year. The report will, at a minimum, provide a description of the performance of each of the Commitments. If any of the Commitments is not being met, relative to the specific terms of the Commitment, the report shall provide proposed corrective measures and target dates for completion of such measures. PSE will make publicly available at the Commission non-confidential portions of the report.</p>	Ongoing	This report is being submitted in compliance with Commitment 32.
33	<p>Puget Holdings and PSE acknowledge that the Commitments are being made by Puget Holdings and PSE and are binding only upon them (and their affiliates where noted). Puget Holdings and PSE are not requesting in this proceeding a determination of the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions referenced in the Commitments, and the Parties in appropriate proceedings may take such positions regarding the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions as they deem appropriate.</p> <p>Commission Clarification: The Commitments made by Puget Holdings and PSE also are binding, upon their successors in interest.</p>	Ongoing	Ongoing compliance will be determined in future rate cases.
34 (a)	<p>Joint Applicants commit to provide rate credits of \$100 million (\$10 million per year for a 10-year period) commencing at the closing of the Proposed Transaction. These rate credits will be allocated between PSE's gas and electric operations on an annual basis based upon the traditional Federal Energy Regulatory Commission four-factor allocation methodology. For natural gas customers, these credits will be returned on an equal percent of margin basis to all natural gas customers. For electric customers, these credits will be returned on an equal percent of margin basis to all electric customers. These rate credits will consist of two components:</p> <p>(a) An \$8.8 million rate credit per year for ten years that is not offsettable, but that reflects the Investor Consortium's willingness to accept what, in effect, is a reduction in its returns for a ten-year period.</p>	Ongoing	On December 1, 2011, PSE filed revisions to Schedule 132–Merger Rate Credit to the WN U-60 Tariff G for electric service and the WN U-2 tariff for natural gas service. Rates filed December 1 went into effect January 1, 2012.

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34 (b)	(b) A \$1.2 million fully offsettable rate credit per year for ten years connected with the savings associated with de-listing from the New York Stock Exchange. To the extent PSE can demonstrate in any subsequent rate proceeding that these savings are reflected in the underlying cost of service, the rate credit would cease to be provided separately to customers.	Ongoing	In the same filing PSE made to implement schedule 132—Merger Rate Credit, PSE included \$1,200,000 from the 2009 GRC under Docket Nos. UE-090704 and UG-090705.
35 (i)	Joint Applicants commit that as of the closing of the transaction (or within sixty (60) days thereof), PSE will have a common equity ratio of not less than 50 percent. Joint Applicants commit that at all times thereafter, PSE will have a common equity ratio of not less than 44 percent, except to the extent a lower equity ratio is established for ratemaking purposes by the Commission. Joint Applicants represent that Puget Holdings is not prohibited from issuing new equity to third parties. Joint Applicants will not amend the LLC Agreement or other transaction documents to prohibit Puget Holdings from issuing new equity to third parties (including public markets). The transaction documents also permit PSE to issue certain hybrid securities to third parties (including public markets) and Puget Holdings. If Puget Holdings makes a new equity issuance for the purpose of (i) contributing the proceeds thereof (through its relevant subsidiaries) to Puget Energy or PSE, or	Ongoing	Using the WUTC regulated method for calculating PSE's equity ratio, the ratio was as follows for 2011: First quarter: 48.5% Second quarter: 49.8% Third quarter: 49.0% Fourth quarter: 48.2% PSE will include a quarterly update of the common equity ratio in the Quarterly Reports filed with the Commission as required by WAC 480-90-275 and 480-100-275, with the exception of the fourth quarter. PSE's fourth quarter equity ratio will be filed as soon as year-end results are finalized.
35 (ii)	(ii) applying the proceeds thereof toward the purchase from PSE of hybrid securities that are permitted to be issued under the transaction documents, the proceeds of any such new equity issuances by Puget Holdings shall be used for such purpose. Joint Applicants will provide an annual certificate of an officer of Puget Holdings certifying that neither Puget Holdings nor PSE is prohibited from undertaking the transactions described above.	Ongoing	PSE has not issued any new hybrid securities since merger close. The hybrid PSE issued in 2007 (\$250 million of junior subordinated notes due June 1, 2067) remains outstanding. The annual officer certificate was filed January 26, 2011.

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36	<p>PSE shall not be permitted to declare or make any PSE distribution unless, on the date of such PSE distribution, the PSE common equity ratio after giving effect to such PSE distribution is not less than 44%, except to the extent a lower equity ratio is established for ratemaking purposes by the Commission.</p> <p>Commission Clarification: Commitments 36, 37 and 40, which limit upward dividends or distributions from PSE to Puget Energy and from Puget Energy to Equico, are clarified as follows:</p> <p>(a) If the ratio of PSE EBIDTA to PSE interest expense is equal to or greater than 3.0 and PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment #36] and distributions from Puget Energy to Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment #37]</p> <p>(b) If the ratio of PSE EBIDTA to PSE interest expense is less than 3.0, but PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment #36] and distributions from Puget Energy to Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment #37]</p> <p>(c) If the ratio of PSE EBIDTA to PSE interest expense is equal to or greater than 3.0, but PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, distributions from PSE to Puget Energy are limited as specified in Commitments 36 and 40, unless allowed by specific Commission approval. No distributions are allowed from Puget Energy to Equico.</p>	Ongoing	<p>Agreed per signed stipulation.</p> <p>PSE met all of the requirements of Commitment 36 in 2011, allowing it to make dividend distributions.</p>

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36, con't.	(d) If the ratio of PSE EBIDTA to PSE interest expense is less than 3.0 and PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, no distributions are allowed from PSE to Puget Energy and no distributions are allowed from Puget Energy to Equico.	Ongoing	
37	<p>Puget Energy may not declare or make a PE distribution, unless on the date of such PE distribution, the ratio of consolidated EBITDA to consolidated interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 2.00 to 1.00.</p> <p>Commission Clarification: Commitments 36, 37 and 40, which limit upward dividends or distributions from PSE to Puget Energy and from Puget Energy to Equico, are clarified as follows:</p> <p>(a) If the ratio of PSE EBIDTA to PSE interest expense is equal to or greater than 3.0 and PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment #36] and distributions from Puget Energy to Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment #37]</p> <p>(b) If the ratio of PSE EBIDTA to PSE interest expense is less than 3.0, but PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment #36] and distributions from Puget Energy to Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment #37]</p>	Ongoing	<p>Agreed per signed stipulation.</p> <p>PSE and PE met all of the requirements of Commitment 37 in 2011, allowing them to make dividend distributions.</p>

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37, con't.	<p>(c) If the ratio of PSE EBIDTA to PSE interest expense is equal to or greater than 3.0, but PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, distributions from PSE to Puget Energy are limited as specified in Commitments 36 and 40, unless allowed by specific Commission approval. No distributions are allowed from Puget Energy to Equico.</p> <p>(d) If the ratio of PSE EBIDTA to PSE interest expense is less than 3.0 and PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, no distributions are allowed from PSE to Puget Energy and no distributions are allowed from Puget Energy to Equico.</p>	Ongoing	
38	<p>The Joint Applicants agree to amend the corporate organizational structure by inserting a new entity (tentatively identified as "Equico") in the organizational structure between Puget Intermediate and Puget Energy. See the post-acquisition organizational chart in Exhibit No. ___(CJL-10). In summary, following closing of the Proposed Transaction, all of the common stock of Puget Energy will be owned by "Equico," which will be a new Washington limited liability company. "Equico" will be a wholly-owned subsidiary of Puget Intermediate. "Equico" is expected to be established as a bankruptcy remote special purpose entity, and shall not have debt.</p>	Completed	<p>Equico was established within the corporate chain on closing. Please see Appendix B to the Multiparty Settlement Stipulation which was signed by PSE on July 22, 2008.</p>

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39	The Joint Applicants commit that each of Puget Energy and PSE will continue to be rated by both Standard & Poor's Ratings Group and Moody's Investors Service, Inc. The Joint Applicants will use best efforts to obtain and maintain from Standard & Poor's Ratings Group confirmation of separation between the respective corporate credit rating for each of Puget Energy and PSE within the ninety (90) days following the closing of the Proposed Transaction. If the Joint Applicants are unable to obtain or maintain ratings separation, the Joint Applicants will make a filing with the Commission explaining the basis for their failure to obtain or maintain such separation, and parties will have an opportunity to participate and propose additional commitments.	Ongoing	Both Rating Agencies continue to provide ratings reports with separate PE and PSE ratings. These issuer or corporate credit ratings as of December 31, 2011 were as follows: Puget Energy, Inc.: Standard and Poor's: BB+ Moody's: Ba1 (Upgraded in March 2011) Puget Sound Energy, Inc.: Standard and Poor's: BBB Moody's: Baa2 (Upgraded in March 2011) PSE's senior secured notes are rated: Standard and Poor's: A- Moody's: A3 (Upgraded in March 2011)

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40	<p>PSE shall not declare or make any distribution, unless, on the date of such distribution, either:</p> <p>(a) The ratio of PSE EBITDA to PSE interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 3.00 to 1.00; or (b) PSE's corporate credit/issuer rating is at least BBB- (or its then equivalent) with S&P and Baa3 (or its then equivalent) with Moody's. However, if PSE satisfies part a) above but its corporate credit/issuer rating is downgraded to a level below BBB- (or its then equivalent) with Standard & Poor's Ratings Group or Baa3 (or its then equivalent) with Moody's Investors Service, Inc., then PSE shall provide notice to the Commission of such downgrade within two business days of PSE's receipt of notice of such downgrade. Following such downgrade, distributions by PSE to Puget Energy shall be limited to an amount sufficient (i) to service debt at Puget Energy, and (ii) to satisfy financial covenants in the credit facilities of Puget Energy, and distributions by Puget Energy to Equico shall cease. If PSE seeks to make any distribution to Puget Energy greater than such amount and Puget Energy seeks to make any distribution to Equico whatsoever, PSE and Puget Energy shall within forty-five calendar days of such downgrade (or earlier if PSE anticipates that such a downgrade may be forthcoming) file a petition with the Commission to show cause why (i) PSE should be permitted to make any distribution to Puget Energy in excess of such amount and (ii) Puget Energy should be permitted to make any distribution to Equico. It is the expectation of the Joint Parties that the Commission within sixty (60) days after PSE's and Puget Energy's filing of such petition will issue an order granting or denying such petition. In considering such petition, due consideration shall be given to the financial performance and credit rating of PSE and to whether PSE has, and is expected to achieve, financial metrics that fall within the ranges used by Standard & Poor's Ratings Group and Moody's Investors Service, Inc. for investment grade-rated utility companies and any changes in such ranges since the date of closing of the Proposed Transaction; provided that nothing in this commitment shall prohibit the parties from advancing any arguments regarding factors the Commission should consider. If PSE's corporate credit/issuer rating is subsequently upgraded to BBB- (or its then equivalent) or above with Standard & Poor's Ratings Group or Baa3 (or its then equivalent) or above with Moody's Investors Service, Inc., then PSE shall provide notice to the Commission of such upgrade within two</p>	Ongoing	<p>Agreed per signed stipulation.</p> <p>PSE met all of the requirements of Commitment 40 in 2011, allowing it to make dividend distributions.</p> <p>PSE's ratings have not been downgraded below BBB- with S&P and Baa3 with Moody's Investors Service, Inc.</p>

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40, con't.	<p>business days of PSE's receipt of notice of such upgrade, and neither PSE nor Puget Energy shall be subject to any dividend restriction pursuant to this Commitment as of the date PSE provides such notice to the Commission.</p> <p>Commission Clarification: Commitments 36, 37 and 40, which limit upward dividends or distributions from PSE to Puget Energy and from Puget Energy to Equico, are clarified as follows:</p> <p>(a) If the ratio of PSE EBITDA to PSE interest expense is equal to or greater than 3.0 and PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment #36] and distributions from Puget Energy to Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment #37]</p> <p>(b) If the ratio of PSE EBITDA to PSE interest expense is less than 3.0, but PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment #36] and distributions from Puget Energy to Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment #37]</p> <p>(c) If the ratio of PSE EBITDA to PSE interest expense is equal to or greater than 3.0, but PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, distributions from PSE to Puget Energy are limited as specified in Commitments 36 and 40, unless allowed by specific Commission approval. No distributions are allowed from Puget Energy to Equico.</p> <p>(d) If the ratio of PSE EBITDA to PSE interest expense is less than 3.0 and PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, no distributions are allowed from PSE to Puget Energy and no distributions are allowed from Puget Energy to Equico.</p>	Ongoing	

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41 (i)	Joint Applicants commit that (i) the board of directors of PSE will include at least three directors who are residents of the region, one of whom shall be the chief executive officer of PSE, and	Ongoing	As of December 31, 2011, Bill Ayer, Kimberly Harris (CEO), Herb Simon, Mary McWilliams and Melanie Dressel were the directors for PSE who live within the region.
41 (ii)	(ii) the board of directors of Puget Energy will include at least two directors who are residents of the region, one of whom shall be the chief executive officer of PSE. Commission Clarification: The term "regional" as it applies to Commitment 41 means Washington State.	Ongoing	As of December 31, 2011, Bill Ayer, Kimberly Harris (CEO), Mary McWilliams and Melanie Dressel were the directors for Puget Energy who live within the region.
42 (a)	Joint Applicants agree to PSE's proposal to increase bill assistance benefits for qualifying low-income customers by making the appropriate tariff filings in the on-going general rate case to: (a) increase the total aggregate funding cap for its low income customer bill assistance program to approximately \$15 million per year from approximately \$10.25 million per year, and	Completed	Schedule 129, which became effective November 1, 2008, states that the customer cap is now \$15 million per year.
42 (b)	(b) permit benefit funds not distributed to qualifying customers in any single program year be able to be carried over to provide supplemental benefit funding to be available in the next program year. Furthermore, the Joint Applicants agree to PSE's proposal for clarification of the program accounting rules to define the program caps to include benefits and administrative costs. Amounts to be set in rates would include a gross up over and above the program caps sufficient to cover PSE's revenue sensitive items.	Completed	Schedule 129 which became effective November 1, 2008, states that "Total Benefits not expended in one program year will be carried over to the following program year to be the first funds used in the year." Schedule 129 which became effective November 1, 2008, states that "Total Benefits...under this Program are equal to the Funding amounts collected by this schedule minus the effect of all of the Company's revenue sensitive costs such as taxes."

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43	<p>PSE will to the extent practical, comply with the rules applicable to a registrant under NYSE rules. Please see Exhibit No. ____ (EMM-11) at pages 1-4 for an analysis of PSE's present reporting and governance obligations under NYSE Corporate Governance Standards. Such analysis identifies the applicable NYSE rule, describes the current requirement, describes the post-closing requirement, and sets forth PSE's post-closing commitment with respect to each requirement in the event a current requirement is not a continuing obligation. Such analysis also details the requirements of the NYSE with respect to the following:</p> <p>(a) annual report availability, (b) interim financial statements, (c) independent directors, (d) director executive sessions, (e) communication with non-management directors, (f) nominating and governance committee matters, (g) compensation committee matters, (h) the audit committee and committee membership, (i) the internal audit function, (j) corporate governance guidelines, (k) disclosure of corporate governance guidelines, (l) code of business conduct and ethics, and (m) officer certification.</p> <p>Commission Clarification: Puget Energy and PSE will each comply with applicable NYSE rules and the requirements of the Sarbanes-Oxley Act as specified in Exhibit 422, Attachment A, column entitled "post-closing commitment." Unless the Commission approves otherwise, Puget Energy and PSE will comply with any new NYSE rules, or rules not covered in Exhibit 422 (Attachment C to this Order). The independent managers or directors on the PSE, Puget Energy, and Puget Holdings boards will be members of the nominating/governance, compensation, and audit committees and their affirmative vote will be required on all matters subject to vote.</p>	Ongoing	<p>Agreed per signed stipulation.</p> <p>PSE filed its 2011 Form 10-K on March 5, 2012, with the Securities and Exchange Commission.</p>
44	<p>Joint Applicants commit that Puget Energy and PSE will continue to make the same SEC financial reporting requirements after closing of the Proposed Transaction with respect to the following:</p> <p>(a) Section 13(a) disclosure requirements, (b) Section 15(d) disclosure requirements, and (c) indenture covenants disclosure requirements.</p>	Ongoing	<p>Agreed per signed stipulation.</p> <p>Puget Energy and PSE filed their combined 2011 Form 10-K on March 5, 2011, with the Securities and Exchange Commission.</p>

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45	<p>Joint Applicants commit to the following post-closing commitments with respect to the Sarbanes-Oxley Act for both PSE and Puget Energy:</p> <p>(a) Section 201 guidance on the use of outside auditors, (b) Section 202 pre-approval requirements with respect to the engagement and compensation of auditors, (c) Section 203 requirements with respect to audit partner rotation, (d) Section 204 guidance with respect to the requirements of auditor reports to audit committees, (e) Section 206 guidance with respect to auditor conflicts of interest, (f) Section 301 requirements with respect to audit committee requirements, (g) Section 302 requirements with respect to corporate responsibility for financial reports, (h) Section 401 requirements with respect to the form and content of periodic and annual reports, (i) Section 403 requirements with respect to disclosures of certain transactions involving management and shareholders, (j) Section 404 requirements with respect to management assessment of internal controls, (k) Section 406 requirements with respect to the code of ethics for senior financial officers, (l) Section 407 requirements with respect to disclosure of audit committee financial expert, and (m) Section 906 requirements with respect to corporate responsibility for financial statements.</p>	Ongoing	Agreed per signed stipulation
46	<p>PSE will continue to meet all the applicable FERC reporting requirements with respect to annual reports (FERC Form 1) and quarterly reports (FERC Form 3) after closing of the Proposed Transaction.</p>	Ongoing	<p>PSE will file its 2011 FERC Form 1 by April 18, 2012 with FERC and by April 30, 2012, with the WUTC. PSE continues to file its FERC Form 3-Q on a quarterly basis.</p>
47	<p>Each of the Joint Applicants agrees that PSE will undertake a study, in collaboration with stakeholders, to identify potential energy efficiency improvements in its distribution, transmission and generation assets (consistent with any analysis required as part of the Integrated Resource Plan (“IRP”) process) and present the results of such study to the Conservation Resource Advisory Group (CRAG) for its consideration and potential inclusion as part of PSE’s energy efficiency portfolio. These potential improvements in PSE’s energy efficiency improvements in its distribution, transmission and generation assets are in addition to end-use energy efficiency improvements.</p>	Completed	<p>Ongoing compliance will be taken up with Conservation Resource Advisory Group.</p> <p>A site-by-site analysis of energy efficiency potential for generation facilities and a study of the T&D systems have been completed. This overall savings potential was presented to the IRPAG and the CRAG. The 2012 and 2013 Biennial Conservation Plan will include energy savings and budgets for implementation, as may be required.</p>

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48	Each of the Joint Applicants agrees that PSE will support increased funding in the next Northwest Energy Efficiency Alliance budget cycle. If (i) such funding is determined to have merit as an outcome of the strategic planning process and (ii) PSE's proportion of the Northwest Energy Efficiency Alliance budget is not changed, PSE will pay its pro rata share of such budget, contingent on availability of sufficient rider/tracker funds. This commitment will not limit PSE's ability to engage in bilateral contracts with the Northwest Energy Efficiency Alliance for targeted program delivery in PSE's service area.	Completed	PSE has continued to fund the increased NEEA budget in its 2012-2013 Biennial Conservation Plan filing.
49	Each of the Joint Applicants agrees that PSE will acquire renewable resources, to the extent such resources are reasonably commercially available and determined to be necessary to meet load and cost effective pursuant to PSE's established IRP and resource evaluation and acquisition processes, that will enable PSE to meet its internal objective of serving 10% of load with renewable energy resources by 2013, provided that nothing in such commitment would prohibit PSE from retaining or selling renewable energy credits associated with such resources that are surplus to PSE's needs to meet Washington Renewable Portfolio Standards targets. Communications with customers shall accurately reflect the environmental attributes associated with power delivered to such customers. Joint Applicants acknowledge that PSE retains the burden of proof to demonstrate the prudence of any resource acquisition.	Ongoing	PSE is on target to meet its internal objective of serving 10% of load with renewable energy resources by 2013, to the extent that such resources are reasonably commercially available and cost effective to acquire.

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50	Each of the Joint Applicants agrees that PSE supports the objective of increasing penetration of the Green Power Program to at least 2% of PSE's annual load or at least 5% of electric customers subscribed within five years of the close of the Proposed Transaction, provided that the Commission approves the program and related program costs. To meet such a commitment, PSE will enlist the services of a third-party marketer experienced with the Northwest marketplace.	Ongoing	<p>In 2011, PSE's Green Power Program grew 10% in total customer participation to 32,459. The Green Power Program covers 3.0% of residential electric customers which corresponds to ~2.1% of the residential load. The program ended 2011 with 910 commercial and industrial customers, or ~1.1% of commercial and industrial load combined.</p> <p>The program awarded grants of \$20,000 to the City of Olympia and \$10,000 to the City of Lacey for adding more than 500 new customers to the program in 2011.</p> <p>3Degrees and PSE implemented a Solar Sweepstakes contest to encourage more enrollments in the program, from July through October we enrolled 3,375 new customers while promoting this incentive through bill inserts, direct mail, community outreach and other various channels.</p> <p>In August, the Green Power Program also launched a challenge with the PSE Call Center to encourage phone agents to enroll customers in the program over the phone, this method of enrollment has generated over 1,000 enrollments and is now a full-time partnership. In 2012, 3Degrees will expand on the success of the Call Center partnership as well as broadening outreach via Courtesy Knock.</p>
51 (i)	Each of the Joint Applicants agrees that PSE will (i) continue to offer customers the investment cost recovery incentive authorized by RCW 82.16.120 each year for as long as the law is in effect and	Ongoing	PSE currently offers this through Schedule 151. PSE paid a total of \$525,000 in the 2010--2011 production year to 825 eligible customers participating in the State incentive. (The previous year totaled \$283,000)

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51 (ii)	(ii) dedicate resources to market and promote net metering. Such a commitment, however, is contingent on the continuation of implementing tariffs supporting such net metering programs on file with the Commission.	Ongoing	<p>The program mission is to educate the public about renewable energy via funding awards to schools providing for renewable energy equipment installations, teacher training, classroom curriculum and an extensive renewable energy science.</p> <p>PSE maintains a Google type map on the pse.com website, which shows schools with live weather, solar energy production and CO2 reduction data. Since 2004, PSE has provided funding for 28 highly visible renewable energy demonstration projects at schools in eight western Washington counties.</p> <p>Awardees are required to have taken advantage of at least one PSE energy efficiency program, and have a relationship with a local school district or college. The 2011 projects are located at Ferndale High School in Ferndale, Camp Sealth/Camp Fire USA on Vashon Island, Bremerton High School in Bremerton, Mt Si High School in Snoqualmie, Grand Ridge Elementary in Issaquah (the first and only wind turbine project), Explorations Academy in Bellingham, and supported an effort with "The KidWind Project" to educate teachers and students about wind power by building and testing small turbines in a portable wind tunnel.</p> <p>PSE assisted Washington Department of Commerce and NW Seed in preparing a DOE Sunshot grant application. The DOE awarded \$520,000 to the group to address solar permitting and interconnection issues. The effort will be a year long process primarily to help the municipalities standardize and streamline their solar permitting process.</p>

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51 (ii), con't.			<p>PSE continued to take the lead in hosting regional utility meetings inviting Seattle City Light, Snohomish PUD, Tacoma Power and Avista to review renewable energy and interconnection best practices.</p> <p>PSE updated its "Choose Renewable Energy" brochure for residential and commercial customers; tabled at numerous events and spoke at others; and supported local solar tours in Anacortes, Olympia, Lacey, Tumwater, and Port Townsend.</p>
52	Each of the Joint Applicants agrees that PSE will continue to actively participate in national and regional forums regarding transmission issues, pricing policies, siting requirements, and interconnection and integration policies.	Ongoing	Agreed per signed stipulation.
53	Each of the Joint Applicants agrees that PSE will continue to produce an annual greenhouse gas emissions inventory report, including an inventory of total emissions from each of the sources listed in Table 2-1 of PSE's 2006 Greenhouse Gas Inventory Report, and make such greenhouse gas emissions inventory report available to its customers and stakeholders.	Ongoing	The 2011 report will be available in July 2012.
54	Each of the Joint Applicants agrees that PSE will file a carbon-offset program for PSE's natural gas customers with the Commission within two years of closing of the Proposed Transaction. This pilot program would allow PSE's customers to offset the greenhouse gas emissions associated with their natural gas use. Customers' participation in the program will be entirely voluntary.	Completed	<p>In 2009 PSE met with representatives of different organizations who the Company could work with to provide carbon offsets. In 2010 PSE issued a customer survey to help identify characteristics and costs that are important for the design of the new program.</p> <p>New natural gas tariff schedule "G-137" was filed on February 4, 2011 and approved by the Commission on March 24, 2011. PSE is contracting with the Bonneville Environmental Foundation for two years for the offsets created in the Northwest. The program will be available to customers in April, 2011.</p>

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55	Each of the Joint Applicants agrees that PSE will (a) consider the final recommendations of the Oregon Public Utility Commission in Docket UM1302 within the context of the IRP; and (b) report to the Commission and the parties to this proceeding the results of PSE's assessment of the final recommendations of the Oregon Public Utility Commission in Docket UM1302 and their applicability to PSE's IRP process within twelve months of the close of the Proposed Transaction.	Completed	On February 8, 2010, PSE filed its Report on Consideration of OPUC-1302. The report was sent to each party in Docket No. U-072375.
56	Puget Energy shall not operate or own any business other than PSE.	Ongoing	Agreed per signed stipulation.
57	The objective of Joint Applicants is to refinance the term loan of Puget Energy using medium-term and/or long-term financing. The Joint Applicants will develop a plan to achieve this objective and maintain records of their efforts to achieve such objective. The plan developed by the Joint Applicants pursuant to this Commitment will be available to the Commission and other interested parties, upon request and subject to the protective order in Docket No. U-072375.	Ongoing	Agreed per signed stipulation. At the closing of the merger, PE had a \$1.225 billion term loan and a \$1.0 billion capital expenditure facility both of which would have expired in 2014. On December 6, 2010, PE issued \$450 million of 10-year notes. On June 3, 2011 PE issued \$500 million of 10-year notes. Net proceeds were used to reduce the term loan. In February 2012, PE replaced its remaining term loan and capital expenditure facility with a \$1.0 billion revolving credit facility that expires in 2017. As a result of these transactions, PE's debt maturities have been staggered where 51% of the debt will expire in 2017, 23% will expire in 2020 and 26% will expire in 2021.
58	Joint Applicants commit that the current and any future capital expenditure credit facilities will by their terms limit the use of such funds only for financing PSE capital expenditures. Quarterly officer certificates under each of the credit facilities of Puget Energy and PSE will be made available to the Commission and other interested parties, upon request and subject to the protective order in Docket No. U-072375.	Ongoing	Agreed per signed stipulation. Officer certificates will be provided within 60 days of the end of each of the first 3 quarters and within 100 days for the 4 th quarter. Q1 certificates were provided 5/18/11; Q2 certificates were provided 8/10/11; Q3 certificates were provided 11/22/11; and Q4 certificates were provided 3/21/12.

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59	The Joint Applicants commit to reduce the size of the Puget Energy term facility from \$1.425 billion to \$1.225 billion by investing an additional \$200 million of equity in Puget Energy.	Completed	Agreed per signed stipulation. The term loan was limited to \$1.225 billion at close on February 6, 2009.
60	The Joint Applicants commit that they will not make any proposals to materially change or affect industrial service under rate Schedule 449, including any change to the methodology that is used for calculating rates for Schedule 449 customers during the five-year period commencing as of the date of the closing of the Proposed Transaction.	Ongoing	Agreed per signed stipulation.
61	The Joint Applicants agree that PSE will propose and support in its next general rate case rates for Schedule 40 based on the current calculated rate methodology. Under the calculated rate methodology, Schedule 40 rates are equal to the high voltage (Schedule 49) charges (adjusted for power factor and losses) for power supply and transmission, plus the actual costs of all the PSE distribution facilities used to provide delivery services to the Schedule 40 customers.	Completed	Per the signed stipulation, PSE proposed no changes to Schedule 40 in its general rate case filed May 8, 2009.
62	PSE has no current plans to make any proposals regarding decoupling for natural gas customers in the State of Washington for the two-year period following the date of closing of the Proposed Transaction. The Joint Applicants agree that PSE will not make any proposals regarding decoupling for gas industrial customers during the two-year period commencing as of the date of closing of the Proposed Transaction.	Completed	PSE made no decoupling proposals during the applicable time period.
63	PSE has no current plans to make any proposals regarding decoupling for electric customers in the State of Washington for the two-year period following the date of closing of the Proposed Transaction. The Joint Applicants agree that PSE will not make any proposals regarding decoupling for electric industrial customers during the two-year period commencing as of the date of closing of the Proposed Transaction.	Completed	PSE made no decoupling proposals during the applicable time period.

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**TRANSACTION COMMITMENTS
With Commission Clarifications and Conditions**

Commitment Number	Commitment Description	Status	Status Description
First Condition	Acceptance by Puget Holdings and PSE of each of the following conditions upon and clarifications of the Settlement Stipulation is a prerequisite to the Commission's approval of the proposed transaction.	Completed	On January 16, 2009, PSE and Puget Holdings filed a letter with the Commission accepting the conditions in Attachment B to the Final Order (Order 08).
Second Condition	<p>3. Puget Holdings will secure and provide at closing contractually committed credit facilities for PSE and Puget Energy of a term not less than three years, in an amount not less than \$1.4 billion to support PSE's capital expenditure program as set forth in the summary of PSE's multi-year Business Plan, dated October 19, 2007.</p> <p>Commission Clarification: To ensure the availability of funds necessary to support PSE's capital expenditure program, Puget Holding's \$1.4 billion commitment must be fulfilled with either committed credit facilities, or with additional equity. Joint Applicants must file an affidavit with the Commission, prior to closing of the transaction, affirming that the capital expenditure credit facilities described in Commitment 3 have been secured on terms substantively identical to the credit agreements provided in Exhibit 424.</p>	Completed	See Commitment 3.
Third Condition	<p>8. Within ninety (90) days of the Proposed Transaction closing, PSE and Puget Holdings will file a non-consolidation opinion with the Commission which concludes, subject to customary assumptions and exceptions, that the ring fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of PSE with those of Puget Energy or its affiliates or subsidiaries.</p> <p>Commission Clarification: Puget Holdings and Puget Energy must file an affidavit with the Commission stating that neither Puget Holdings nor Puget Energy, nor any of their subsidiaries, will seek to include PSE in a bankruptcy without the unanimous consent of PSE's board of directors including PSE's independent director.</p>	Completed	See Commitment 8.

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Commitment Number	Commitment Description	Status	Status Description
Fourth Condition	<p>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 and its other affiliates.</p> <p>Commission Clarification: Commitment 9(ii) is modified to read “agree to prohibitions against loans or pledges of utility assets to Puget Energy, Puget Holdings, <u>or any of their subsidiaries or affiliates</u>, without Commission approval.”</p> <p>Commission Clarification: Pursuant to Commitment 9(iii), Puget Energy and Puget Holdings will file with the Commission, prior to closing of the transaction, a form of notice to prospective lenders describing the ring-fencing provisions included in Commitments 8, 9, 10, 24, 35, 36, 37, 39, and 40 stating that these provisions provide no recourse to PSE assets as collateral or security for debt issued by Puget Energy or Puget Holdings. This notice also must include a statement that any change in control of Puget Holdings or change in ownership of ten percent or more of Puget Holdings, including lenders taking equity interest, requires Commission approval, as specified in the Commission clarification of Commitment 26. This notice must be provided to prospective lenders.</p>	Ongoing / Completed	See Commitment 9.

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Fifth Condition	<p>16. At least one director of PSE will be an Independent Director who is not a member, stockholder, director (except as such Independent Director of PSE), officer, or employee of Puget Holdings or its affiliates. The organizational documents for PSE will not permit PSE, without the unanimous consent of all its directors including the Independent Director, to consent to the institution of bankruptcy proceedings or the inclusion of PSE in bankruptcy proceedings. The Chief Executive Officer of PSE will be a member of the board of PSE.</p> <p>Commission Clarification: The Puget Holdings LLC governance will be on terms substantively the same as presented in the Draft LLC Agreement Term Sheet presented at hearing (Exhibit 63HC), including an Independent Manager as clarified by Exhibit 408. The Puget Energy Inc., Puget Intermediate Inc. and Equico LLC governance agreements will also include an independent manager as clarified by Exhibits 409 and 410. The Puget Holdings, Puget Intermediate, Equico, and Puget Energy governance agreements will be modified, as necessary, to require, in addition to supermajority member approval, supermajority Board approval, including the affirmative vote of the Independent Manager, of matters identified in Appendix C to the Draft LLC Agreement Term Sheet, subparts (D), (E) and (F). Puget Holdings LLC will file a copy of its final Corporate Bylaws with the Commission prior to closing of the transaction.</p>	Ongoing / Completed	See Commitment 16.
Sixth Condition	<p>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.</p> <p>Commission Clarification: The cost-allocation methodology filed pursuant to Commitment 20 will be a generic methodology that does not require Commission approval prior to its being proposed for specific application in a general rate case or other proceeding affecting rates.</p>	Ongoing/ Completed	See Commitment 20.

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Commitment Number	Commitment Description	Status	Status Description
Seventh Condition	<p>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.</p> <p>Commission Clarification: The scope of transaction costs in Commitment 21 includes any compensation of senior executives tied to change of control.</p>	Ongoing	See Commitment 21.
Eighth Condition	<p>24. Puget Holdings and PSE will not advocate for a higher cost of debt or equity capital as compared to what PSE's cost of debt or equity capital would have been absent Puget Holdings' ownership.</p> <p>Commission Clarification: For future ratemaking purposes Commitments 24, 26(a) and 9(iii) are clarified as follows:</p> <p>(a) Determination of PSE's debt and equity costs will be no higher than such costs would have been assuming PSE's credit ratings by S&P and Moody's in effect on the day before the transaction closes and applying those credit ratings to then-current debt and equity markets, unless PSE proves that a lower credit rating is caused by circumstances or developments not the result of financial risks or other characteristics of the transaction.</p> <p>(b) PSE bears the burden to prove prudent in a future general rate case any pre-payment premium or increased cost of debt associated with existing PSE debt retired, repaid, or replaced as a part of the transaction.</p> <p>(c) Determination of the allowed return on equity in future general rate cases will include selection and use of one or more proxy group(s) of companies engaged in businesses substantially similar to PSE, without any limitation related to PSE's ownership structure.</p>	Ongoing	See Commitment 24.

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Commitment Number	Commitment Description	Status	Status Description
Ninth Condition	<p>26. In furtherance of Commitment 9:</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>Commission Clarification: As regards Commitments 26(b), 26(c) and 28(c), within 14 days following the notice required by Commitment 26(b) PSE and Puget Holdings will seek Commission approval of any sale or transfer of: (1) any part of PSE that will give a new or existing member of Puget Holdings effective control of PSE, either in terms of ownership shares, or in terms of voting power under the then-applicable Puget Holdings LLC Agreement, or; (2) any material part of PSE. The term "material part of PSE" means any sale or transfer of stock representing ten percent or more of the equity ownership of Puget Holdings or PSE. (Exhibit 419) No sale or transfer subject to Commitment 26(b) may close prior to approval by the Commission.</p>	Ongoing	See Commitment 26.

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Commitment Number	Commitment Description	Status	Status Description
Tenth Condition	<p>27. In furtherance of Commitment 19:</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>Commission Clarification: Commitment 27(b) includes reports Puget Holdings produces for its investors, to the extent those reports are pertinent to PSE.</p>	Ongoing	See Commitment 27.

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Eleventh Condition	<p>31. The Joint Applicants understand that the Commission has authority to enforce these Commitments in accordance with their terms. If there is a technical violation of the terms of these Commitments, then the offending party may, at the discretion of the Commission, have a period of thirty (30) calendar days to cure such technical violation.</p> <p>Commission Clarification: The scope of Commitment 31 includes the authority of the Commission to compel from Puget Holdings and Puget Energy the attendance of witnesses pertinent to matters affecting PSE. Puget Holdings waives its right to interpose any legal objection it might otherwise have to the Commission's jurisdiction to require the appearance of any such witnesses.</p> <p>Commission Clarification: Puget Holdings must file with the Commission prior to closing the transaction an affidavit affirming that it will submit to the jurisdiction of Washington state courts for enforcement of the Commission's orders adopting these commitments and subsequent orders affecting PSE.</p>	Ongoing / Completed	See Commitment 31.
Twelfth Condition	<p>33. Puget Holdings and PSE acknowledge that the Commitments are being made by Puget Holdings and PSE and are binding only upon them (and their affiliates where noted). Puget Holdings and PSE are not requesting in this proceeding a determination of the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions referenced in the Commitments, and the Parties in appropriate proceedings may take such positions regarding the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions as they deem appropriate.</p> <p>Commission Clarification: The Commitments made by Puget Holdings and PSE also are binding, upon their successors in interest.</p>	Ongoing	See Commitment 33.

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Thirteenth Condition	<p>36. PSE shall not be permitted to declare or make any PSE distribution unless, on the date of such PSE distribution, the PSE common equity ratio after giving effect to such PSE distribution is not less than 44%, except to the extent a lower equity ratio is established for ratemaking purposes by the Commission.</p> <p>37. Puget Energy may not declare or make a PE distribution, unless on the date of such PE distribution, the ratio of consolidated EBITDA to consolidated interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 2.00 to 1.00.</p> <p>40. PSE shall not declare or make any distribution, unless, on the date of such distribution, either:</p> <p>(a) The ratio of PSE EBITDA to PSE interest expense for the most recently ended four fiscal quarter period prior to such date is equal or greater than 3.00 to 1.00; or</p> <p>(b) PSE's corporate credit/issuer rating is at least BBB- (or its then equivalent) with S&P and Baa3 (or its then equivalent) with Moody's.</p> <p>However, if PSE satisfies part a) above but its corporate credit/issuer rating is downgraded to a level below BBB- (or its then equivalent) with Standard & Poor's Ratings Group or Baa3 (or its then equivalent) with Moody's Investors Service, Inc., then PSE shall provide notice to the Commission of such downgrade within two business days of PSE's receipt of notice of such downgrade. Following such downgrade, distributions by PSE to Puget Energy shall be limited to an amount sufficient (i) to service debt at Puget Energy, and (ii) to satisfy financial covenants in the credit facilities of Puget Energy, and distributions by Puget Energy to Equico shall cease. If PSE seeks to make any distribution to Puget Energy greater than such amount and Puget Energy seeks to make any distribution to Equico whatsoever, PSE and Puget Energy shall within forty-five calendar days of such downgrade (or earlier if PSE anticipates that such a downgrade may be forthcoming) file a petition with the Commission to show cause why (i) PSE should be permitted to make any distribution to Puget Energy in excess of such amount and (ii) Puget Energy should be permitted to make any distribution to Equico. It is the expectation of</p>	Ongoing	See Commitment 36.

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Commitment Number	Commitment Description	Status	Status Description
Thirteenth Condition, con't.	<p>the Joint Parties that the Commission within sixty (60) days after PSE's and Puget Energy's filing of such petition will issue an order granting or denying such petition. In considering such petition, due consideration shall be given to the financial performance and credit rating of PSE and to whether PSE has, and is expected to achieve, financial metrics that fall within the ranges used by Standard & Poor's Ratings Group and Moody's Investors Service, Inc. for investment grade-rated utility companies and any changes in such ranges since the date of closing of the Proposed Transaction; provided that nothing in this commitment shall prohibit the parties from advancing any arguments regarding factors the Commission should consider. If PSE's corporate credit/issuer rating is subsequently upgraded to BBB- (or its then equivalent) or above with Standard & Poor's Ratings Group or Baa3 (or its then equivalent) or above with Moody's Investors Service, Inc., then PSE shall provide notice to the Commission of such upgrade within two business days of PSE's receipt of notice of such upgrade, and neither PSE nor Puget Energy shall be subject to any dividend restriction pursuant to this Commitment as of the date PSE provides such notice to the Commission.</p> <p>Commission Clarification: Commitments 36, 37 and 40, which limit upward dividends or distributions from PSE to Puget Energy and from Puget Energy to Equico, are clarified as follows: (a) If the ratio of PSE EBIDTA to PSE interest expense is equal to or greater than 3.0 and PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment #36] and distributions from Puget Energy to Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment #37]</p> <p>(b) If the ratio of PSE EBIDTA to PSE interest expense is less than 3.0, but PSE's corporate credit/issuer rating with S&P and Moody's (or their then equivalents) is investment grade, distributions from PSE</p>	Ongoing	

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Thirteenth Condition, con't.	<p>to Puget Energy are not limited so long as PSE's equity ratio is equal to or greater than 44 percent [Commitment #36] and distributions from Puget Energy to Equico are not limited so long as consolidated PSE/Puget Energy EBITDA to consolidated PSE/Puget Energy interest expense is equal to or greater than 2.0. [Commitment #37]</p> <p>(c) If the ratio of PSE EBIDTA to PSE interest expense is equal to or Moody's (or their then equivalents) is not investment grade, no distributions are allowed from PSE to Puget Energy and no distributions are allowed from Puget Energy to Equico. greater than 3.0, but PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, distributions from PSE to Puget Energy are limited as specified in Commitments 36 and 40, unless allowed by specific Commission approval. No distributions are allowed from Puget Energy to Equico.</p> <p>(d) If the ratio of PSE EBIDTA to PSE interest expense is less than 3.0 and PSE's corporate credit/issuer rating with either S&P or Moody's (or their then equivalents) is not investment grade, no distributions are allowed from PSE to Puget Energy and no distributions are allowed from Puget Energy to Equico.</p>	Ongoing	
Fourteenth Condition	<p>41. Joint Applicants commit that (i) the board of directors of PSE will include at least three directors who are residents of the region, one of whom shall be the chief executive officer of PSE, and (ii) the board of directors of Puget Energy will include at least two directors who are residents of the region, one of whom shall be the chief executive officer of PSE.</p> <p>Commission Clarification: The term "regional" as it applies to Commitment 41 means Washington State.</p>	Ongoing	See Commitment 41.

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Commitment Number	Commitment Description	Status	Status Description
Fifteenth Condition	<p>43. PSE will to the extent practical, comply with the rules applicable to a registrant under NYSE rules. Please see Exhibit No. 81(EMM-11) at pages 1-4 for an analysis of PSE's present reporting and governance obligations under NYSE Corporate Governance Standards. Such analysis identifies the applicable NYSE rule, describes the current requirement, describes the post-closing requirement, and sets forth PSE's post-closing commitment with respect to each requirement in the event a current requirement is not a continuing obligation. Such analysis also details the requirements of the NYSE with respect to the following:</p> <ul style="list-style-type: none"> (a) annual report availability, (b) interim financial statements, (c) independent directors, (d) director executive sessions, (e) communication with non-management directors, (f) nominating and governance committee matters, (g) compensation committee matters, (h) the audit committee and committee membership, (i) the internal audit function, (j) corporate governance guidelines, (k) disclosure of corporate governance guidelines, (l) code of business conduct and ethics, and (m) officer certification. <p>Commission Clarification: Puget Energy and PSE will each comply with applicable NYSE rules and the requirements of the Sarbanes-Oxley Act as specified in Exhibit 422, Attachment A, column entitled "post-closing commitment." Unless the Commission approves otherwise, Puget Energy and PSE will comply with any new NYSE rules, or rules not covered in Exhibit 422 (Attachment C to this Order). The independent managers or directors on the PSE, Puget Energy, and Puget Holdings boards will be members of the nominating/governance, compensation, and audit committees and their affirmative vote will be required on all matters subject to vote.</p>	Ongoing	See Commitment 43.