



News Release

Puget Sound Energy Reports Increased 1999 Earnings

Bellevue, Wash. (Feb. 10, 2000) — Puget Sound Energy (NYSE:PSD) today reported 1999 income for common stock of \$174.5 million, or \$2.06 per share, up from reported income of \$156.6 million, or \$1.85 per share in 1998.

"Our financial performance is one of many accomplishments that made 1999 a year of solid improvements in virtually every aspect of our company's business," said President and Chief Executive Officer William S. Weaver. "We continue to implement our strategy to grow the energy delivery business, adding 26,000 natural gas and 16,300 electric customers to our system in 1999, representing annual growth of 4.8 percent and 1.8 percent respectively. At the same time, our focus on customer service resulted in exceeding the 10 service quality measures established in 1997 in cooperation with the Washington Utilities and Transportation Commission. These achievements, coupled with effective cost-management efforts that place us third nationally among investor-owned combined gas/electric utilities operating distribution systems, were particularly gratifying."

"Going forward, we remain committed to becoming the best distribution company anywhere. Being the best means providing the highest level of service at the lowest cost," added Weaver.

Income for common stock for the 3-month period ended December 31, 1999, was \$57.5 million, or 68 cents per share, compared to income of \$59.8 million, or 71 cents per share, for the fourth quarter of 1998. Per-share results for the 1999 fourth quarter were reduced by a charge of \$4.2 million, after tax (5 cents per share), to expense license and development costs related to two proposed non-regulated, small hydroelectric projects.

Factors in Annual Results

Increases in the number of electric and natural gas customers served, together with Pacific Northwest temperatures that averaged near normal as compared to a warmer than normal 1998 period, improved 12-month retail energy sales and margins. Favorable hydroelectric conditions also contributed positively to electric margins in the 1999 period.

Higher 12-month utility operations and maintenance expenses primarily reflect costs associated with restoring electric service following several fierce storms which occurred early in 1999 and expenses associated with the company's Y2K program. Storm and Y2K costs in 1999 were higher than the related costs in 1998 by \$8.3 million and \$4.3 million, respectively.

Contributing positively to 1999's results from non-utility operations were a second-quarter net gain of 10 cents per share from the sale of the company's investment in common stock of Cabot Oil & Gas Corp., offset in part by costs associated with a wholly-owned subsidiary's exiting certain product lines, and a third-quarter net gain of 4 cents per share related to the sale and assignment of certain non-core assets and gas supply transportation contracts. Also impacting 12-month ended results was the 5 cents per share charge in the fourth quarter, described above.

Factors in 3-month Results

Increased revenues from retail energy sales reflected continued growth in the number of customers served, offset in part by the impact of weather that was 5 percent warmer than the same period in 1998. Favorable hydroelectric conditions also contributed positively to 1999 fourth quarter margins. Continued emphasis on cost management contributed to the fourth quarter decline of \$3.2 million in utility operations and maintenance expenses.

Financial Analyst Contact: (425) 462-3808

Media Contact: 1-888-831-7250