



News Release

Puget Energy Reports Second-quarter 2001 Results

BELLEVUE, Wash., Jul 19, 2001 (BUSINESS WIRE) -- Puget Energy (NYSE:PSD) today reported 2001 second-quarter income for common stock of \$22.9 million, or 26 cents per diluted share compared to income for common stock for the second quarter of 2000 of \$25.1 million, or 29 cents per diluted share.

Income for common stock for the twelve months ended June 30, 2001 was \$176.8 million, or \$2.05 per diluted share, compared to income of \$180.6 million, or \$2.12 per diluted share for the same period one year ago.

"Despite continuing poor hydro conditions in the Northwest and unscheduled outages at certain of our generating facilities, our company delivered expected financial results through the first half of 2001," said William S. Weaver, chairman, president and CEO of Puget Energy. "Our focus on efficiency and service in the utility distribution business, coupled with success in energy supply initiatives, again served us well.

Looking toward the remainder of the year, Weaver added, "The recent, hastily thought-out Federal Energy and Regulatory Commission implementation of price caps in 11 western states, including Washington, late in the second quarter, creates challenges for load-serving utilities like Puget Sound Energy. The extremely low level of the price caps, coupled with implementation discretion vested with the California Independent System Operator, produce an environment which is discouraging construction of new generation and working to the disadvantage of customers of the load-serving utilities that have planned adequately for their customers' needs. We and others will be working to remedy the shortcomings of the FERC price-cap order."

FACTORS IN SECOND-QUARTER RESULTS

Operating revenues for the three-month period were \$935.4 million, up from \$538.8 million for the same period in 2000. Increased revenues reflect increased wholesale and other market-priced electric sales prices and increased natural gas revenues. Increased costs of purchased electricity, fuel for electric generation and purchased natural gas contributed to higher total operating expenses of \$863.8 million, up from \$475.7 million a year ago.

Earnings for the second quarter of 2001 were adversely impacted by a severe regional drought affecting hydropower and unscheduled outages at company-owned generating facilities, both of which contributed to increases in fuel and purchased power costs.

Utility operations and maintenance expenses of \$65.4 million, compared to \$58.4 million in 2000, increased primarily due to costs related to the Personal Energy Management(TM) energy-efficiency program, expenses associated with maintenance and repairs for the company's combustion turbines and budgeted increases in non-production operations and maintenance costs.

FACTORS IN 12-MONTH RESULTS

Operating revenues for the 12-month period were \$4.3 billion, up from \$2.2 billion for the same period in 2000.

Twelve-month revenues and costs for 2001 were affected by the same factors as the quarter, as well as increased volumes of wholesale electric sales.

OTHER

With the adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), which became effective January 1, 2001, Puget Energy is required to mark to market certain of its electric and natural gas sales and purchase contracts (those contracts which have been determined to be derivative financial instruments because of their terms). Derivative contracts that have been classified as cash-flow hedges are marked to market through other comprehensive income (in terms of value, a substantial portion of the company's contracts affected by SFAS No. 133 meets those criteria). Derivative contracts that do not qualify as cash-flow hedges are required to be marked to market through the income statement.

The financial statements for the twelve months ended 2001 reflect the charge (and related reserve) for adoption of SFAS No. 133 as of January 1, 2001. The second quarter and twelve months ended 2001 financial statements also reflect the impact of changes since January 1, 2001 in the market value of derivatives outstanding at June 30, 2001. Substantially all of the underlying contracts giving rise to the income statement charges will be fulfilled in 2001 and the reserves established under SFAS No. 133 reversed.

In the second quarter, the company's non-regulated utility-services subsidiary, InfrastruX Group, obtained a \$150 million credit facility from a group of banks which will facilitate its business plan of acquiring construction and maintenance companies to serve the utility industry. During the second quarter, InfrastruX acquired three companies serving the Mid-Atlantic region, bringing the total number of acquisitions to six. With these acquisitions, InfrastruX expects annualized revenues of nearly \$200 million.

SECOND-QUARTER EARNINGS ANALYST TELECONFERENCE

A conference call for analysts to discuss the second-quarter results with management is scheduled at 7:00 a.m. PDT, (10 a.m. EDT) Thursday, July 19, 2001. The call will be broadcast live through a Web cast at www.pse.com in the Investors Web page. The Web cast will be archived and available for replay following the live call.

PUGET ENERGY -- SUMMARY INCOME STATEMENT

(In thousands, except per-share amounts)

	3 months ended 6/30(1)		12 months ended 6/30	
	2001	2000	2001	2000(2)
Operating revenues				
Electric	\$ 719,694	\$ 437,491	\$3,380,549	\$1,696,150
Gas	163,013	98,017	776,107	523,958
Other	52,712	3,293	154,274	22,411
Total operating revenues	935,419	538,801	4,310,930	2,242,519
Operating expenses				
Purchased electricity	535,277	238,105	2,257,809	853,198
Purchased gas	104,184	46,184	499,333	257,319
Electric generation fuel	63,134	29,904	297,843	89,037
Residential exchange	(10,304)	(9,073)	(46,773)	(39,957)
Utility operations & maintenance	65,414	58,395	253,443	234,718
Other operations & maintenance	41,470	4,045	124,402	17,628
Depreciation & amortization	52,935	49,316	207,376	185,390
Conservation amortization	1,603	1,380	6,035	8,185
FAS-133 unrealized (gain)/loss	(50,000)	--	(23,534)	--
Other taxes	45,306	43,914	216,187	189,950
Federal income taxes	14,822	13,512	131,822	112,565
Total operating expenses	863,841	475,682	3,923,943	1,908,033
Operating income	71,578	63,119	386,987	334,486
Other income	1,568	6,878	(2,697)	18,061
Income before interest charges	73,146	69,997	384,290	352,547
Interest charges	48,174	42,628	184,000	162,239
Net income before cumulative effect of accounting change	24,972	27,369	200,290	190,308
FAS-133 transition adjustment loss (net of tax)	--	--	14,749	--
Net Income	24,972	27,369	185,541	190,308
Less preferred stock dividend accruals	2,085	2,229	8,703	9,708
Income for common stock	\$ 22,887	\$ 25,140	\$ 176,838	\$ 180,600
Common shares outstanding	86,303	85,295	85,903	84,918
Basic earnings per common share before cumulative effect of accounting change	\$ 0.27	\$ 0.29	\$ 2.23	\$ 2.13

Cumulative effect of accounting change	--	--	(0.17)	--

Basic earnings per common share	\$ 0.27	\$ 0.29	\$ 2.06	\$ 2.13
Diluted earnings per common share before cumulative effect of accounting change	\$ 0.26	\$ 0.29	\$ 2.22	\$ 2.12
Cumulative effect of accounting change	--	--	(0.17)	--

Diluted earnings per common share(3)	\$ 0.26	\$ 0.29	\$ 2.05	\$ 2.12

(1) Partial-year results may not accurately predict full-year performance, as earnings are significantly affected by weather.

(2) Certain amounts previously reported have been reclassified to conform with current year presentations with no effect on net income.

(3) Diluted earnings per common share include the dilutive effect of securities related to employee compensation plans.

PUGET SOUND ENERGY(1) -- UTILITY OPERATING DATA

	3 months ended 6/30		12 months ended 6/30	
	2001	2000	2001	2000

Energy sales revenues (\$ in thousands)				
Electricity				
Residential	\$ 138,321	\$ 138,225	\$ 601,088	\$ 607,116
Commercial	128,373	106,645	524,646	477,913
Industrial	105,439	45,710	458,399	181,955
Other(2)	(30,113)	11,275	30,101	24,045

Subtotal, retail sales	342,020	301,855	1,614,234	1,291,029
Sales to other utilities	377,674	135,636	1,766,315	405,121

Total electricity sales	719,694	437,491	3,380,549	1,696,150
Gas				
Residential	92,808	54,833	469,997	315,383
Commercial	52,469	30,592	238,687	153,444
Industrial	12,602	6,885	45,575	31,599
Transportation	2,597	2,838	11,422	12,280
Other	2,537	2,869	10,426	11,252

Total gas sales	163,013	98,017	776,107	523,958

Total energy sales revenues	\$ 882,707	\$ 535,508	\$ 4,156,656	\$ 2,220,108

Energy sales volumes

Electricity (in mWh)				
Residential	2,224,645	2,217,910	9,734,832	9,714,499
Commercial	1,963,621	1,744,088	7,980,282	7,521,874
Industrial	713,987	942,744	3,553,456	3,960,782
Other(2)	(226,024)	(35,278)	(101,694)	320,824

Subtotal, retail sales	4,676,229	4,869,464	21,166,876	21,517,979
Sales to other utilities	2,024,045	2,820,296	13,760,927	11,549,139
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Total mWh	6,700,274	7,689,760	34,927,803	33,067,118

Gas (in 000's of therms)

Residential	87,913	80,125	513,493	496,785
Commercial	58,856	59,680	298,865	308,799
Industrial	13,886	14,782	60,732	71,040
Transportation	44,181	49,475	189,121	218,237
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Total gas volumes	204,836	204,062	1,062,211	1,094,861

Customers served(3)

Electricity				
Residential	825,223	810,243	818,536	804,246
Commercial	99,576	99,198	99,400	97,938
Industrial	4,024	4,112	4,054	4,174
Other	1,754	1,531	1,632	1,515
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Total electricity customers	930,577	915,084	923,622	907,873

Gas

Residential	548,247	531,614	540,869	521,568
Commercial	46,831	45,535	46,151	44,943
Industrial	2,836	3,015	2,903	3,019
Transportation	112	95	107	96
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Total gas customers	598,026	580,259	590,030	569,626

Weather

Actual heating degree days	1,034	910	5,074	4,796
Normal heating degree days	925	925	4,908	4,928

(1) Puget Sound Energy is the electric and natural gas utility subsidiary of Puget Energy.

(2) Includes change in unbilled revenues, Conservation Trust collection, Encogen non-energy sales, sales of non-core gas supply to generators and the customers' refunded portion of Centralia gain.

(3) Quarterly data represents average served during June; 12-month data represents average for the 12 months ended.

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