



## News Release

### Puget Energy Announces Third Quarter Earnings; Increases 2002 Earnings Guidance

BELLEVUE, Wash., Oct 16, 2002 (BUSINESS WIRE) -- Puget Energy (NYSE: PSD) today reported 2002 third-quarter income for common stock of \$6.6 million, or 7 cents per share.

In the same period a year ago, Puget Energy's third quarter results were \$4.7 million, or 5 cents per share.

"This quarter continues to reflect our disciplined progress toward restoring the financial health of Puget Energy," said Puget Energy President and CEO Stephen P. Reynolds. "While this has been a tumultuous period for the energy industry and financial markets in general, we're pleased to be able to increase Puget Energy's 2002 earnings guidance by 5 cents a share, to a range of \$1.20 to \$1.25 per share." The company also affirmed its current earnings guidance for the full year 2003, which remains unchanged at \$1.75 to \$1.90.

"The primary reason we are able to increase our earnings target for the calendar year 2002 is the continued strong performance of our utility operations," said Reynolds. "The utility is exceeding our expectations, primarily due to successful settlement of regulatory issues earlier in the year, lower net power costs, continued operational efficiencies and federal income tax benefits. We expect this trend to continue in the fourth quarter, assuming normal weather."

Year-to-date income for Puget Energy common stock was \$60.5 million, or 69 cents per share, compared with income of \$92.2 million, or \$1.06 per share, in the year-ago period. The reduction in year-to-date 2002 earnings compared with the same period one year ago is primarily attributable to the first quarter under-recovery of Puget Sound Energy's (PSE) net power costs prior to PSE's rate-case settlement in the second quarter. Year-to-date income for the nine months ended September 30, 2001 included a one-time net benefit of 5 cents per share resulting from the asset sale of a former PSE subsidiary, net of an operating loss at that subsidiary through the date of the sale. Also included in that period is a benefit of \$0.20 per share from the sale of two properties by a PSE real estate subsidiary.

PSE contributed 3 cents per common share in the third quarter of 2002. Puget Energy's unregulated utility infrastructure services subsidiary, InfrastruX Group, continued to deliver on its plan, contributing 4 cents per common share in the third quarter of 2002. "We are pleased that the quality of InfrastruX's operating companies and its geographic and business line diversity has enabled it to withstand the cyclical downturn in market conditions and other factors that have more severely affected many of its peers," added Reynolds.

Puget Energy will provide more detail on third-quarter results during a conference call for analysts scheduled at 10 a.m. ET (7 a.m. PT) tomorrow, Thursday, October 17, 2002. The call will be broadcast live through a Web cast at [www.pse.com](http://www.pse.com) by accessing the Investors section of the Web site. The Web cast will be archived and available for replay following the live call. A tape-recorded replay of the call will be available two hours after completion of the conference on October 17 through midnight (ET) Tuesday, October 22, 2002 by dialing 800/428-6051 and entering the conference identification number at 263530.

Cautionary Statement: Certain statements contained in this news release are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, among which include statements regarding estimates of earnings per share. In some cases, you can identify forward-looking statements by terminology such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "will likely result," "will continue" or similar expressions. Forward-looking statements are based on the opinions and estimates of management at the time the statements are made and are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that could affect actual results include, among others, governmental policies and regulatory actions, including those of the FERC and the WUTC, with respect to financings, industry and rate structures, acquisition and disposal of assets and facilities, operation and construction of plant facilities, recovery of purchased energy and other capital investments, and present or prospective wholesale and retail competition; weather, which can have a serious impact on retail energy sales and on PSE's ability to procure adequate supplies of gas, fuel or purchased power to serve its customers and on the cost of procuring such supplies; hydroelectric conditions, which can have a serious impact on electric capacity and PSE's ability to generate electricity; wholesale energy prices; industrial, commercial and residential growth and demographic patterns in the service territories of PSE; and the ability of Puget Energy and PSE to access the capital markets to support requirements for working capital, construction costs and the repayment of maturing debt. More information about these and other factors that potentially could affect Puget Energy's financial results is included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, Quarterly Report on Form 10-Q for the second quarter of 2002 and in their other public filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance upon these forward-looking statements that speak only as to the date of this release. Except as required by law, Puget Energy and PSE undertake no obligation to update any forward-looking statements.

PUGET ENERGY -- SUMMARY INCOME STATEMENT  
(In thousands, except per-share amounts, Unaudited)

	Three months ended		Year-to-date	
	09/30(1)		09/30(1)	
	2002	2001(2)	2002	2001(2)
Operating revenues				
Electric	\$299,443	\$333,615	\$978,814	\$1,497,563
Gas	65,788	91,778	524,663	559,061
Other	93,245	53,573	234,878	156,872

Total operating revenues	458,476	478,966	1,738,355	2,213,496
Operating expenses				
Purchased electricity	132,820	120,444	442,731	725,184
Purchased gas	31,126	50,976	324,444	371,769
Electric generation fuel	16,856	67,949	96,716	233,467
Residential exchange	(26,427)	(19,270)	(100,139)	(46,315)
FAS-133 unrealized (gain)/loss	(335)	567	(12,083)	(14,494)
Utility operations & maintenance	68,933	64,213	208,505	190,806
Other operations & maintenance	76,316	47,881	193,025	119,492
Depreciation & amortization	57,190	54,195	170,495	160,258
Conservation amortization	4,216	1,440	9,985	4,645
Other taxes	42,226	38,671	162,412	154,057
Federal income taxes	(1,543)	6,144	31,763	72,260
Total operating expenses	401,378	433,210	1,527,854	1,971,129
Operating income	57,098	45,756	210,501	242,367
Other income (net of tax)	230	7,892	4,055	11,402
Income before interest charges & minority interest	57,328	53,648	214,556	253,769
Interest charges	48,439	46,839	147,518	140,448
Minority interest	377	--	679	--
Net income before cumulative effect of accounting change	8,512	6,809	66,359	113,321
FAS-133 transition adjustment loss (net of tax)	--	--	--	14,749
Net Income	8,512	6,809	66,359	98,572
Less preferred stock dividend accruals	1,940	2,085	5,892	6,328
Income for common stock	\$6,572	\$4,724	\$60,467	\$92,244
Common shares outstanding	87,618	86,571	87,388	86,303
Diluted shares outstanding	87,975	86,995	87,737	86,717
Basic earnings per common share before cumulative effect of accounting change	\$0.07	\$0.06	\$0.69	\$1.24
Cumulative effect of accounting change	--	--	--	(0.17)
Basic earnings per common share	\$0.07	\$0.06	\$0.69	\$1.07
Diluted earnings per common share before cumulative effect of accounting change	\$0.07	\$0.05	\$0.69	\$1.23
Cumulative effect of accounting change	--	--	--	(0.17)
Diluted earnings per				

common share(3)	\$0.07	\$0.05	\$0.69	\$1.06
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- (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

	Three months ended 09/30		Year-to-date 9/30	
	2002	2001	2002	2001
Energy sales revenues (\$ in thousands, Unaudited)				
Electricity				
Residential	\$116,022	\$105,058	\$468,069	\$445,906
Commercial	129,394	113,372	399,944	393,071
Industrial	22,869	39,663	68,084	257,878
Other retail sales(2)	3,782	(1,644)	(15,806)	(70,456)
Subtotal, retail sales	272,067	256,449	920,291	1,026,399
Transportation(2)	4,791	351	12,873	336
Sales to other utilities & marketers(3)	19,841	96,977	50,883	491,064
Other(4)	2,744	(20,162)	(5,233)	(20,236)
Total electricity sales	299,443	333,615	978,814	1,497,563
Gas				
Residential	33,208	41,672	315,670	322,900
Commercial	22,252	35,366	163,711	183,552
Industrial	4,947	9,340	28,381	36,572
Subtotal, retail sales	60,407	86,378	507,762	543,024
Transportation	3,068	3,133	9,024	8,554
Other	2,313	2,267	7,877	7,483
Total gas sales	65,788	91,778	524,663	559,061
Total energy sales revenues	\$365,231	\$425,393	\$1,503,477	\$2,056,624

Energy sales volumes

Electricity (in mWh)				
Residential	1,803,389	1,748,140	7,340,492	7,121,940
Commercial	1,986,181	1,890,011	5,979,395	6,000,317
Industrial	367,484	597,730	1,062,665	2,050,925
Other(2)	30,009	9,833	(319,042)	(524,025)
Subtotal, retail sales	4,187,063	4,245,714	14,063,510	14,649,157
Transportation(2)	730,959	116,035	1,801,715	116,035
Sales to other utilities & marketers(3)	1,026,461	1,419,885	2,379,170	3,945,510

Total mWh	5,944,483	5,781,634	18,244,395	18,710,702
Gas (in 000's of therms)				
Residential	33,521	35,160	337,893	317,536
Commercial	35,530	40,971	207,694	208,827
Industrial	9,048	11,143	37,992	41,984
Transportation	47,776	45,093	151,532	138,243
Total gas volumes	125,875	132,367	735,111	706,590

Customers served(5)

Electricity				
Residential	842,170	829,331	838,899	824,070
Commercial	103,538	100,333	102,337	99,858
Industrial	3,897	3,989	3,929	4,026
Other	1,931	1,818	1,891	1,731
Transportation	15	10	15	3
Total electricity customers	951,551	935,481	947,071	929,688
Gas				
Residential	565,585	549,890	562,539	546,727
Commercial	46,347	46,789	46,407	46,716
Industrial	2,735	2,842	2,775	2,851
Transportation	129	112	117	112
Total gas customers	614,796	599,633	611,838	596,406

Weather

Actual heating degree days	235	280	3,324	3,293
Normal heating degree days	279	279	3,179	3,179

- (1) Puget Sound Energy is the electric and natural gas utility subsidiary of Puget Energy.
- (2) Includes change in unbilled revenues.
- (3) Includes optimization transactions reported net in the income statement as required by EITF 02-03, effective after June 30, 2002. Prior periods have been reclassified to conform with the presentation.
- (4) Includes Conservation Trust collection and sales of non-core gas suppliers.
- (5) Quarterly data represents average served during September; Year-to-date data represents average for the 9 months ended.

PUGET ENERGY -- SEGMENT RESULTS

(In thousands, Unaudited)

Three months ended 09/30/02	Puget Sound Energy	InfrastruX	Other(1)	Puget Energy Total
Revenues	\$365,232	\$92,372	\$872	\$458,476
Depreciation and amortization	53,351	3,784	55	57,190
Federal income tax	(4,198)	2,602	53	(1,543)
Operating income	51,002	5,871	225	57,098
Interest charges, net of AFUDC	46,876	1,563	--	48,439
Net income	4,335	3,952	225	8,512
Total assets	5,059,109	320,755	126,286	5,506,150

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Total assets at 12/31/01    5,178,601       229,125    139,251    5,546,977  
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Three months ended 09/30/01

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Revenues                            \$425,393       \$52,771       \$802       \$478,966  
Depreciation and  
  amortization                    52,057           2,134           4           54,195  
Federal income tax                5,177            783            184           6,144  
Operating income                 43,229           3,398           (871)       45,756  
Interest charges, net of  
  AFUDC                            45,710           1,068           61           46,839  
Net income                         (3,207)           1,337           8,679       6,809  
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Year to date 09/30/02

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Revenues                            \$1,503,478     \$229,255     \$5,622     \$1,738,355  
Depreciation and  
  amortization                    161,024           9,308           163       170,495  
Federal income tax                25,095           4,952           1,716       31,763  
Operating income                 196,021           12,034           2,446       210,501  
Interest charges, net of  
  AFUDC                            143,558           3,960           --           147,518  
Net income                         56,616           7,476           2,267       66,359  
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Year to date 09/30/01

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Revenues                            \$2,056,624     \$126,780     \$30,092     \$2,213,496  
Depreciation and  
  amortization                    155,052           5,195           11       160,258  
Federal income tax                62,364           1,894           8,002       72,260  
Operating income                 220,267           8,322           13,778       242,367  
Interest charges, net of  
  AFUDC                            137,661           2,513           274       140,448  
Net income                         72,168           2,998           23,406       98,572  
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(1) Includes the non-regulated subsidiaries of Puget Sound Energy and miscellaneous holding company expenses. The principal non-regulated subsidiary of PSE is a real estate development company. PSE sold the assets of its software development subsidiary, ConneXt, Inc., in the third quarter for 2001.

Puget Energy

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