



## News Release

### **Puget Sound Energy, Regulators Endorse Settlement of Utility's Rate Filing; Agreement Designed to Bolster PSE's Financial Integrity, Reduce Customer Impact**

BELLEVUE, Mar 20, 2002 (BUSINESS WIRE) -- Puget Sound Energy, the utility subsidiary of Puget Energy (NYSE:PSD), today announced a settlement agreement on a broad-based plan that resolves the company's request for an interim rate increase and many of the key financial issues in the company's general rate case filing.

The agreement will create a foundation to restore the company's financial integrity with the smallest increase in customer bills of Northwest utilities that have had to raise rates after last year's energy crisis.

The Washington Utilities and Transportation Commission (WUTC) is expected to rule by the end of March on the settlement agreement reached by PSE, the staff of the WUTC, the Public Counsel Section of the Washington Attorney General's office, Industrial Customers of Northwest Utilities, Northwest Industrial Gas Users, and certain other parties to the case.

Stephen P. Reynolds, the company's president and chief executive officer, called the negotiated agreement "a reasonable, well-balanced accord reflecting the best interests of our customers and our investors. It establishes a sound basis for Puget Sound Energy to rebound from the financial shock waves of the West Coast energy crisis. The settlement demonstrates that the Washington regulatory process is responsive to financial market concerns about credit quality and is supportive of the financial stability of the state's utilities. I am very pleased with the collaborative spirit demonstrated by all parties in reaching this settlement."

Key elements of the pending settlement include:

- Resolution of three of the four financial issues in the general rate case and establishment of a fast-track collaborative process for completion of the general rate case. The three important general rate-case financial issues resolved by the settlement are the equity capital ratio, the return on equity, and adoption of a power cost adjustment mechanism. The remaining financial issue is determination of any revenue-requirement adjustments that may be proposed by the parties after further review of the Company's books and records. The fast-track collaborative process is designed so that new general rates for electric service can go into effect on July 1, 2002, rather than the original schedule of Nov. 1, 2002. New general rates for natural gas service can go into effect Sept. 1, 2002, under the settlement agreement.
- Agreement to implement in the general rate case a power cost adjustment mechanism that will allow electric bills to reflect the changing cost of power purchased to supply customer demands. The specific design of the mechanism will be determined through the collaborative process, with implementation of the mechanism by July 1, 2002.
- An equity capital ratio of 40 percent for ratemaking purposes and an allowed 11 percent return on equity for the utility.
- Dismissal of a complaint filed with the WUTC by Public Counsel that sought to reduce PSE rates as a result of a disputed interpretation of provisions in the company's 1997 WUTC merger order. Those provisions related to the Bonneville Power Administration (BPA) residential exchange credit PSE customers receive.
- The settlement lowers the general electric-rate revenue-increase request to 6.49 percent, effective July 1, 2002. The settlement's revised rate-increase request would raise the average residential bill by about 9.4 percent, or about \$6.75 per month. However, the federal power credit customers receive from the Bonneville Power Administration will offset some of that general rate increase.
- The settlement lowers the general natural gas-rate revenue-increase request to 9.14 percent, effective Sept. 1. The agreement's revised rate-increase request would raise the average residential natural-gas bill by 13.8 percent, or about \$10 per month. The expiration of a natural-gas surcharge in June, however, will offset some of the proposed rate increase.
- A \$25 million interim increase in general electric rates

during the second quarter of 2002 that enables the utility to recoup increased power-supply costs during that period. This three-month rate increase, beginning April 1, 2002, would raise the average residential bill by about \$5 per month. The interim rate increase would expire June 30 and be replaced by the general rate increase.

To strengthen the company's balance sheet, enhance credit quality and improve the company's financial flexibility, Puget Energy's board of directors has decided to reduce the company's annual common stock dividend from \$1.84 to \$1 per share. The dividend reduction will become effective with the common stock dividend payable on May 15, 2002, to shareholders of record on April 19, 2002.

"The board's decision, while very difficult, is an investment in the future health and vitality of the company," said Reynolds. "The new dividend level moves the company to a dividend payout ratio, based upon utility earnings, that is commensurate with other similar utility companies. We are focused on following a strategy of growing our company by strengthening connections with customers, investors, regulators, employees and our communities, which is key to growing our business efficiently. This agreement, combined with our recent management realignment, continued technology and cost-saving innovations, and the company's growth potential in both the regulated and non-regulated arenas puts all the pieces in place for Puget to enjoy a very bright future."

#### ANALYST TELECONFERENCE

A conference call for analysts to discuss the settlement agreement is scheduled at 9 a.m. EST (6 a.m. PST) Thursday, March 21, 2002. Puget Energy senior management will discuss specifics related to the agreement reached on the request made by its Puget Sound Energy utility for an interim increase in electric rates, and on several financial issues related to the request for an increase in general rates for electric and natural gas service. 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.

Certain statements contained in this news release, including statements with respect to future revenues, are "forward-looking statements" within the meaning of the federal securities laws. Although Puget Energy and Puget Sound Energy believe that the expectations reflected in such statements are reasonable, there can be no assurance that the expected results will be achieved. For additional information concerning certain assumptions, risks, and uncertainties involved in the forward-looking statements contained herein, please refer to Puget Energy's reports on file with the SEC.

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