



News Release

Puget Energy Reports 2001 Results

BELLEVUE, Wash., Feb 8, 2002 (BUSINESS WIRE) -- Puget Energy (NYSE:PSD) today reported 2001 income for common stock of \$98.4 million, or \$1.14 per diluted share, compared with \$184.8 million, or \$2.16 per diluted share, in 2000.

Twelve-month results for 2001 include the cumulative effect of an accounting change of a charge to earnings of 17 cents per diluted share in the first quarter related to the adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133").

Fourth-quarter income for common stock for the period ended Dec. 31, 2001 was \$6.2 million, or 7 cents per diluted share, compared to income of \$67.0 million, or 78 cents per diluted share for the fourth quarter of 2000.

"Clearly, 2001 was a year of contrasts. Operationally, we saw extraordinary successes in expanding customer convenience and choice through our Personal Energy Management(TM) program and in managing through one of the worst hydroelectric production seasons on record, all while keeping our distribution operating costs among the lowest in the nation," said Stephen P. Reynolds, president and CEO of Puget Energy. "Financially, continued under-recovery of net power costs beginning in the last half of 2001 produced very disappointing results," he added.

Reynolds said financial results in 2002 and beyond will depend on the satisfactory outcome of two rate-relief requests the company's Puget Sound Energy utility subsidiary has filed with the Washington Utilities and Transportation Commission. The utility has filed for increases in general rates for both its electric and natural gas service. A decision is expected in that filing no later than the end of October 2002. Puget Sound Energy also has requested to temporarily raise electric rates for the March through October 2002 period to recover higher net power costs that resulted from circumstances related to wholesale energy market conditions in the Pacific Northwest.

"In a year that proved to be extremely challenging for energy utilities in our region, Puget Sound Energy carefully managed its electric supply resources in 2001, enabling it to be one of the last Northwest utilities to seek an electric-rate increase," said Reynolds. "Despite tremendous price volatility in energy markets over the past several years, the rates PSE customers pay today are virtually unchanged since the beginning of 1997, when our company was created," added Reynolds. "And with respect to general rates, our utility has not had to ask for a general electricity rate increase since 1993 and a general natural gas increase since 1995.

"Our interim-rate request for \$170 million to recover net power costs in excess of those built into our rates is one of the smallest increases among Western utilities, most of which have raised rates as a result of the Western energy crisis," he added. "Achieving a workable regulatory outcome is critical to strengthening the fiscal stability of the company and continuing to provide our customers with reliable, low-cost energy delivery while supporting our Washington state economy with a sound utility infrastructure."

Among the highlights in 2001, Reynolds noted:

- Working with the Washington Utilities and Transportation Commission, Puget Sound Energy expanded its Personal Energy Management (TM) program to more than 300,000 residential and commercial electric customers. This program, unprecedented in scope, provides customers with real-time information to better understand and control their energy usage, and coupled with time-of-day pricing, gives customers the opportunity to save money by shifting usage to off-peak periods.
- In collaboration with the Bonneville Power Administration, Puget Sound Energy entered into a new, five-year residential and small farm power credit contract, allowing the company to increase by more than 50 percent the credit on customers' bills from that program over the five-year term, beginning in 2002.
- Puget Sound Energy continued to deliver electric and natural gas service at reliability levels far above industry averages while distribution costs remain among the lowest in the country: \$161 per customer compared to the industry average of \$272 for combination utilities.
- The company earned recognition from President George W. Bush and received the industry's highest honors--the Edison Electric Institute's prestigious Edison Award, and Utility of the Year designation by Electric Light and Power magazine--for using investments in new technologies to the benefit of consumers and the environment.
- InfrastruX Group, the company's non-regulated utilities-service subsidiary, continued to successfully grow

its business and capabilities through acquisitions. With its acquisitions completed through December 31, 2001, InfrastruX has annualized revenues of approximately \$240 million, and has built strong regional positions on the East Coast, in the Midwest and Mid-South.

FACTORS IN ANNUAL RESULTS

Operating revenues for the 12-month period were \$3.37 billion, compared to \$3.44 billion for the same period in 2000.

While overall total operating expenses were essentially flat compared to the previous year, electric margins were down substantially, primarily as a result of the continued under-recovery of net power costs. Utility operations and maintenance expenses for the 12-month period reflect increased costs related to electric-service restoration costs in the fourth quarter of 2001, the Personal Energy Management(TM) program, generation-related operating and maintenance costs and budgeted increases in non-production operations and maintenance costs.

FACTORS IN FOURTH-QUARTER RESULTS

Operating revenues for the three-month period ended Dec. 31, 2001 were \$699 million, down from \$1.28 billion from a year ago. The decline in revenues is primarily due to reduced revenues from sales to industrial customers and wholesale sales of surplus electricity as a result of a decline in both market prices and volumes.

As in the factors affecting annual results, electric margins were down substantially, primarily as a result of the continued under-recovery of net power costs. Utility operations and maintenance expenses in the fourth quarter of 2001 increased over the prior year primarily due to the same factors affecting annual results.

FOURTH-QUARTER EARNINGS ANALYST TELECONFERENCE.

A conference call for analysts to discuss with management the fourth quarter and 2001 results and the outlook for future performance is scheduled at 10 a.m. EST (7 a.m. PST) Friday, Feb. 8, 2002. The call will be broadcast live through a Web cast at 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.

PUGET ENERGY -- SUMMARY INCOME STATEMENT

(In thousands, except per-share amounts)

	3 months ended		12 months ended	
	12/31(1)		12/31	
	2001	2000(2)	2001	2000(2)
Operating revenues				
Electric	\$ 393,638	\$ 1,009,152	\$2,352,658	\$2,771,695
Gas	256,010	236,026	815,071	612,311
Other	49,390	31,489	206,262	57,666
Total operating revenues	699,038	1,276,667	3,373,991	3,441,672
Operating expenses				
Purchased electricity	219,467	672,068	1,406,107	1,766,625
Purchased gas	165,662	142,654	537,431	332,927
Electric generation fuel	47,938	76,944	281,405	182,978
Residential exchange	(29,548)	(11,745)	(75,864)	(41,000)
Utility operations & maintenance	74,982	70,903	265,789	240,094
Other operations & maintenance	37,239	33,399	156,731	60,612
Depreciation & amortization	57,282	51,635	217,540	196,513
Conservation amortization	1,848	1,643	6,493	6,830
FAS-133 unrealized (gain)/loss	3,311	---	(11,182)	---
Other taxes	60,357	58,245	214,414	203,230

Federal income taxes	5,746	53,651	78,006	128,991
Total operating expenses	644,284	1,149,397	3,076,870	3,077,800
Operating income	54,754	127,270	297,121	363,872
Other income (net of tax)	3,123	(11,480)	14,526	5,061
Income before interest charges	57,877	115,790	311,647	368,933
Interest charges	49,611	46,515	190,059	175,102
Net income before cumulative effect of accounting change	8,266	69,275	121,588	193,831
FAS-133 transition adjustment loss (net of tax)	---	---	14,749	---
Net Income	8,266	69,275	106,839	193,831
Less preferred stock dividend accruals	2,085	2,230	8,413	8,994
Income for common stock	\$ 6,181	\$ 67,045	\$ 98,426	\$ 184,837
Common shares outstanding	86,863	85,771	86,445	85,411
Basic earnings per common share before cumulative effect of accounting change	\$ 0.07	\$ 0.78	\$ 1.31	\$ 2.16
Cumulative effect of accounting change	---	---	(0.17)	---
Basic earnings per common share	\$ 0.07	\$ 0.78	\$ 1.14	\$ 2.16
Diluted earnings per common share before cumulative effect of accounting change	\$ 0.07	\$ 0.78	\$ 1.31	\$ 2.16
Cumulative effect of accounting change	---	---	(0.17)	---
Diluted earnings per common share(3)	\$ 0.07	\$ 0.78	\$ 1.14	\$ 2.16

(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.

	3 months ended 12/31		12 months ended 12/31	
	2001	2000	2001	2000
Energy sales revenues				
(\$ in thousands)				
Electricity				
Residential	\$ 153,700	\$ 148,145	\$ 599,606	\$ 604,881
Commercial	127,631	125,303	520,702	489,596
Industrial	26,726	104,776	284,604	297,661
Other(2)	14,525	120,470	(76,167)	130,257
Subtotal,				
retail sales	322,582	498,694	1,328,745	1,522,395
Transportation	2,201	---	2,537	6
Sales to other utilities	68,855	510,458	1,021,376	1,249,294
Total electricity sales				
	393,638	1,009,152	2,352,658	2,771,695
Gas				
Residential	163,861	153,186	486,761	372,900
Commercial	73,307	65,605	256,859	180,204
Industrial	12,881	11,775	49,453	36,159
Transportation	3,226	3,004	11,780	12,137
Other	2,735	2,456	10,218	10,911
Total gas sales				
	256,010	236,026	815,071	612,311
Total energy sales revenues				
	\$ 649,648	\$1,245,178	\$3,167,729	\$3,384,006
Energy sales volumes				
Electricity (in mWh)				
Residential	2,433,324	2,531,190	9,555,264	9,810,393
Commercial	1,952,848	1,942,277	7,953,165	7,677,032
Industrial	489,796	1,063,214	2,540,722	4,026,344
Other(2)	400,383	495,530	(123,643)	338,179
Subtotal,				
retail sales	5,276,351	6,032,211	19,925,508	21,851,948
Transportation	247,791	---	308,063	164
Sales to other utilities	1,484,753	4,368,453	7,494,820	15,093,731
Total mWh				
	7,008,895	10,400,664	27,728,391	36,945,843
Gas (in 000's of therms)				
Residential	177,112	191,477	494,648	517,561
Commercial	88,929	92,589	297,756	305,440
Industrial	15,993	18,393	57,977	67,524
Transportation	49,952	49,316	188,196	204,035
Total gas volumes				
	331,986	351,775	1,038,577	1,094,560
Customers served(3)				
Electricity				
Residential	834,196	818,440	826,187	811,443
Commercial	100,574	99,514	100,015	98,758
Industrial	3,966	4,054	4,012	4,111
Other	1,844	1,621	1,758	1,548
Transportation	13	---	5	---
Total electricity customers				
	940,593	923,629	931,977	915,860
Gas				
Residential	555,990	541,576	548,497	532,333
Commercial	47,082	46,173	46,783	45,524

Industrial	2,797	2,877	2,837	2,991
Transportation	112	112	112	98

Total gas customers	605,981	590,738	598,229	580,946
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Weather

Actual heating degree days	1,700	1,792	4,993	4,970
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Normal heating degree days	1,729	1,729	4,908	4,928
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(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 December; 12-month data represents average for the 12 months ended.

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