



News Release

Puget Sound Energy Files for Increase in Natural-Gas Rates; Request reflects sharp jump in gas prices within wholesale energy market

BELLEVUE, Wash., Mar 5, 2003 (BUSINESS WIRE) -- Steeply rising wholesale prices Puget Sound Energy (utility subsidiary of Puget Energy (NYSE:PSD)) pays to acquire its customers' natural gas supplies prompted the utility today to request a pass-through of those higher costs to customers.

PSE asked for the new rates to take effect April 10. If the Washington Utilities and Transportation Commission approves the rate change, the price PSE customers pay for natural gas still will be among the lowest in Washington.

The forward-looking price PSE pays for its customers' natural gas on the wholesale market has shot up by about 50 percent since the utility's gas-commodity rates last were adjusted in September 2002. Several factors appear to be propelling the jump in wholesale gas prices: an exceptionally cold winter east of the Rocky Mountains that pushed up gas demand nationwide; lagging exploration and drilling of new gas fields across North America; an expected increase in demand for gas-fired electricity in the West because of low precipitation this past winter; and an unstable international petroleum market.

Today's filing by PSE is technically called a "purchased gas adjustment," or PGA. Under a PGA, customers' gas rates periodically are adjusted -- up or down -- to reflect changes in the price of natural gas charged by producers and wholesale marketers. PSE does not profit from the wholesale gas supplies it acquires for customers; the utility simply passes along its supply costs without mark-up.

In 2002, PSE's natural-gas rates dropped three times -- by approximately 30 percent overall -- because of lower prices in the wholesale gas market.

"Unfortunately, the gas market has now turned the other way," said Kimberly Harris, PSE's vice president of governmental and regulatory relations. "It's indicative of the volatile price swings we have seen the past few years in the energy markets."

Harris noted that PSE takes various steps to insulate customers from the market's volatility and to limit sharp spikes in rates at the retail level. For example, the utility purchases large amounts of natural gas when wholesale prices are low -- typically in spring and summer -- and stores it underground to reduce supply purchases when energy-market rates are higher. The company also employs supply "hedges" and a mix of short- and long-term supply contracts with a variety of sellers in order to stabilize its gas-purchase costs as much as possible.

Today's PGA filing seeks a 13 cent-per-therm increase in PSE's retail price of gas. With a typical household usage of 80 therms of gas per month, the filing would increase the typical monthly residential bill by \$9.83 -- to \$62.40. By comparison, when the western U.S. energy crisis helped drive up wholesale gas costs to record heights in January 2001, PSE customers were paying \$79 for 80 therms of natural gas.

Since gas usage for most customers drops significantly after winter ends, Harris said, PSE asked that the latest PGA rate change begin in April to ease its effect on customers' bills.

The WUTC is expected to make a decision on PSE's rate filing by early April.

PSE, a combined electric and natural-gas utility, serves 622,000 gas customers in parts of Snohomish, King, Pierce, Thurston, Lewis, and Kittitas counties.

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