



## News Release

### Puget Energy Reports 2002 Results of \$1.24 Per Share

BELLEVUE, Wash.--(BUSINESS WIRE)--Feb. 12, 2003--Puget Energy (NYSE:PSD) today reported income for common stock of \$110.1 million or \$1.24 per share, for the year ended Dec. 31, 2002, compared with \$98.4 million, or \$1.14 per share, for the 12 months ended Dec. 31, 2001.

These results represent a 9 percent year-over-year increase in earnings per share.

"In many respects, 2002 was a watershed year for Puget Energy," said President and CEO Stephen P. Reynolds. "We took decisive actions, some of them painful, to deliver strong operating results and create a solid platform for building shareholder value.

"I am pleased that we have accomplished our objectives for 2002, including earnings at the higher end of our expectations," added Reynolds. "Achieving regulatory settlements for electric and gas operations in 2002 was critical to improving the financial strength and results of the company. Our common stock sale of \$115 million last November, together with \$385 million of debt reduction in 2002, demonstrates our continued commitment to strengthening our balance sheet and improving financial flexibility. In addition, our liquidity was strengthened by the successful renewal of our \$400 million short-term borrowing facilities in December 2002," said Reynolds.

#### 2002 Highlights

- Puget Energy's electric and gas utility subsidiary, Puget Sound Energy (PSE), contributed \$101.1 million, or \$1.14 per share, compared with \$96.0 million, or \$1.11 per share, for the for the same period in 2001.
- InfrastruX Group, Puget Energy's construction services subsidiary, also met its annual 2002 earnings target of \$9.5 million, or 10 cents per share, compared with \$2.5 million, or 3 cents per share, in 2001.
- Approval of the settlement agreement in PSE's general electric rate case on June 20, 2002 granted PSE a 4.6 percent electric rate increase, intended to generate about \$59 million annually, beginning July 1, 2002.
- PSE's electric-rate settlement agreement includes a power cost adjustment mechanism (PCA) which took effect for a four-year period starting July 1, 2002. The PCA allows PSE to recover power costs when the cost to provide electricity to its customers varies from levels stipulated in the rate settlement agreement. Variations are shared between PSE and its customers based on percentages applied to several levels of power costs. PSE's PCA limits the company's cumulative pre-tax earnings exposure for the four-year period ending June 30, 2006, due to power cost increases from the costs reflected in customer rates, to \$40 million plus 1 percent of costs in excess of that amount.
- PSE also obtained from its rate settlement an imputed capital structure with an equity component of 40 percent and an authorized 11 percent return on equity.
- Approval of PSE's natural gas settlement agreement on Aug. 28, 2002 granted PSE a 5.8 percent increase in natural gas revenues intended to generate \$35.6 million annually, beginning on Sept. 1, 2002.
- The number of gas customers in PSE's service territory grew by
- 2.6 percent to approximately 622,000 and electric customers increased by 1.8 percent to approximately 958,000 customers for electric service.
- Puget Energy sold a block of 5.75 million shares of common stock on Oct. 31, 2002. The net proceeds of \$115 million were used to reduce PSE's debt. PSE's equity ratio increased to
- 36.1 percent at Dec. 1, 2002 from 30.3 percent at Dec. 31, 2001. PSE is well ahead of the requirement in its rate settlement to rebuild its common equity ratio to at least 39 percent over a 3 1/2- year period, with milestones of 34 percent, 36 percent and 39 percent at the end of 2003, 2004 and 2005 respectively.
- On Dec. 23, 2002, PSE replaced its \$375 million line of credit, which was scheduled to expire in Feb. 13, 2003. PSE's new \$400 million of short term liquidity facilities consist of a 364-day, \$250 million unsecured credit agreement with eight banks and a three-year \$150 million accounts receivable securitization program. PSE's short-term debt outstanding at year-end 2002 was \$30.3 million, compared with \$338.2 million at the end of 2001.

#### Fourth-Quarter 2002 Results

Puget Energy's fourth-quarter 2002 income for common stock was \$49.6 million, or 55 cents per share, compared with income of \$6.2 million, or 7 cents per share for the same period one year ago. The fourth quarter of 2001 was impacted by the under recovery of net power costs. This impact continued through the first quarter of 2002. PSE's fourth quarter earnings in 2002 were \$47.8 million or 53 cents per share compared with \$6.7 million or 8 cents per share in the fourth quarter of 2001. InfrastruX Group's income in the fourth quarter of 2002 was \$2.0 million, or 2 cents per share, compared with a loss of \$0.5 million or 1 cent per share for the same period in 2001.

PSE's retail electric and gas sales in the fourth quarter of 2002 were adversely impacted by warmer than normal temperatures in the Pacific Northwest as compared to near normal temperatures in the same period in 2001. The negative impact warm temperatures had on PSE's retail sales was partially offset by a

one-time federal income tax refund that benefited Puget Energy's earnings by approximately 3 cents per share.

## 2003 Outlook

PSE's hydroelectric production and related power costs in 2003 are expected to be impacted negatively by drought conditions in the Pacific Northwest region associated with El Nino weather conditions. The Northwest Rivers Forecast Center on Feb. 6, 2003 predicted that streamflows in the Columbia River Basin above Grand Coulee Dam would be only 76 percent of normal. In a normal water year, PSE obtains about 38 percent of its energy supply from low cost hydroelectric facilities, primarily from dams below Grand Coulee on the Columbia River. If the forecasted streamflow reductions occur, the company will need to replace that low-cost hydropower with more expensive thermally-generated and purchased power. On Jan. 15, 2003, the company revised its previous 2003 earning estimate downward by 25 cents, taking into account the projected increase in power costs and the Purchased Cost Adjustment recovery mechanism in its electric retail rates.

"We expect utility earnings to rebound in 2004," said Reynolds. "The biggest single factor impacting our company's outlook for 2003 is the impact of persisting drought conditions in the Pacific Northwest. Given that we expect to reach the cumulative cap allowed under the PCA mechanism by the end of 2003, Puget Energy will be insulated from increases in power costs stemming from abnormal hydrological conditions or other factors in 2004 and for the balance of the period that the PCA is in effect. Additionally, based on our current power-cost forecasts for 2003, we do not expect any increases to our customers' electric rates this year," added Reynolds.

"With our earnings largely driven by stable utility operations and our small non-regulated business that is closely aligned with our core company strengths, we believe that Puget Energy is well-positioned to achieve our revised 2003 earnings target of \$1.50-\$1.60 per share," said Reynolds. Of this amount, PSE is estimated to contribute \$1.35 - \$1.45 per share and InfrastruX is estimated to contribute 15 cents per share. "In 2003, InfrastruX will be focused on organic growth of its existing group of companies, rather than growth through acquisitions," added Reynolds.

"In light of the energy industry's shift away from deregulation, we've strengthened Puget Sound Energy's focus on the fundamentals of a regulated natural gas and electricity utility business," added Reynolds. "We're positioning the company to meet our customer's energy requirements by working with state regulators and others in the Pacific Northwest to find low-cost energy resources. We are looking to add new energy resources as a regulated part of the business to serve our customers."

## 2002 Earnings Teleconference

Puget Energy management will discuss the fourth quarter and 2002 results and the outlook for future performance at 10 a.m. EST (7 a.m. PST) on Thursday, Feb. 13, 2003. The call will be broadcast live through a webcast at [www.pse.com](http://www.pse.com) by accessing the Investors section of the website. The webcast will be archived and available for replay following the live call.

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 third 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.

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

	Unaudited		Unaudited	
	Three months ended 12/31(1)	Three months ended 12/31(1)	Twelve months ended 12/31(1)	Twelve months ended 12/31(1)
	2002	2001(2)	2002	2001(2)
Operating revenues				
Electric	\$387,071	\$367,664	\$1,365,885	\$1,865,227
Gas	172,492	256,010	697,155	815,071
Other	94,404	49,390	329,282	206,262
Total operating revenues	653,967	673,064	2,392,322	2,886,560

Operating expenses				
Purchased electricity	202,640	193,493	645,371	918,676
Purchased gas	80,572	165,662	405,016	537,431
Electric generation fuel	16,822	47,938	113,538	281,405
Residential exchange FAS-133 unrealized (gain)/loss	(49,832)	(29,548)	(149,970)	(75,864)
Utility operations & maintenance	77,715	74,982	286,220	265,789
Other operations & maintenance	80,132	37,239	273,157	156,731
Depreciation & amortization	58,248	57,282	228,743	217,540
Conservation amortization	7,516	1,848	17,501	6,493
Taxes other than income taxes	55,586	59,533	215,429	212,582
Income taxes	24,928	6,570	59,260	79,838
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Total operating expenses	554,799	618,310	2,082,653	2,589,439
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Operating income	99,168	54,754	309,669	297,121
Other income (net of tax)	1,403	3,123	5,458	14,526
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Income before interest charges & minority interest	100,571	57,877	315,127	311,647
Interest charges	48,858	49,611	196,377	190,059
Minority interest	188	---	867	---
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Net income before cumulative effect of accounting change	51,525	8,266	117,883	121,588
FAS-133 transition adjustment loss (net of tax)	---	---	---	14,749
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Net Income	51,525	8,266	117,883	106,839
Less preferred stock dividend accruals	1,940	2,085	7,831	8,413
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Income for common stock	\$49,585	\$6,181	\$110,052	\$98,426
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Common shares outstanding	90,664	86,863	88,372	86,445
Diluted shares outstanding	91,069	87,124	88,777	86,703
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Basic and diluted earnings per common share before before cumulative effect of accounting change	\$0.55	\$0.07	\$1.24	\$1.31
Cumulative effect of accounting change	---	---	---	(0.17)
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Basic and diluted earnings per common share(3)	\$0.55	\$0.07	\$1.24	\$1.14
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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

	Unaudited		Unaudited	
	Three months ended 12/31	Three months ended 12/31	Twelve months ended 12/31	Twelve months ended 12/31
	2002	2001	2002	2001
<b>Energy sales revenues</b>				
(\$ in thousands)				
Electricity				
Residential	\$154,430	\$153,700	\$622,499	\$599,606
Commercial	140,940	127,631	540,885	520,702
Industrial	23,836	26,726	91,920	284,604
Other retail sales(2)	21,374	31,825	5,567	(38,631)
Subtotal, retail sales	340,580	339,882	1,260,871	1,366,281
Transportation(2)	2,678	2,201	15,551	2,537
Sales to other utilities & marketers(3)	37,405	42,881	88,288	533,945
Other(4)	6,408	(17,300)	1,175	(37,536)
Total electricity sales	387,071	367,664	1,365,885	1,865,227
Gas				
Residential	112,899	163,861	428,569	486,761
Commercial	45,804	73,307	209,516	256,859
Industrial	6,738	12,881	35,119	49,453
Subtotal, retail sales	165,441	250,049	673,204	793,073
Transportation	3,828	3,226	12,851	11,780
Other	3,223	2,735	11,100	10,218
Total gas sales	172,492	256,010	697,155	815,071
Total energy sales revenues	\$559,563	\$623,674	\$2,063,040	\$2,680,298

**Energy sales volumes**

(Unaudited)

Electricity (in mWh)

Residential	2,505,035	2,433,324	9,845,527	9,555,264
Commercial	2,033,143	1,952,848	8,012,538	7,953,165
Industrial	353,441	489,796	1,416,106	2,540,722
Other(2)	307,072	400,383	(11,970)	(123,643)

Subtotal, retail sales	5,198,691	5,276,351	19,262,201	19,925,508
Transportation(2)	505,366	247,791	2,307,081	363,826
Sales to other utilities & marketers(3)	1,087,401	1,036,832	3,466,571	4,982,342
Total mWh	6,791,458	6,560,974	25,035,853	25,271,676

Gas (in 000's of therms)

Residential	162,779	177,112	500,672	494,648
Commercial	80,526	88,929	288,220	297,756
Industrial	12,690	15,993	50,683	57,977
Transportation	56,320	49,952	207,852	188,196

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Total gas volumes	312,315	331,986	1,047,427	1,038,577
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Customers served(5)  
(Unaudited)

Electricity

Residential	845,158	834,196	839,878	826,187
Commercial	106,852	100,574	104,273	100,015
Industrial	3,946	3,966	3,953	4,012
Other	2,010	1,844	1,932	1,758
Transportation	16	13	16	5

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Total electricity customers	957,982	940,593	950,052	931,977
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Gas

Residential	572,290	555,990	565,003	548,497
Commercial	46,807	47,082	46,523	46,783
Industrial	2,736	2,797	2,770	2,837
Transportation	134	112	122	112

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Total gas customers	621,967	605,981	614,418	598,229
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Weather (Unaudited)

Actual heating degree days	1,622	1,700	4,946	4,993
Normal heating degree days	1,729	1,729	4,908	4,908

(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 December; Twelve months ended data represents average for the 12 months ended.

PUGET ENERGY -- SEGMENT RESULTS  
(In thousands)

Three months ended 12/31/02 (Unaudited)	Puget Sound Energy	InfrastruX	Puget Energy Other(1)	Total
Revenues	\$559,563	\$90,273	\$4,131	\$653,967
Depreciation and amortization	54,073	4,118	57	58,248
Income taxes	23,632	189	1,107	24,928
Operating income	93,489	3,561	2,117	99,167
Interest charges, net of AFUDC	47,301	1,557	-	48,858
Net income	47,428	1,979	2,117	51,524
Goodwill, net	-	125,555	-	125,555

Total assets	5,208,487	319,248	129,756	5,657,491
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Three months ended 12/31/01 (Unaudited)				
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Revenues	\$623,673	\$47,006	\$2,384	\$673,063
Depreciation and amortization	53,653	3,625	4	57,282
Income taxes	4,634	1,062	874	6,570
Operating income	53,485	380	889	54,754
Interest charges, net of AFUDC	48,467	1,144	-	49,611
Net income	7,968	(480)	778	8,266
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Twelve months ended 12/31/02				
Revenues	\$2,063,041	\$319,528	\$9,753	\$2,392,322
Depreciation and amortization	215,097	13,426	220	228,743
Income taxes	50,600	6,703	1,957	59,260
Operating income	289,511	15,595	4,563	309,669
Interest charges, net of AFUDC	190,861	5,516	-	196,377
Net income	104,044	9,455	4,384	117,883
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Twelve months ended 12/31/01				
Revenues	\$2,680,298	\$173,786	\$32,476	\$2,886,560
Depreciation and amortization	208,705	8,820	15	217,540
Income taxes	68,005	2,956	8,877	79,838
Operating income	273,751	8,702	14,668	297,121
Interest charges, net of AFUDC	186,129	3,656	274	190,059
Net income	80,137	2,518	24,184	106,839
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Goodwill at 12/31/01	-	102,151	-	102,151
Total assets at 12/31/01	5,178,601	229,125	139,251	5,546,977
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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 of 2001.

PUGET SOUND ENERGY - CAPITALIZATION  
(In thousands)

At December 31	2002		2001	
	Amount	%	Amount	%
Short-term debt	\$30,340	0.7%	\$338,168	8.1%
Long-term debt, including current maturities	2,093,832	53.0%	2,170,815	51.8%
Preferred Stock	103,162	2.6%	110,662	2.6%
Corporation obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the corporation	300,000	7.6%	300,000	7.2%

Common Stock	1,426,121	36.1%	1,267,654	30.3%
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Total capitalization				
including short-term debt	\$3,953,455	100.0%	\$4,187,299	100.0%
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