



## News Release

### PSE Narrows Field for Future Electricity Supplies

BELLEVUE, Wash.--(BUSINESS WIRE)--May 19, 2004--Puget Sound Energy (the utility subsidiary of Puget Energy (NYSE:PSD)) said today it has narrowed its current search for new electricity supplies to seven proposed projects.

As part of a strategic plan to secure low-cost, long-term power supplies for its growing customer base, PSE issued an "all-source" request for proposals in February seeking 355 average megawatts of new electricity resources. After reviewing nearly 50 proposals, the utility has honed the candidate list to seven projects.

Eric Markell, senior vice president of energy resources for PSE, said the seven projects selected for a more detailed, "Stage 2" evaluation appear to offer the lowest cost and lowest acceptable risk -- to PSE and its customers -- for obtaining the needed electric supply.

"Based on our preliminary analysis, we believe these proposals can help us secure energy for our customers at stable, predictable prices," Markell said.

In its request for proposals, PSE solicited offers for any type of power-supply resource, including possible PSE investment in existing power plants, multiparty development of new generating facilities, or PSE purchase of electricity under long-term contracts.

The seven proposals chosen for in-depth analysis by PSE involve a mix of renewable and conventional power resources including purchased power from thermal and hydropower sources, and direct PSE investment in the development of wind-powered generating facilities.

The seven proposals on PSE's short list involve:

- A multiyear, 240-megawatt power-purchase agreement with British Columbia-based Powerex Corp. for seasonal, on-peak hydropower supplies;
- A multiyear, 85-megawatt power-purchase agreement with Arizona Public Service Co. for coal-fired electricity from an existing Washington power plant;
- A potential transaction with enXco, Inc., of Palm Springs, Calif., to purchase a planned 150-megawatt wind-powered generating project in Kittitas County, Washington;
- A potential transaction with Houston-based Zilkha Renewable Energy to purchase a separate 150-megawatt wind-power project, also planned in Kittitas County;
- A potential transaction with RES North America, LLC, of Portland, Ore., to acquire a 150-megawatt wind-power facility planned for Columbia County, Washington;
- A multiyear, 200-megawatt power-purchase agreement from an existing Western power plant (the supplier asked to not be identified at this time); and
- A potential transaction with Ormat Nevada, Inc., of Reno, Nevada, to purchase a 4.5-megawatt recovered-heat power project planned for construction at a Northwest Pipeline compressor station in Washington.

Markell said additional analysis must be performed to further assess and validate the economics and operational characteristics of the proposals. All the projects, he noted, are either in service at the present time or can be in service by 2006.

PSE's power-resource-acquisition program complements and builds upon the foundation the utility has set for investment in energy-efficiency programs and renewable energy, Markell said. PSE's aggressive conservation programs are expected to generate more than 200 average megawatts of energy savings by 2013. Moreover, the utility hopes additional energy savings can be obtained under a conservation "request for proposals" PSE issued earlier this year.

PSE is continuing to assess the development of proposals not initially selected for the short list, Markell said. If PSE's pending evaluations and subsequent contract negotiations with the leading candidates are not successful, he added, proposals not selected for Stage 2 status will be revisited.

Several of the Stage 2 proposals now under consideration by PSE involve existing power plants with stable, low-cost fuel demands that minimize the costs to PSE and its customers. Three of the remaining Stage 2 proposals entail the development of clean, renewable wind-powered generating facilities.

PSE received a number of proposals from developers and operators of natural gas-fired generating projects. While natural gas is an efficient, clean-burning fuel for power generation, the currently high cost of natural gas, its price volatility, and the credit requirements to buy and hedge natural gas made such resources less attractive at this time, Markell said.

Similarly, he added, proposals relating to the construction of new coal-fired power plants, while economically attractive, face significant siting, permitting, and transmission challenges -- with no obvious near-term solutions.

Puget Sound Energy has identified a need for substantial amounts of power supply over the next 10 to 20 years to serve its customers' energy demands. The 355 average megawatts now being sought is just the "second phase" of the utility's long-term resource-acquisition plan, Markell said.

CONTACT: Puget Sound Energy  
Media: Grant Ringel, 888-831-7250

Analysts: Durga Waite, 425-462-3808  
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