



News Release

Rising Natural Gas Prices Cause PSE To Request Pass-Through of Costs; Utility Offers Tips for Managing Winter Heating Bills

BELLEVUE, Wash.--(BUSINESS WIRE)--Aug. 29, 2005--Puget Sound Energy, utility subsidiary of Puget Energy (NYSE:PSD), today filed a request with state regulators to pass through to its customers the higher wholesale costs the utility is paying for purchasing their natural gas supplies.

The projected price of natural gas on the wholesale market has risen by 60 percent over the past year: from \$5.56 per million British thermal units (MMBtu; 1 MMBtu equals 10 therms) to \$8.92 per MMBtu. The jump in price is being driven primarily by increased consumer demand, tight supplies, and record crude-oil prices.

Puget Sound Energy's filing today with the Washington Utilities and Transportation Commission (WUTC) would raise natural gas bills by an average of 14.7 percent across all groups of customers. For households using the 12-month average of 80 therms of gas per month, bills would increase by 13.3 percent, or \$11.31 a month. The rate change, requested to take effect Oct. 1, would bring the average monthly residential bill to \$96.48.

State-regulated utilities cannot profit on the procurement of their customers' natural gas. Instead, under a "Purchased Gas Adjustment" like the one PSE filed today, the utilities simply pass along to their customers the change -- up or down -- in gas-supply costs.

PSE's requested rate change accounts for the expected 60 percent increase in the market price of natural gas between October 2005 and September 2006. A key reason the proposed rate increase is much lower than the predicted spike in gas prices over the coming year is because PSE has hedged a large share of its gas-supply needs at lower prices.

"To minimize the full impact of wholesale price volatility on our customers, we take various steps, including hedging strategies," said Darren Brady, PSE vice president of customer services.

PSE hedges its gas supplies in two main ways: entering into fixed-price, forward contracts; and storing lower-priced gas in underground reservoirs for withdrawal during higher-priced periods. The utility already has hedged half the gas its customers will need through September 2006. These hedges, when weighed against the expected market price for natural gas over the next year, should save PSE customers about \$97 million.

"As the heating season approaches, we urge customers to be aware of the ways they can manage their energy bills to ease the brunt of the higher prices," added Brady.

For information and tips to reduce energy consumption this winter, Brady suggests that PSE customers call a PSE Personal Energy Advisor, at 1-800-562-1482, and request the free brochure "How to Reduce Your Gas and Electric Costs." The utility's Web site (www.pse.com) also provides a variety of useful energy-saving ideas that include:

- Sealing noticeable air leaks around windows and doors;
- Having furnaces inspected and serviced to ensure they're in top working order;
- Insulating attics, outside walls, and floors over crawlspaces; and
- Turning down thermostats a few degrees while still keeping rooms comfortable.

PSE also offers a Budget Payment Plan, which averages out the amount of a customer's year-round bill so that monthly payments are more consistent.

The utility also provides a variety of conservation services and financial incentives, such as rebates on energy-efficient appliances, to help its customers save energy and cut their utility bills. Information on the utility's energy-efficiency resources for customers also can be found on PSE's Web site.

In addition, several programs are available to help income-eligible PSE customers pay their utility bills. Besides the federal government's Low-Income Heating Energy Assistance Program (LIHEAP), which provides winter-heating assistance, PSE's 3-year-old HELP fund provides more than \$6.5 million worth of bill credits annually to help low-income customers cover their electricity or natural-gas bills. The Salvation Army Warm Home Fund, with contributions from PSE employees and shareholders, is another source of energy assistance. (Information on these programs is available from PSE at 1-888-225-5773.)

PSE, a combined electric and natural gas utility, serves more than 680,000 natural gas customers in Snohomish, King, Pierce, Thurston, Lewis, and Kittitas counties.

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