



News Release

Puget Sound Energy Files Scheduled Power-Cost Update; Proposed increase in electric rates reflects rising power-supply costs

BELLEVUE, Wash.--(BUSINESS WIRE)--May 15, 2006--Puget Sound Energy (utility subsidiary of Puget Energy (NYSE:PSD)), in compliance with a 2005 agreement approved by regulators, filed updated data last week on its costs to generate and purchase electricity for customers. Based on the data, which reflects rising costs to procure power supplies, the utility asked the Washington Utilities and Transportation Commission (WUTC) for an increase in electric rates.

The filing asks the WUTC to approve an overall electric rate increase of 5.9 percent, effective July 1. A typical residential bill (based on 1,000 kilowatt-hours of power usage) would go up by 7.6 percent, or \$5.11 per month.

PSE said it is experiencing higher power costs largely because of higher market prices for natural gas, which is commonly used as a fuel for electric generators.

Friday's filing is part of a special process that state regulators created in 2002 to allow for regular updates in PSE electric rates -- up or down -- based specifically on changes in the utility's costs to secure customers' power supplies. The last change in PSE rates under this process was a 3.6 percent rate increase last November.

While approving that rate change, the WUTC ordered PSE to submit by mid-May 2006 updated power-cost figures covering the last half of 2006. Any increase or decrease in power costs shown in the new data, the 2005 order states, is to be reflected in PSE rates on July 1, 2006.

Friday's filing complies with last fall's WUTC order.

The WUTC's November 2005 order also required PSE to file a "general rate case" by mid-February 2006 so that the utility's general rates could be examined and updated effective Jan. 1, 2007. In contrast to a rate proceeding focused solely on PSE's power costs, state regulators weigh all utility costs -- labor, taxes, investment in energy-delivery infrastructure, and more -- when setting new base rates under a broader, "general" rate proceeding.

In February PSE complied with the requirement and requested an overall 9.2 percent increase in its base electric rates. A WUTC decision on this separate, "general" rate proposal is expected by December. PSE will be updating its general rate case filing to take into consideration the revenues it derives from Friday's power-cost rate filing.

Kimberly Harris, PSE senior vice president of regulatory policy and energy efficiency, said her utility is taking calculated, long-range steps to mitigate rising energy costs and avert steep spikes in customers' rates.

For example, she said, the company is investing more than a half-billion dollars to build two large wind farms in Eastern Washington. The wind farms, capable of serving the power needs of about 120,000 households, are expected to produce a net power-cost savings of \$170 million for PSE customers over the next 20 years when compared to other available power resources.

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SOURCE: Puget Sound Energy