News Release

Conservation, Wind Power, Natural Gas Drive 20-Year Resource Plan for Puget Sound Energy

BELLEVUE, Wash.--(BUSINESS WIRE)--May 31, 2007--The growing need to meet future energy demands through a more environmentally responsible resource strategy is at the core of the latest long-range energy resource plan for Puget Sound Energy (PSE) (utility subsidiary of Puget Energy (NYSE:PSD)).

The utility's 2007 Integrated Resource Plan (IRP), filed today with the Washington Utilities and Transportation Commission (WUTC), forecasts PSE's long-term electricity and natural gas requirements and guides its strategies for acquiring new resources to meet projected customer needs. The plan, updated every two years, predicts continued regional increases in population and energy use -- and a continued move toward reducing the intensity of carbon emissions in light of greater awareness of climate-change issues.

"Puget Sound Energy's challenge for the next 20 years is to cost-effectively meet growing energy needs while contributing to climate-change solutions," said Kimberly Harris, executive vice president and chief resource officer for PSE. "Our Integrated Resource Plan accomplishes this through a balance of enhancing our energy-efficiency efforts, adding more clean and renewable energy resources, and relying on clean-burning natural gas."

PSE's analysis targets a need to acquire 1,600 average megawatts (aMW) of additional power supply in the next decade, and 2,600 aMW by 2025. By comparison, 2,600 aMW is roughly twice the electric power demand for all of the city of Seattle.

The added energy demand parallels a rising population and strong economy in PSE's service area, which is primarily in the growing Puget Sound region of Western Washington. In less than 20 years, population in the nine counties where PSE provides electric service is forecast to rise by 28 percent, or some 1.1 million people. This continues a trend seen in previous years, with PSE having added 96,000 new electric customers and 106,000 new natural gas customers in the past five years.

"Our plan works to balance the growing demand for energy with the growing requirement to combat carbon emissions," said Harris. "We'll continue to work to keep costs for our customers as low as possible, while ensuring a reliable source of future energy that is compatible with environmental concerns."

According to the resource plan, about 31 percent of the additional power supplies PSE needs to acquire over the next 20 years can economically be secured through heightened energy-efficiency efforts and expanded wind-power generation. The most cost-effective and environmentally responsible way to acquire the remaining power resources PSE needs, the plan says, is from additional natural gas-fired power supplies. Gas-fired power has roughly half the carbon-dioxide emissions of coal-fired power generation.

Over the next two decades, the IRP forecasts a 27 percent reduction in PSE's carbon-intensity from 1990 levels. The utility's blueprint for meeting that reduction relies on advances in both energy resources and conservation.

Already a regional leader in wind-power resources with its Hopkins Ridge and Wild Horse wind facilities in Eastern and Central Washington, PSE expects to provide 10 percent of its customers' power by 2013 from renewable sources, including a demonstration solar project now under way at Wild Horse. Currently, PSE's Hopkins Ridge and Wild Horse wind farms generate enough electricity to serve about 100,000 homes.

In addition to renewable resources, increased energy efficiency is a key strategy in the IRP, with the potential for saving 70 million therms of natural gas and 3.8 million MW-hours of electricity over the next 20 years. Those savings represent one-third of PSE's residential load, or the ability to avert the construction of two medium-sized power plants.

The utility's research plan notes that power-supply costs are rising significantly throughout the industry. The projected 20-year cost of meeting PSE customers' power needs has more tripled over the past four years -- rising from a $4.4 billion estimate in 2003 to $14.4 billion in the newly updated plan. "Competition for all available resources and the technical expertise required to place them in service is intensifying, supporting upward cost pressure throughout the resource supply chain," the new report states.

Besides the need for new power supplies, PSE also projects a significant increase in demand for natural gas from its residential and business customers. Their peak wintertime use of natural gas is expected to jump by more than 43 percent over the next 20 years. To address PSE's long-range gas-supply needs, both for power generation and for customers' end use, the 2007 IRP recommends that PSE pursue liquefied natural gas (LNG) alternatives and opportunities to secure more gas-transmission capacity and gas supplies from Canada. In the near-term, PSE expects to explore the development of the regional infrastructure needed to make LNG a viable supply.

A copy of the IRP can be viewed at PSE.com.

About Puget Sound Energy

Washington state's oldest and largest energy utility, with a 6,000-square-mile service territory stretching across 11 counties, Puget Sound Energy (PSE) serves more than 1 million electric customers and 718,000 natural gas customers primarily in the growing Puget Sound region of Western Washington. PSE, a subsidiary of Puget Energy (NYSE: PSD), meets the energy needs of its growing customer base through incremental, cost-effective energy conservation, low-cost procurement of sustainable energy resources, and far-sighted investment in the energy-delivery infrastructure. For more information, visit PSE.com.

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