



News Release

Power Plant Acquisition and Wholesale Power Purchases Prompt PSE to Seek Modest Electric Rate Increase

BELLEVUE, Wash.--(BUSINESS WIRE)--March 20, 2007--Puget Sound Energy (PSE, utility subsidiary of Puget Energy (NYSE:PSD)) today filed for a modest increase in its electric rates to recover the costs of the company's newly acquired power plant in Goldendale, Wash., and higher wholesale power costs related to volatile natural gas prices and expiring purchase contracts.

The filing requests the Washington Utilities and Transportation Commission (WUTC) to approve an overall 3.7 percent rate increase effective Sept. 1, 2007, for PSE's 1 million electric customers. A typical residential bill (based on 1,000 kilowatt-hours of power usage) would increase by 4.09 percent, or \$3.17 per month. Natural gas rates are not affected.

In February, PSE completed its purchase of the 277-megawatt power plant in Goldendale, Klickitat County. The utility bought the facility to narrow a 1,500-megawatt gap projected by 2015 between PSE's secured power supply and its customers' rising demand for electricity.

"The Goldendale Generating Station gives our customers a very efficient and clean source of electricity at an excellent value," said Eric Markell, senior vice president of Energy Resources for PSE. "It offers a stable and reliable investment in the region's energy future to meet current and future needs."

PSE acquired the two-year-old power plant in a bankruptcy proceeding for \$120 million -- roughly one-third of its original development cost. The natural gas-fired co-generation plant, Markell noted, is one of the most efficient and cost-effective power generators in the western United States.

PSE predicts it will need additional gas-fired power generation in coming years to supplement the electricity supply required to serve a growing customer base. PSE's supply strategy, however, focuses first on energy conservation and renewable power. The utility built two large wind-power facilities over the past two years, making PSE the largest utility producer of renewable energy in the Pacific Northwest. More renewable resources are now being explored. The company also is looking to expand its already extensive energy-efficiency program, targeting enough power savings over the next decade to meet the energy needs of more than 150,000 households.

Higher wholesale power costs related to volatile natural gas prices are another key factor driving today's PSE rate request. Increased wholesale prices for power are pushing up PSE's supply costs as the utility looks to replace lower cost resources being lost from its generation portfolio due to expiring contracts.

The rate filing falls under a special "power cost only" regulatory process that provides for expedited changes in PSE electric rates -- up or down -- depending on changes in the utility's costs to procure customers' power supplies. This five-month rate-setting process considers only PSE's costs to generate or purchase power supplies. In contrast, under an 11-month general rate proceeding, the WUTC weighs all utility costs, such as labor, equipment and taxes, when setting new base rates.

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 713,000 natural gas customers, primarily in the 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 www.pse.com.

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