



## News Release

### CORRECTING and REPLACING Puget Energy Reports Third-Quarter 2008 Financial Results

BELLEVUE, Wash.--(BUSINESS WIRE)--Nov. 5, 2008--In BW5349 issued Nov. 5, 2008: Please note the following changes under Operating Expenses in the Summary Income Statement table:

Merger expenses	1,271	---	8,320	---
Depreciation & amortization	77,678	68,909	229,366	204,351
Conservation amortization	13,832	8,530	42,723	27,608

The corrected release reads:

#### PUGET ENERGY REPORTS THIRD-QUARTER 2008 FINANCIAL RESULTS

- Third-quarter 2008 loss of 6 cents per diluted share from Puget Energy
- Third-quarter 2008 loss of 6 cents per diluted share from Puget Sound Energy, Puget Energy's core utility business
- Year-to-date Sept. 30, 2008, income of 81 cents per diluted share from Puget Energy
- Year-to-date Sept. 30, 2008, income of 87 cents per diluted share from PSE

Puget Energy (NYSE:PSD) today reported a net loss of \$8.2 million, or 6 cents per diluted share, for the third quarter of 2008 compared to net income of \$11.4 million, or 10 cents per share, in the third quarter of 2007. For the first nine months of 2008, Puget Energy reported net income of \$105.2 million, or 81 cents per share, as compared to \$129.1 million, or \$1.10 per share, for the same period of 2007.

"Our third-quarter results reflect the seasonal nature of utility operations in the Pacific Northwest," said Stephen P. Reynolds, Puget Energy and Puget Sound Energy chairman, president and CEO. "PSE's energy sales, and hence revenues, are typically at their lowest levels during the third quarter while construction and maintenance activities are at their highest. Our financial results were consistent with our expectations.

"Economic activity in our region continues to be better than other parts of the country but even Western Washington is beginning to see the impact of a weakening economy and declining new home construction, which we anticipate will continue into 2009. We are on schedule with all of our business initiatives and are particularly pleased with the receipt of a new 50-year license for our Baker River Hydroelectric Project and the announced acquisition of the Mint Farm natural gas-fired generating facility in Longview, Washington."

PSE's financial results in the third quarter of 2008 reflect higher utility operating and maintenance costs, increased depreciation expense incurred as a result of new utility capital investments and the impact of true-ups related to federal income tax expense. Higher market prices for natural gas used for electric generation and unfavorable hydroelectric conditions also negatively impacted PSE's financial results for the third quarter of 2008.

Puget Energy Third-Quarter 2008 Summaries:

The following tables provide a summary of Puget Energy's financial results for the third quarter of 2008 as compared to the same quarter a year ago.

Table 1: Puget Energy Third-Quarter Earnings Summary

Net Income (Loss) in millions of dollars	2008	2007
PSE	\$ (7.3)	\$ 12.0
Puget Energy merger transaction expenses and other	(0.9)	(0.6)
Puget Energy	\$ (8.2)	\$ 11.4

#### Earnings per Diluted Share (EPS)

PSE	\$(0.06)	\$ 0.10
Puget Energy merger transaction expenses and other	--	--
Puget Energy	\$(0.06)	\$ 0.10

Diluted common shares outstanding (millions)	130.0	117.4
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Table 2: Puget Energy Third Quarter 2008 vs. Third Quarter 2007	Cents per diluted share
EPS Reconciliation	

Puget Energy's third-quarter 2007 earnings from PSE	\$ 0.10
Increase in natural gas margin	0.01
Decrease in electric margin	(0.02)
Increase in utility operations and maintenance expense	(0.06)
Increase in utility depreciation and amortization expense	(0.04)
Lower interest expense, net of AFDC	0.01
Federal income tax differences between periods	(0.06)
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Puget Energy's third-quarter 2008 earnings from PSE	\$(0.06)
Puget Energy's third-quarter merger transaction expenses and other	--
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Puget Energy's earnings for the third quarter 2008	\$(0.06)
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#### Puget Sound Energy (PSE) Third-Quarter 2008 Highlights:

Key components of PSE's third-quarter 2008 financial performance are highlighted below. All amounts are pre-tax unless otherwise noted.

- As of Sept. 30, 2008, PSE provided service to 1,066,200 electric customers and 739,400 natural gas customers, representing a 1.4 percent and 2 percent increase, respectively, in the last 12 months.
- Retail electric sales volumes decreased by 1 percent while natural gas sales volumes increased by 3.2 percent, compared to the third quarter of 2007. PSE's energy sales volumes, in particular natural gas, are highly seasonal and dependent on weather conditions; the company's lowest sales volumes typically occur during summer months. Average temperatures in the Pacific Northwest during the third quarter 2008 were slightly cooler, compared to normal and prior-year levels (third quarter 2007).
- Electric margin decreased by \$4.6 million, reflecting a 1 percent decline in retail sales volumes, as well as higher power supply costs resulting from a reduction in hydroelectric energy production and an increase in natural gas fuel prices, compared to prior-year levels. Electric margin represents electric sales, net of revenue-based taxes, to retail and transportation customers less the cost of generating, purchasing and wheeling electricity.
- Natural gas margin increased by \$2.1 million over prior-year levels primarily due to the increase in sales volumes. Natural gas margin represents natural gas sales to retail and transportation customers, net of revenue-based taxes, less the cost of purchasing and transporting natural gas.
- Utility operations and maintenance expense in the third quarter of 2008 increased by \$11.6 million, reflecting higher costs related to operations and maintenance of PSE's electric generating facilities, infrastructure maintenance (planned and unplanned) and customer service expenses, including an increase in bad-debt expenses. Additionally, insurance costs and self-insurance claim reserve expenses were approximately \$3 million higher in the third quarter 2008, compared to prior-year levels.
- Depreciation and amortization expense in the third quarter of 2008 increased by \$8.8 million over prior-year levels, including the \$3.9 million benefit from the 2007 deferral of the Goldendale Generating Station, described below. Excluding the 2007 Goldendale deferral, depreciation and amortization expense increased \$4.9 million in 2008, reflecting additional utility plant placed in service over the last 12 months.
- PSE's third-quarter 2007 results reflect the benefit of deferral of certain ownership and operating costs totaling \$3.9 million related to Goldendale, purchased in February 2007. A regulatory asset was established (following regulatory approval) to record the deferral, and a corresponding credit was reflected in the financial statements as a reduction to depreciation and amortization expense. Deferral of such costs ceased, effective Sept. 1, 2007, when PSE began to recover Goldendale ownership and operating costs in its electric-customer rates.
- Interest expenses, net of the debt portion of Allowance for Funds Used During Construction, declined by \$2.7 million in the third quarter of 2008 as compared to the prior year primarily due to lower levels of debt outstanding. PSE's average debt outstanding during the third quarter of 2008 was \$3.1 billion as compared to \$3.2 billion for the same period of 2007.
- PSE's federal income tax expense in the third quarter of 2008 was impacted by an unfavorable true-up of its estimated 2007 federal income tax provision in the amount of \$1.8 million following the company filing its consolidated 2007 federal income tax return in September 2008. In the third quarter of 2007, a similar true-up resulted in a benefit of \$1.9 million for the company's 2006 federal income tax provision. PSE's third-quarter 2008 federal income tax expense also includes a true-up to reflect the estimated effective tax rate for the calendar year 2008.
- The average number of Puget Energy diluted common shares outstanding during the third quarter of 2008 increased by 10.8 percent, to 130 million, from 117.4 million during the third quarter of 2007. The increase was primarily the result of a sale of 12.5 million shares of newly issued Puget Energy common stock on Dec. 3, 2007, to a group of long-term infrastructure investors. The net proceeds of \$293.3 million from this transaction were invested in PSE as additional equity to fund capital expenditures, debt redemption and working capital./li>

#### Year-to-date Sept. 30, 2008, Summary

For the nine months ended Sept. 30, 2008, Puget Energy's net income was \$105.2 million, or 81 cents per diluted share, compared to net income of \$129.1 million, or \$1.10 per diluted share, for the same period in 2007. During the nine months ended Sept. 30, 2008, Puget Energy incurred \$8.3 million in costs related to the proposed merger announced on Oct. 26, 2007.

PSE's net income for the nine months ended Sept. 30, 2008, was \$112.7 million, or 87 cents per share, compared to net income of \$129.2 million, or \$1.10 per share, for the same period in 2007. PSE's net income for the nine months ended Sept. 30, 2008, was positively impacted by increased electric and natural gas margins driven by higher energy-sales volumes in the first and second quarters of 2008, resulting primarily from cooler temperatures (relative to historic averages). The favorable impact on PSE's electric margin was partially offset by increased power costs, largely due to lower hydroelectric energy production and higher fuel and utility operations and maintenance (O&M) costs from PSE's natural gas-fired electric generating units. Additional utility plant placed into service increased depreciation and amortization costs for the nine months ended Sept. 30, 2008, which negatively impacted PSE's net income for the period. An increase in utility O&M expense of \$43.1 million, including a \$10.5 million charge related to the settlement of a lawsuit, also negatively impacted PSE's net income for the nine months ending Sept. 30, 2008.

#### Merger

The consummation of the merger is subject to certain closing conditions, including regulatory approval from the Washington Utilities and Transportation Commission. A joint application was filed with the UTC on Dec. 17, 2007, by PSE and Puget Holdings LLC - long-term infrastructure investors, seeking approval of the merger. On July 21, 2008, PSE and Puget Holdings reached a settlement to resolve all issues with all but one of the parties involved in the merger proceeding. With all federal and shareholder approvals obtained, the merger transaction, if accepted, is expected to close during 2008, once all closing conditions have been met, including, as discussed above, approval from the UTC.

Form 10-Q Quarterly Report for the Third Quarter of 2008

Puget Energy will file its Form 10-Q for the third quarter of 2008 with the Securities and Exchange Commission by Nov. 5, 2008, a copy of which will be available through the SEC's Web site at [www.sec.gov](http://www.sec.gov) or at [www.pugetenergy.com](http://www.pugetenergy.com). Investors are encouraged to read the financial statements and disclosures that will be contained in the Form 10-Q filing.

#### About Puget Energy

Puget Energy (NYSE:PSD) is the parent company of Puget Sound Energy, a regulated utility providing electric and natural gas service primarily to the growing Puget Sound region of Western Washington.

#### About Puget Sound Energy

Washington state's oldest and largest energy utility, with a 6,000-square-mile service area stretching across 11 counties, Puget Sound Energy serves more than 1 million electric customers and 739,000 natural gas customers, primarily in 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. PSE employees are dedicated to providing great customer service to deliver energy that is safe, reliable, reasonably priced, and environmentally responsible. For more information, visit [PSE.com](http://PSE.com).

CAUTIONARY STATEMENT: Certain statements contained in this news release are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, among which include PSE's plans relating to utility plant additions and expenses, Puget Energy's expectations regarding the merger and factors that could impact Puget Energy's earnings. Forward-looking statements are based on the opinions and estimates of management at the time the statements are made and are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that could affect actual results include, among others, governmental policies and regulatory actions, including those of the Washington Utilities and Transportation Commission, and weather conditions. More information about these and other factors that potentially could affect the company's financial results is included in Puget Energy's and PSE's most recent annual report on Form 10-K, quarterly report on Form 10-Q and in their other public filings filed with the Securities and Exchange Commission. Except as required by law, Puget Energy and PSE undertake no obligation to update any forward-looking statements.

#### PUGET ENERGY -- SUMMARY INCOME STATEMENT

(In thousands, except per-share amounts)

	Unaudited Three months ended 09/30(1)		Unaudited Nine months ended 09/30(1)	
	2008	2007	2008	2007
Operating revenues				
Electric	\$467,355	\$456,100	\$1,551,528	\$1,418,980
Gas	133,249	142,120	810,326	834,304
Non-utility operating revenue	5,558	3,460	7,646	13,439
Total operating revenues	606,162	601,680	2,369,500	2,266,723
Operating expenses				
Purchased electricity	173,667	185,778	645,385	640,627
Electric generation fuel	64,899	43,528	144,599	93,312
Residential exchange	(170)	(384)	(20,475)	(52,424)
Purchased gas	70,125	80,914	484,038	530,616
Unrealized net (gain) on derivative instruments	3,516	5,276	1,240	1,031
Utility operations & maintenance	105,995	94,433	334,608	291,540
Non-utility expense and other	5,002	3,301	7,063	8,198
Merger expenses	1,271	---	8,320	---
Depreciation &				

amortization	77,678	68,909	229,366	204,351
Conservation				
amortization	13,832	8,530	42,723	27,608
Taxes other than				
income taxes	56,873	56,907	214,820	207,269
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Total operating				
expenses	572,688	547,192	2,091,687	1,952,128
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Operating income	33,474	54,488	277,813	314,595
Other income				
(deductions):				
Other income	6,865	6,725	21,782	17,710
Other expense	(2,281)	(686)	(4,098)	(4,546)
Interest Charges:				
AFUDC	2,167	3,554	6,378	8,915
Interest expense	(50,730)	(54,681)	(150,322)	(158,133)
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Income from continuing				
operations before income				
taxes	(10,505)	9,400	151,553	178,541
Income taxes	(2,280)	(2,218)	46,310	49,262
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Net Income from				
continuing operations	(8,225)	11,618	105,243	129,279
Income from discontinued				
operations, net of tax	---	(224)	---	(212)
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Net Income	\$ (8,225)	\$ 11,394	\$ 105,243	\$ 129,067
	=====	=====	=====	=====
Common shares outstanding	129,447	116,821	129,433	116,650
Diluted shares				
outstanding	130,045	117,365	129,924	117,225
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Basic earnings per common				
share before				
discontinued operations	\$ (0.06)	\$ 0.10	\$ 0.81	\$ 1.11
Basic earnings from				
discontinued operations	---	---	---	---
	-----	-----	-----	-----
Basic earnings per common				
share	\$ (0.06)	\$ 0.10	\$ 0.81	\$ 1.11
	=====	=====	=====	=====
Diluted earnings per				
common share before				
discontinued operations	\$ (0.06)	\$ 0.10	\$ 0.81	\$ 1.10
Diluted earnings from				
discontinued operations	---	---	---	---
	-----	-----	-----	-----
Diluted earnings per				
common share(2)	\$ (0.06)	\$ 0.10	\$ 0.81	\$ 1.10
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(1)Partial-year results may not accurately predict full-year performance, as earnings are significantly affected by weather.

(2)Diluted earnings per common share include the dilutive effect of securities related to employee compensation plans.

PUGET SOUND ENERGY -- UTILITY OPERATING DATA

	Three months ended 09/30		Nine months ended 09/30	
	2008	2007	2008	2007
Energy sales				
revenues (\$ in				

thousands;  
unaudited)

Electricity

Residential	\$ 199,678	\$ 184,238	\$ 783,337	\$ 675,685
Commercial	191,616	177,589	593,063	550,575
Industrial	25,663	25,526	79,225	77,784

Other retail sales, including change in unbilled

	4,256	17,557	(28,077)	(14,005)
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Subtotal, retail sales

	421,213	404,910	1,427,548	1,290,039
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Transportation, including change in unbilled

	2,590	2,847	5,466	7,625
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Sales to other utilities & marketers

	27,643	45,257	70,085	91,536
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Other(1)

	15,909	3,086	48,429	29,780
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Total electricity sales

	467,355	456,100	1,551,528	1,418,980
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Gas

Residential	71,297	74,697	509,841	510,503
Commercial	46,289	49,310	246,238	257,245
Industrial	7,989	10,566	30,453	43,052

Subtotal, retail sales

	125,575	134,573	786,532	810,800
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Transportation

	3,368	3,400	10,563	10,181
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Other

	4,306	4,147	13,231	13,323
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Total gas sales

	133,249	142,120	810,326	834,304
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Total energy sales revenues

	\$ 600,604	\$ 598,220	\$ 2,361,854	\$ 2,253,284
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Energy sales volumes  
(unaudited)

Electricity (in mWh)

Residential	2,060,807	1,998,293	8,346,638	7,983,224
Commercial	2,335,168	2,261,412	7,106,554	6,892,028
Industrial	331,046	346,525	992,815	1,025,542

Other, including change in unbilled

	(34,617)	132,036	(406,562)	(298,327)
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Subtotal, retail sales

	4,692,404	4,738,266	16,039,445	15,602,467
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Transportation, including change in unbilled

	544,454	577,170	1,575,397	1,626,600
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Sales to other utilities & marketers

	481,672	872,539	1,361,698	1,927,546
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Total mWh

	5,718,530	6,187,975	18,976,540	19,156,613
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Gas (in 000's of therms)

Residential	47,506	44,264	405,419	354,818
Commercial	41,060	37,824	227,078	204,379
Industrial	7,730	8,875	28,947	36,051
Transportation	47,706	48,583	164,003	157,959

Total gas volumes	144,002	139,546	825,447	753,207
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Margins(2)(\$ in thousands; unaudited)				
Electric	\$ 173,525	\$ 178,088	\$ 601,376	\$ 581,443
Gas	47,143	44,994	239,364	216,297
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Weather (unaudited)				
Actual heating degree days	218	194	3,325	2,997
Normal heating degree days(3)	238	238	3,089	3,068
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Customers served at September 30 (4)(unaudited)				
Electricity				
Residential	941,027	928,832		
Commercial	118,187	116,064		
Industrial	3,742	3,757		
Other	3,268	3,027		
Transportation	17	18		
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Total electricity customers	1,066,241	1,051,698		
Gas				
Residential	682,668	669,244		
Commercial	54,001	52,577		
Industrial	2,612	2,621		
Transportation	128	125		
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Total gas customers	739,409	724,567		

(1)Includes sales of non-core gas supplies.

(2)Electric margin is electric sales to retail and transportation customers less the cost of generating and purchasing electric energy sold to customers, including transmission costs, to bring electric energy to PSE's service territory. Gas margin is gas sales to retail and transportation customers less the cost of gas purchased, including gas transportation costs, to bring gas to PSE's service territory.

(3)Seattle-Tacoma Airport statistics reported by NOAA which are based on a 30-year average, 1971-2000. Heating degree days measure how far the daily average temperature falls below 65 degrees. Heating degree days in 2008 are adjusted for leap year by adding the heating degree day for February 28th.

(4)Customers represents average served at month end.

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SOURCE: Puget Energy