



News Release

Expert Analysis Shows Proposed New PUDs Competing for BPA Power Will Lengthen Phase-In Time, Significantly Increasing Electric Rates

Up to 50 Percent Rate Increase for New Customers and 10 Percent for More Than 1 Million Existing Customers in Washington

BELLEVUE, Wash., Sep 10, 2008 (BUSINESS WIRE) -- An independent analysis performed by Hardy Energy Consulting and released today by Puget Sound Energy (PSE) finds that competing proposed new public utility districts (NPUDs) in Skagit, Island and Jefferson counties will face a lengthened phase-in process to access low-cost power from the Bonneville Power Administration (BPA) if they succeed in getting approved by Washington state voters in November and meet other requirements. As a result, the NPUDs and all existing Public Utility District (PUD) and municipal, cooperative and mutual utility customers relying on BPA power will pay significantly increased rates.

"During the initial three-year waiting period, competing NPUD retail rates could increase by 40-50 percent," said Randy Hardy, principal of Hardy Energy Consulting -- an independent consultant group, and the nation's foremost independent expert in West Coast power and the BPA system.

The BPA has identified a total amount of 250 average megawatts (aMW) it is willing to reallocate from the federal hydro system for new electric PUDs in Washington, Oregon, Idaho and Montana. However, BPA has already reserved 40 aMW (of that 250 aMW) for tribal utilities until 2021, leaving 210 aMW for any new PUDs in four states.

In this analysis and in a previous report released in July 2008, Hardy points out that all existing PUD customer rates in four states would increase by 8-10 percent if any NPUDs are formed and are successful in obtaining all 210 aMW of BPA Tier 1 power in a single rate period.

In Washington state, the BPA currently provides power to 23 members of the Washington Public Utility District Association who serve more than 800,000 customers, as well as Seattle City Light and 18 other municipal utilities who serve roughly 590,000 electric customers, and 16 cooperative and mutual utilities who serve almost 143,000 customers.

"Obstacles to receiving BPA service are substantial -- and even more so when you're looking at competing NPUD proposals," said Hardy. "Competition created by three NPUDs in the mix will force them to purchase market-priced power (which is expected to be at historically high levels after 2011) for all or some of their load for up to 11 years, increasing rates dramatically for a significant portion of the phase-in process."

"If more than one NPUD submits an application to receive BPA's low-cost Tier 1 power in the same rate period, BPA's competition formula kicks in," explained Hardy. "This formula is designed to spread the 50 aMW for each rate period as widely as possible, thus adding two to six years to the already lengthy three- to five-year phase-in time."

"For the initial three-year waiting period and the phase-in period, a NPUD would have to purchase all or some of its power from the high priced wholesale power market," said Hardy. "When market-priced power is substituted for PSE's embedded cost generation, the NPUD's retail rate would increase significantly."

The enormous challenges in getting BPA's low-cost Tier 1 power is also recognized by Skagit County PUD's consultant DHittle, who has stated it is a major impediment to the formation of the NPUDs.

PSE commissioned the BPA analysis in response to PUD ballot measures in Skagit, Island, and Jefferson counties to create government-run electric utilities.

The July BPA analysis by Hardy also outlined the substantial risks that any NPUD would face going into the electric business.

Should voters approve a ballot measure to take over electric service, any NPUD must legally form a retail electric utility, secure the resources and expertise to set up and operate a reliable system, condemn and purchase PSE's electric distribution system, and qualify for BPA service, according to Hardy. Given the length of the process, the likelihood of competing requests and the formation of new tribal entities, which could compete on an equal basis with any NPUD, it is unlikely that any NPUD could ever receive sufficient BPA service to cover its entire load.

Copies of the reports and more information are available on www.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 serves more than 1 million electric customers and 737,000 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. 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 www.PSE.com.

About Hardy Energy Consulting

Randy Hardy is the principal of Hardy Energy Consulting. In that capacity, he provides strategic advice to electric utilities, power marketers, independent generators and numerous other organizations participating in western power markets. Mr. Hardy has over 30 years of experience in west coast power markets, including 13 years as CEO of Seattle City Light and the Bonneville Power Administration (BPA). He has also held numerous other leadership positions in the U.S. electric power industry, including Chairman of the Electric Power Research Institute (EPRI) and President of the American Public Power Association (APPA).

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