



News Release

Puget Sound Energy and Puget Holdings Investors Outline Merger Benefits to Customers and Affirm Local Control and Regulatory Oversight

Customer benefits -- Provides \$100 million in rate credits and reduced costs for customers -- Commits capital from the new investors to meet PSE's \$5 billion (\$1 billion annually over the next five years) in infrastructure and energy supply requirements for the region -- Confirms headquarters, management and employees all remain in Washington -- Adds new service quality index (SQI) on billing and tougher SQI penalties -- Expands Green Power, customer renewable energy and energy efficiency commitments -- Sets goal for PSE to be carbon neutral by 2050, making PSE the first such investor-owned utility in the region -- Provides \$5 million capital infusion to the Puget Sound Energy Foundation for local community efforts -- Commits to seek an increase in the fund to help low-income PSE customers pay their energy bills Local governance and continued oversight -- Assures three current local board members, including independent chairman, on new boards of directors -- Assures continued state and federal regulatory oversight -- Assures on-going comprehensive financial and operational reporting Financial security -- Provides additional safeguards to protect the financial strength of PSE -- Retains earnings, if required, with dividend restrictions on PSE and Puget Energy

BELLEVUE, Wash., Jul 02, 2008 (BUSINESS WIRE) -- Puget Sound Energy, utility subsidiary of Puget Energy (NYSE:PSD), and Puget Holdings LLC, a consortium of long-term infrastructure investors committed to supporting and strengthening Washington's oldest and largest energy utility, today announced that their proposed merger will immediately benefit PSE customers by providing \$100 million in rate credits and reduced costs.

In testimony scheduled to be filed later this afternoon with the Washington Utilities and Transportation Commission (UTC), which is reviewing the proposed merger announced in October 2007, the Puget Holdings investors reaffirmed their financial support of PSE's \$5 billion capital program (\$1 billion annually over the next five years) to meet the critical energy, environment and economic needs of the region and outlined additional commitments that will protect and benefit customers.

We have a group of patient investors who have listened and take seriously the issues raised by the interested parties in the merger case, said Stephen P. Reynolds, chairman, president, and CEO for PSE and Puget Energy. The investors are willing to go the extra mile to demonstrate their long-term commitment to our customers and make sure our local management team and employees succeed in improving customer service, are sensitive to rates, and meet the critical infrastructure and growing energy supply needs of the region.

Today's filings by PSE, the Puget Holdings investors and outside experts correct inaccuracies, outline customer benefits and make additional commitments in response to issues raised last month by the interested parties in the case. Customer benefits include tangible rate credits and meaningful service improvements, capital infusions to strengthen the utility, and, if required, limitations on distributions of earnings. The filings also include additional commitments to continue PSE's aggressive approach to renewable energy and to PSE's Green Power and energy efficiency programs. PSE also agrees to set a goal to be carbon neutral by 2050, making it the first such investor-owned utility in the region.

The investors will commit to specific actions for the direct benefit of PSE's customers and the region, said Christopher J. Leslie, CEO for New York-based Macquarie Infrastructure Partners, a Puget Holdings investor member. We are taking significant steps above and beyond the 'no harm' standard for merger approval. PSE customers will benefit from \$100 million in rate credits and reduced costs (\$10 million annually over 10 years), which will help stabilize rates while we invest in the company.

Lincoln Webb, Vice President, Private Placements for British Columbia Investment Management Corporation, one of the three Canadian investor members, said, We're counting on the same local people to run the same local utility, only now with access to new, reliable and patient capital. Everyone benefits from a financially stronger utility. Simply put, we're looking for a solid, long-term place to invest and PSE and Washington state fit that description.

Phyllis Campbell, president and CEO of the Seattle Foundation and independent lead director of the PSE and Puget Energy boards said, PSE has tremendous capital needs regardless of its owners. Aging infrastructure must be replaced, expiring wholesale power contracts must be renegotiated, and a high-growth region must be served. Puget Holdings is comprised of experienced financial investors who fully support PSE's existing commitments.

Committed capital, during a time of turbulent markets and quickly escalating costs, provides security that works to the benefit of customers, added Campbell. The status quo, in light of these massive needs for capital, poses its own significant challenges. Turning to the public capital markets repeatedly, while continuing with the status quo, would expose the company's continued financial well-being to very real risks. And a financially weak utility is not in the customer's benefit.

The UTC is expected to issue a decision on the merger, which has already been approved by both the Federal Energy Regulatory Commission and shareholders, in September 2008.

Additional quotes from the Puget Holdings investors as filed July 2, 2008

Canada Pension Plan Investment Board (CPPIB)

CPPIB believes that PSE is a great company that is well run and that has a strong future. PSE will significantly benefit from the added value that long-term infrastructure investors, such as the patient, engaged, sophisticated investors that constitute the Investor Consortium, can bring, said Mark Wiseman, Senior Vice President - Private Investments for the CPPIB. CPPIB is a supporter of initiatives that improve customer satisfaction and service reliability. CPPIB believes that making investments in these areas can lead to sustainable long-term growth and exceptional investment performance.

Alberta Investment Management Corporation (AIMCo)

Day-to-day management will remain under the capable guidance of the current management team of PSE, said William R. McKenzie, Head, Infrastructure and Timber Investments for AIMCo. AIMCo views this investment as a long-term investment, given its strong duration match to AIMCo clients' pension and endowment liabilities. This investment is part of AIMCo's 'core' long-term infrastructure holdings, with no defined exit period.

Additional highlights of the rebuttal testimony as filed July 2, 2008

Rate credits, cost reductions and low-income support

- Helps moderate customer rates by applying \$88 million in rate credits on customer bills (\$8.8 million in each of the next 10 years).
- Reduces costs by \$12 million over 10 years (\$1.2 million per year) by eliminating the administrative costs of having publicly issued stock.
- Commits to seek to increase PSE's low-income fund to help even more customers pay their energy bills.

Service quality measures

- Adds new service quality index (SQI) on accurate billing and increased penalties for noncompliance with all SQIs.
- With customer input, commits to thoroughly examine all existing SQIs to identify and implement enhancements.

Renewable energy

- Sets aggressive targets for renewable supplies to PSE's energy-resource portfolio.
- Enhances incentives for PSE customers to acquire renewable energy for their homes and businesses.
- Expands customer participation in the Green Power Program.

Energy efficiency

- Launches study in collaboration with NW Energy Coalition to identify and enable PSE's distribution, transmission and generation facilities to apply cost-effective, energy-efficiency measures.
- Sets goal for PSE to be carbon neutral by 2050, making it the first such investor-owned utility in the region.

Regulatory oversight

- Assures Washington Utilities and Transportation Commission regulatory oversight and compliance.
- Assures Federal Energy Regulatory Commission regulatory oversight and compliance.
- Assures financial record filings on a continued basis with the Securities and Exchange Commission (SEC), in compliance with the New York Stock Exchange Reporting Standards.

Equity structure

- Commits capital from the new investors to meet PSE's \$5 billion (\$1 billion annually over the next five years) in necessary infrastructure and energy supply requirements for the region.
- Commits to restrict dividends paid by PSE and Puget Energy if specific interest coverage ratios are not achieved. Dividend restrictions assure that earnings will be retained in the businesses to fund capital programs and other costs, and that a strong capital structure will be maintained should financial performance deteriorate.
- Provides \$88 million in rate credits over 10 years (see above) representing a reduction in returns to investors for 10 years.

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 735,000 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 www.PSE.com.

About Puget Energy

Puget Energy (NYSE:PSD) is the parent company of Puget Sound Energy (PSE), a regulated utility providing electric and natural gas service primarily to the growing Puget Sound region of western Washington. For more information, visit www.PugetEnergy.com.

About Puget Holdings LLC

Macquarie Infrastructure Partners

Macquarie Infrastructure Partners (MIP), headquartered in New York, is a diversified unlisted fund focusing on infrastructure investments in the United States and Canada. The majority of MIP investors are US and Canadian institutions such as public pension funds, corporate pension funds, endowments and foundations and Taft-Hartley (Labor) funds. MIP has thirteen committed investments including stakes in regulated utilities such as Aquarion Company, a

regulated New England water utility, Duquesne Light, a regulated electric utility in Pittsburgh and investments in several other infrastructure and essential service businesses in the US and Canada.

Macquarie Capital Group

Macquarie Capital Group Limited is recognized as a leading global investor and manager of infrastructure businesses. Members of the Macquarie Capital Group manage more than US\$50 billion in equity invested in infrastructure and essential service assets around the world through a range of listed and unlisted vehicles. Infrastructure investments managed by Macquarie include investments in the regulated energy, utility, water, transportation and telecommunications sectors around the world. Macquarie aims to manage investments in infrastructure assets profitably and responsibly.

CPP Investment Board

The CPP Investment Board is a professional investment management organization that invests the funds not needed by the Canada Pension Plan to pay current benefits on behalf of 17 million Canadian contributors and beneficiaries. In order to build a diversified portfolio of CPP assets, the CPP Investment Board is investing in public equities, private equities, real estate, inflation-linked bonds, infrastructure and fixed income instruments. Headquartered in Toronto, the CPP Investment Board is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At March 31, 2008, the CPP Fund totaled C\$122.7 billion. For more information about the CPP Investment Board, visit www.cppib.ca.

bcIMC

British Columbia Investment Management Corporation (bcIMC) is an investment management corporation based in Victoria, B.C. With over C\$85 billion in assets under administration with global exposure, and supported by industry-leading investment expertise, bcIMC offers fund management services for all major asset classes, including currency and infrastructure investment. bcIMC's Strategic Investment and Infrastructure Program seeks to acquire long term interests in tangible infrastructure assets which hold the potential to generate strong returns and cash yields to its clients. The program has a global focus with holdings in North America, Latin America, and Europe. bcIMC's clients include public sector pension plans, public trusts, and insurance funds. For more information, visit www.bcimc.com.

AIMCo

Alberta Investment Management Corporation (AIMCo), based in Edmonton, Alberta, is one of the largest public sector asset managers in Canada, with US\$73 billion in assets under management as of March 31, 2008. AIM manages capital for public sector pension plan and government endowment fund clients across a wide variety of asset classes. Alternative investments include private equity, real estate, timberland, and infrastructure. AIMCo has made infrastructure investments and investment commitments of approximately US\$1.7 billion and has significant investment experience in the regulated energy and utility sectors. Infrastructure investments are made on a long-term basis, and the portfolio is diversified across sector and geography, including investments in North America, Europe, Asia, and Australia. For more information on AIMCo and its investments, please visit www.aimco.alberta.ca

MFIT

Macquarie-FSS Infrastructure Trust (MFIT) is an unlisted Australian infrastructure trust managed by Macquarie Specialised Asset Management Limited (Manager). The investment objective of MFIT is to make investments in a diversified range of infrastructure and infrastructure-like assets. MFIT currently holds interests in four assets across four sectors in three countries (the USA, the UK and Spain). Assets include electricity and water infrastructure, communications infrastructure and vehicle inspection services.

SOURCE: Puget Sound Energy

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