

PUGET ENERGY™

**39TH Annual EEI
Financial Conference**

October 26, 2004
San Diego, CA



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Our Strategic Objective: Reliably Serve Growing, Dynamic Service Territory



- Address power short position
- Upgrade gas and electric transmission and distribution infrastructure
- Maintain low rates and high customer service satisfaction levels
- Work collaboratively with regulators
- Leverage community leadership position
- Manage commodity price volatility to minimize customer energy costs
- Increase equity capitalization; BBB+ credit ratings target
- Generate stable total returns in 8% range

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Our Progress to Date: Address power short position



- Acquired 49.85% interest in 250 MW Frederickson 1 facility.
- Executed a Letter of Intent for a wind project up to 220 MW.
- Developing May 2005 Least Cost Plan
- Pursuing due diligence and negotiations with other short-listed parties.

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Wind Resource- Wild Horse



- Signed a letter of intent (LOI) with Zilkha Renewable Energy
- 100-percent ownership of proposed 220-megawatt (MW) Wild Horse Wind Power Project
- Located in eastern Washington state's Kittitas County
- Up to 133 wind turbines providing up to 220 MW of capacity
- Conducting post-proposal evaluation
- Definitive agreement anticipated to be signed in the Q4 2004
- Project could potentially be operational by year-end 2006 with additional Production Tax Credit (PTC) extension in 2005

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Future Wind Resources



- Wind is Least Cost Resource in the Northwest
- Two additional projects on PSE short-list
 - RES Hopkins Ridge
 - 100-percent ownership option of proposed 150 MW project
 - Location: Columbia County, WA
 - Up to 100 wind turbines over 6,000 to 8,500 acres
 - enXco Desert Claim
 - 100-percent ownership option of proposed 150 MW project
 - Location: Kittitas County, WA
 - Up to 100 wind turbines over 5,200 acres

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Third Quarter 2004 EPS of \$0.11 per share met expectations

- Customer growth
 - 3.9% gas
 - 2.3% electric
- Warm temperatures
- Electric margin increased by 7% (\$9.7 million) versus Q3 2003
 - 3.1% increase in load
 - No excess power costs
 - Tenaska (\$0.015 per share)
- Flat gas margin
- Reaffirm 2004 EPS guidance of \$1.20-\$1.30 per share

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2003 Fourth Quarter Recap

Puget Sound Energy Reported EPS	\$0.44
Venture capital fund write-down	0.04
Excess power costs	0.04
Power cost rate case expenses	0.01
Income tax true-up	<u>0.02</u>
	<u>\$0.55</u>

Number of Heating Degree Days (HDD)

4 th Quarter		Difference in 4 th Quarter		Difference in HDDs	
2003	2002	2003 vs. 2002		4 th Quarter vs. Normal	
1,695	1,622	5%	cooler	-2%	warmer

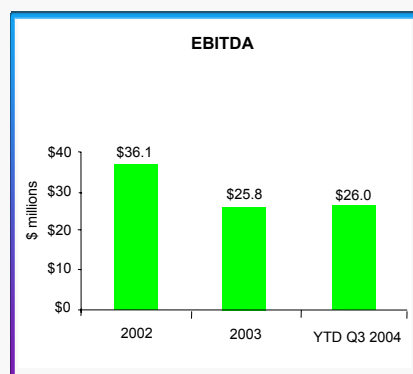
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Our Financial Objectives: Strengthen Financial Position

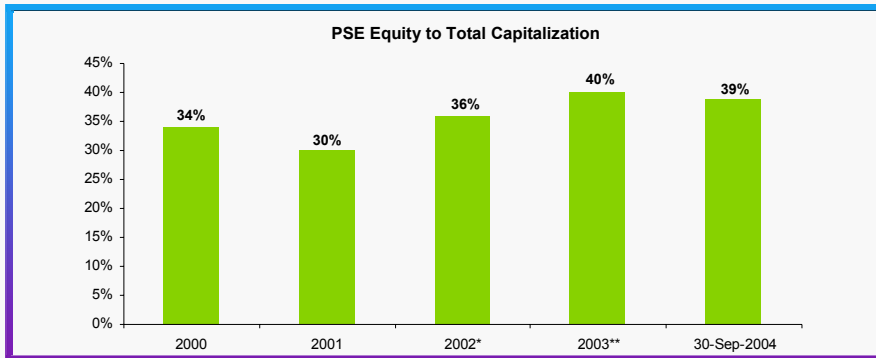
- Redeploy capital to assure highest risk-adjusted rate of return
- Strengthen balance sheet; target BBB+ credit rating
- Secure liquidity, access to financial markets to support rate base growth

Redeploy Capital to Assure Highest Risk-Adjusted Rate of Return

InfrastruX: Key Financial Metrics YTD



Increase Equity Capitalization with BBB+ Credit Ratings Target



* Issued 5 million shares, net proceeds \$100 million on Oct 31, 2002

** Issued 4.55 million shares, net proceeds \$100 million on Oct 31, 2003

Improved Access to Liquidity

- New bank credit facility May 27, 2004
 - Increased size from \$250 million to \$350 million
 - Extended term from 364-day to 3-year
 - Expanded group from 10 to 17 banks
- Retained \$150 million receivables securitization facility
- Total liquidity facilities increased to \$500 million
- Issued \$200 million 2-year variable rate note July 15, 2004
- Future maturities

• 2005	\$31 million
• 2006	\$281 million
• 2007	\$125 million

Forward Looking Statements

- Certain statements contained in this presentation are “forward looking statements” within the meaning of the federal securities laws
- Although Puget Energy and Puget Sound Energy believe that the expectations reflected in such statements are reasonable, there can be no assurance that the expected results will be achieved
- For additional information concerning certain assumptions, risks, and uncertainties involved in the forward looking statements contained herein, please refer to Puget Energy’s reports on file with the SEC