



NARUC 120th Annual Convention

Strategic long-term planning for electric utilities

Stephen P. Reynolds
Chairman, President and CEO

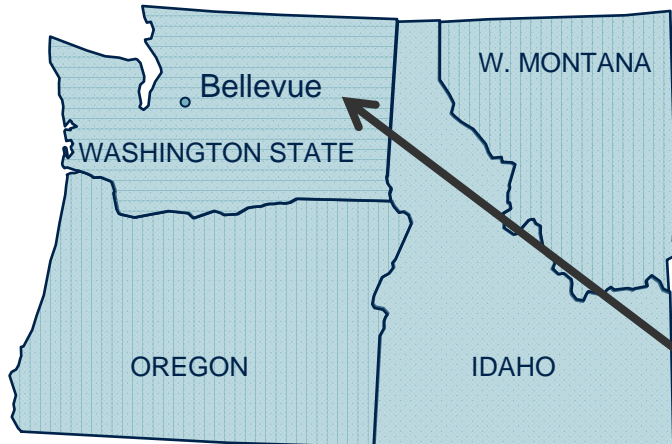
Nov. 17, 2008



Puget Sound Energy

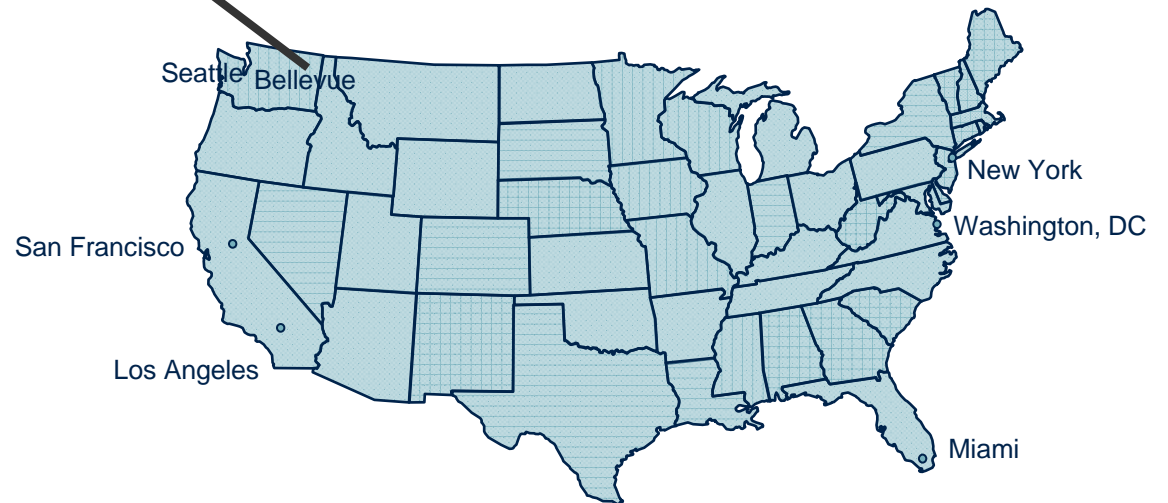
Largest energy utility in Washington state

Pacific Northwest



PSE

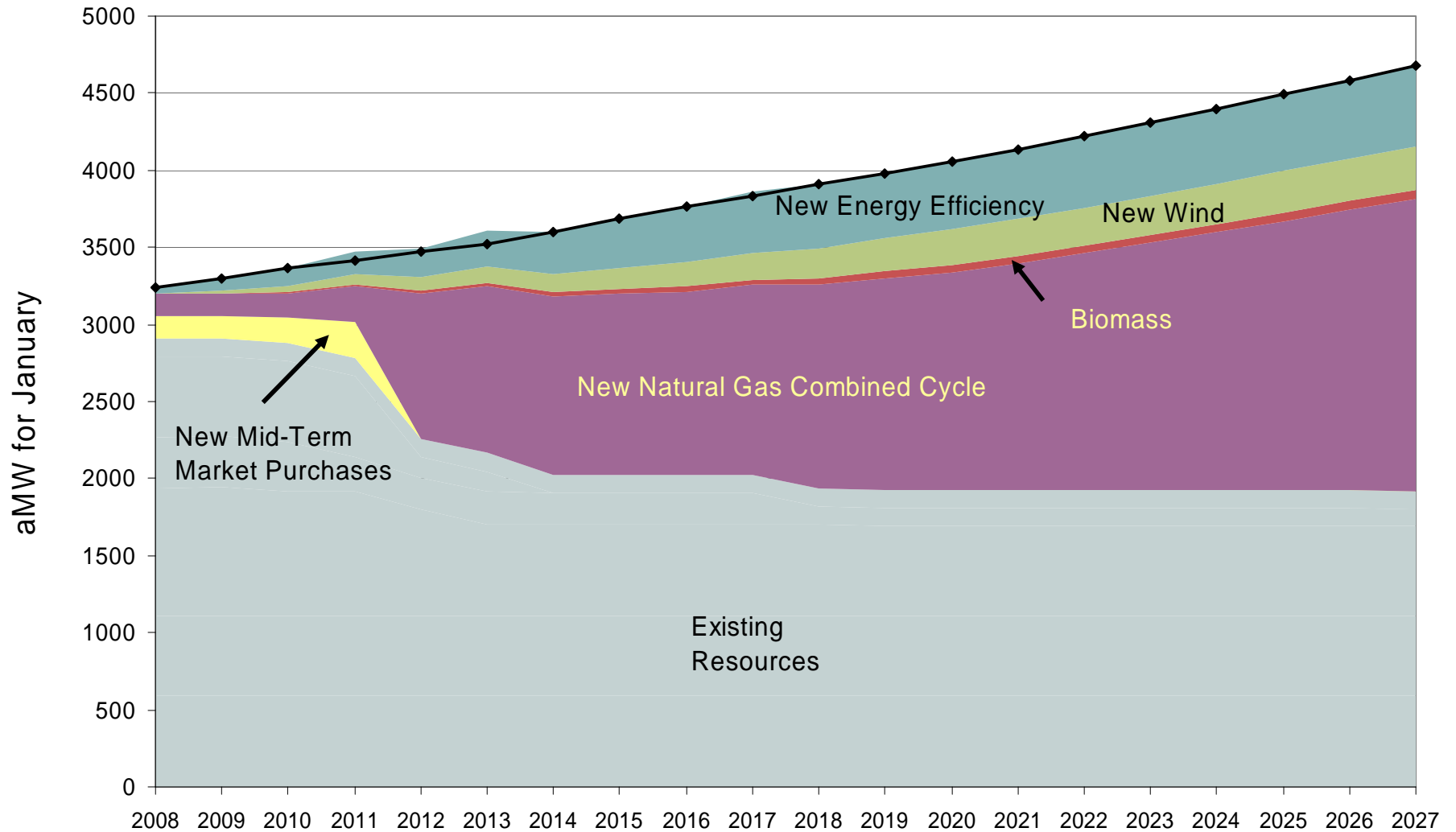
- **Headquarters**
Bellevue, Washington
- **Service Area**
6,000+ square miles
- **Electric**
Customers 1.06 million
Rate Base \$3.4 billion
- **Natural gas**
Customers 739,000
Rate Base \$1.4 billion



A litany of challenges

- ◆ Growing region with growing power supply requirements
- ◆ Renewable energy mandates
- ◆ Environmental mandates
- ◆ Cost pressures
- ◆ Aging infrastructure
- ◆ Enhanced regulatory requirements
- ◆ Constrained transmission system
- ◆ Aging labor force

Energy efficiency: first choice for new power supply



Region's growth outstripping low-cost hydro



'Green' resources all part of our strategy



Solar, biomass, other renewables part of mix



Renewable generation poses new challenges

Market Recap for Power & Gas Supply
Friday, 11/7/08

Confidential: For PSE Internal Use Only

System Load Summary

	Peak	Peak Hour	Electric Day	Sea-Tec Temperature High	Sea-Tec Temperature Low	Sea-Tec Temperature Average	Gas Day Total (mmBtu)
Actual Thu 11/6	3393	1800	67,261	57	44	51	284,000
Forecast Fri 11/7	3260	1900	64,670	56	45	51	259,000
Forecast Sat 11/8	3070	1900	61,520	55	45	50	292,000
Forecast Sun 11/9	3200	1900	62,380	51	43	47	349,000

Generation Status:

WIND	Actual (aMW) \$\$\$\$\$	Forecast (aMW) \$\$\$\$\$
Hopkins Ridge	7	64
Wild Horse	9	116

HYDRO	STATUS
Upper Baker	OH
Upper Baker	OH
Lower Baker	OH
Snoqualmie	OH
Electron	OH

CT's & NUG's	Status
Encogen	OFF
Sumar	OFF
March Point	OH
Goldendale	
Freddy	
Tonawanda	
Freddy	
White	
Freddy	

COAL	Status

WIND	Actual (aMW)	Thu 11/6	Forecast (aMW)	Sat 11/8
Hopkins Ridge	7		64	
Wild Horse	9		116	

Gas:

Power:

Power for Sunday and Monday traded lower today as heat rates fell off slightly with an increase in forecasted water and wind generation. Peak power traded lower to \$49.26 (\$640 heat rate) and off peak traded slightly higher \$46.62 (\$180 heat rate). With fish restrictions in the Lower Columbia along with higher precipitation the Northwest should see plenty of water over the weekend. Loads for Monday are expected to rise slightly over this part week. We traded with Goldendale and Freddy in our position and will keep the Baker projects running around the clock as we expect very high inflow on the Baker River. California remains slightly stronger than the MidC and the DC intertie connecting the two markets is expected to remain completely down through Nov 12th.

Pricing as of: 06-Nov-08

A stormy future?

