

ENERGYWISE

JANUARY-FEBRUARY 2010

Revised February 2010



PSE's energy future is now

Plunging temperatures at the end of 2009 proved our Northwest winters always pack a punch — and also demonstrated the need for ample energy resources to meet our region's daily and peak power and natural gas needs.

PSE's long-term strategy for meeting the needs of our growing customer base follows an integrated resource plan and includes a mixed power-supply portfolio of contracts with other utilities, long-term agreements with independent power producers, and utility-owned and -operated generation and natural gas storage facilities. Since 2003, PSE has emerged as a leader in integrating renewable resources into our resource portfolio. Our Hopkins Ridge Wind Facility in Eastern Washington entered service in 2005, followed in 2006 by the Wild Horse Wind Facility, then a solar station in 2007 at the same location in Central Washington. In 2009, we expanded Wild Horse with 22 more wind turbines. PSE has also entered into a long-term purchase agreement for wind power from the Klondike III Wind Project in north central Oregon. For the future, we are evaluating the Lower Snake River Wind Energy Project in southeastern Washington, which would triple our wind portfolio if fully developed.

By acquiring these renewable resources now, PSE is well-positioned to meet Washington state's renewable portfolio standard, which requires utilities to satisfy 15 percent of their customers' electricity needs by 2020 through resources such as wind or solar power.

But because the wind doesn't always blow and a dry year may curtail hydropower supplies, PSE has also been evaluating natural gas-fired power plants. Since 2007, the company has acquired three natural gas power plants with a combined capacity of 700 megawatts of electricity. These clean-burning facilities are an excellent complement to our hydroelectric and wind power plants, and were purchased under very favorable terms.

As the operator and joint owner of the underground Jackson Prairie Natural Gas Storage Facility, we oversaw its 2008 expansion to accommodate peak daily natural gas demand of 1.2 million homes across the Northwest.

Managing power supplies from a diverse mix of resources allows us to manage our exposure to volatile energy markets and keep energy costs as low as possible. Our 20-year integrated resource strategy, developed in consultation with state utility regulators and other stakeholders and updated every two years, plays a key role in meeting customers' energy needs. Our customers also play a key role in PSE's energy future by making their homes and businesses more energy efficient and reducing their use of natural gas and power supplies. There's no more economical way to "produce" energy than to use less of it, and during the past two decades no Pacific Northwest utility has helped its customers save more energy than PSE.

Customers break energy-use records

PSE customers broke all-time electric and natural gas-use records when freezing temperatures heated up energy consumption the week of Dec. 7.

Recent investments in new power supplies, natural gas-storage infrastructure, and energy-transmission and distribution systems help ensure sufficient supplies of electricity and natural gas meet high demand.

New records set week of Dec. 7, 2009

ENERGY TYPE	ENERGY-USE RECORD SET	AVERAGE DECEMBER USE
Natural gas	812,813 MMBtu <small>(million British thermal units over 24-hour period)</small>	500,000 MMBtu
Electricity	4,912 MW <small>(megawatts used in 1-hour period)</small>	4,150 MW

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PSE

PUGET SOUND ENERGY

The Energy To Do Great Things

2005 Expansion 2008
Hopkins Ridge Wind Facility

2006 Expansion 2009
Wild Horse Wind Facility

2007
Wild Horse Solar Facility

2007
Goldendale Natural Gas Plant

2008
Sumas Natural Gas Plant

2008
Jackson Prairie

2008
Mint Farm Natural Gas Plant

Energy assistance funds expected to serve 30,000 PSE customers

Customers having trouble paying their winter heating bill may be eligible to receive up to \$2,000 in assistance from two programs.

The federal government recently appropriated \$14 million to the community energy-assistance agencies serving PSE customers for this winter's Low Income Home Energy Assistance Program (LIHEAP).

In addition, PSE's Home Energy Lifeline Program, or HELP, will provide nearly \$14.6 million to help low-income households pay their natural gas and electricity bills.

Depending on income and household size, a qualified low-income recipient can receive up to \$1,000 in LIHEAP bill credits and another \$1,000 from HELP. For the 2009-10 heating season, more than 30,000 families are expected to receive bill assistance from LIHEAP and PSE's HELP funds.

Also of note, funds for low-income weatherization recently received a boost of more than \$2.1 million from the 2005

Energy-assistance centers

Island County
Opportunity Council
360-679-6577
1-800-317-5427

Jefferson County
Olympic Community Action Programs
360-385-2571

King County
Multi-Service Center (for South King County)
1-800-348-7144

Hopelink (for North and East King County)
1-800-348-7144

Central Area Motivation Program (for Seattle)
1-800-348-7144

Kitsap County
Kitsap Community Resources
360-479-1507
www.kcr.org

Kittitas County
HopeSource
1-509-674-2375 (Cle Elum)
1-509-962-0435 (Ellensburg)
www.hopesource.us

Lewis County
Community Action Council of Lewis, Mason and Thurston counties
360-736-1800
www.caclmt.org

Pierce County
Pierce County Department of Community Services (county residents)
1-866-223-1359

Metropolitan Development Council (Tacoma residents)
253-572-5557

Skagit County
Skagit County Community Action Agency
1-360-428-1011

Snohomish County
Snohomish County Human Services Department
425-388-3880

Thurston County
Community Action Council of Lewis, Mason and Thurston counties
360-438-1100
www.caclmt.org

Whatcom County
Opportunity Council
360-255-2192
1-888-586-7293

Enron settlement reached with the Washington State Attorney General's Office. In 2010, these funds are added to the \$3.25 million budgeted for PSE's Low-Income Weatherization Program, which helps qualifying customers save money by upgrading their homes with insulation, duct sealing and weather stripping.

Help us help you

Because January is typically the coldest month of the year, energy usage increases as customers heat their homes. We know some customers have difficulty paying their heating bills. PSE can help. Please call us to work out payment arrangements. Visit PSE.com or call us at 1-888-225-577.

Help people in need

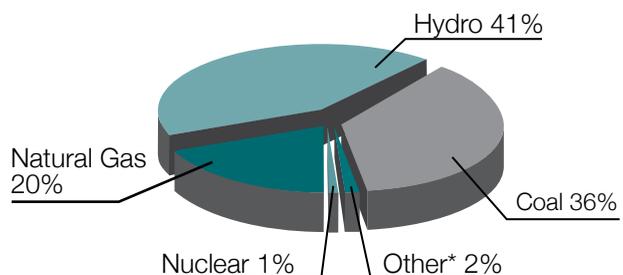
This winter consider donating to The Salvation Army Warm Home Fund, which provides short-term, emergency bill-payment assistance to PSE customers facing financial difficulties. To donate to the Warm Home Fund, simply include a little extra in your next PSE bill payment, and check the donation box on your payment stub or online payment page.



Electricity: Power Supply Fuel Mix

The electricity that Puget Sound Energy delivers to customers is generated using a number of different resources. The fuel mix for these resources for electricity delivered in 2008 are shown in the following table and chart:

Fuel	Percentage
Coal	36
Hydroelectric	41
Natural Gas	20
Nuclear	1
Other*	2
Total	100



* Biomass, landfill gas, petroleum, waste and wind.

Source of data: As reported by PSE to, and published by, the State of Washington Office of Trade and Economic Development, Energy Policy Section, 2008.



PSE offers rebates for 2010

If you're in the market for water and space heating equipment, you're just in time to take advantage of PSE's new energy-efficiency rebates for 2010. For our electric and natural gas residential customers, we're offering seven new rebates and incentives for home improvements and equipment that reduce energy use and lower bills. Many of these same measures qualify for as much as \$1,500 in federal tax credits.

PSE's new rebates include:

- ♦ Electric ENERGY STAR qualified geothermal heat pump: \$1,500
- ♦ Conversion from electric forced-air-furnace to heat pump: \$1,000 (customer pre-approval required)
- ♦ Natural gas ENERGY STAR qualified boilers: \$350
- ♦ Electric waste water heat recovery: \$250
- ♦ Electric ENERGY STAR® qualified heat pump water heater: \$250
- ♦ Natural gas ENERGY STAR qualified tankless water heaters: \$150-200
- ♦ High efficiency electric storage water heater: \$50



These rebates are in addition to our ongoing incentives for energy-efficient electric heat pumps, natural gas furnaces, insulation and windows.

In 2008, our conservation programs resulted in enough savings to supply 23,000 local homes with electricity, and 4,000 homes with natural gas. Final 2009 figures are not available.

For more information about PSE's rebates and energy efficiency programs, call a PSE Energy Advisor at 1-800-562-1482, or visit PSE.com.

Monitor your energy use online to manage your bill

More than a quarter of all PSE customers now access the Web to follow their energy use, view their statements, and pay their monthly utility bills. While online bill-payment offers convenience and saves postage, the ability to track day-to-day usage can make it easier to identify and positively change energy-use patterns to lower your bill.

Simply go to PSE.com and register for "My PSE Account."

In addition to paying your bill online, you can sign up to go paperless and receive your statement via e-mail. Look for the "Go Paperless" sign in the upper right hand corner when you log on.



Keep natural gas meters clear of snow and overhead icicles

During the winter, it is important to keep snow and ice build-up from covering your natural gas meter. Use a broom to gently clear snow or ice from around the meter, and be careful not to shovel snow up against the meter and piping. Also, don't allow water to drip onto the natural gas meter equipment. If you see ice build-up and suspect there is a problem, call PSE at 1-888-225-5773.



Check your natural gas piping

PSE regularly inspects the underground natural gas pipelines in the street and to your meter to make sure they are operating properly and safely. If you have buried piping to pools, hot tubs, natural gas barbecues or detached buildings, the piping is not maintained by PSE. There are a few special cases where PSE installed and agreed to maintain the piping.

Buried piping may leak or corrode if it is not maintained. It should be periodically inspected and repaired if any unsafe condition is discovered. Have a licensed plumbing contractor do the work. If you plan to excavate near your buried piping, it should be located by the contractor in advance and the excavation should be done by hand.



In Your Community

PSE report shows path toward stronger communities

Hot off the virtual “press,” PSE’s community report, *A Legacy of Service*, summarizes the long-standing commitment of PSE, our employees and the Puget Sound Energy Foundation to help build stronger communities in the areas we serve and in which we operate. Beyond providing great energy service, we are proud of all that we have accomplished to help our neighbors in need and be personally engaged with our local communities. With key phone numbers and a variety of useful links, *A Legacy of Service* is also a good resource for customers seeking help or services from PSE. To view the report, visit PSE.com and click on “Community” and then on “Community Investment.”



PSE helps energize green vehicles

For 25 years, PSE has been working with local agencies, automakers and other regional leaders as alternatives to transportation emerge.

In December, PSE and the C-7 New Energy Partnership (comprised of the cities of Bellevue, Issaquah, Kirkland, Mercer Island, Redmond, Renton and Sammamish) sponsored the local debut of the new Nissan LEAF — an all-electric, zero-emissions family car that will be available in five U.S. metropolitan areas, including the Puget Sound region, in late 2010.

PSE is currently using a variety of hybrid, plug-in and natural gas vehicles in its fleet. It will provide electricity to more than 2,000 charging stations being built by Nissan and its partners.

Also in the Puget Sound region are refueling stations for hundreds of vehicles that operate on compressed natural gas (CNG) — a clean-burning fuel used in cars, trucks and buses since the 1980s.

Tacoma-based Pierce Transit, the first transit agency in the U.S. to test CNG as a safe and environmentally beneficial fuel source, operates its entire fleet of “Clean Machine” buses on natural gas. Vehicles operating on CNG can reduce nitrogen oxide and carbon monoxide emissions by 90 percent compared to ones fueled by diesel.

Using electricity and natural gas for transportation helps address the challenge of climate change, and also the demand for greater energy independence and less reliance on foreign oil.



A Pierce Transit “Clean Machine” bus, operating on clean-burning compressed natural gas, provides an environmentally smart option for commuters.



The Nissan LEAF, a zero-emissions, all-electric passenger vehicle, is set to debut in the Puget Sound region in late 2010.

Cold weather tips

Brrrrr! Here are some ways you can stay warm and energy efficient at the same time during these cold winter months:

- ◆ Keep your home at the lowest comfortable temperature. For most homes, the heating bill drops by about two percent for every degree the thermostat is lowered.
- ◆ Check the furnace filter every month during the heating season and clean or replace it.
- ◆ Turn down the furnace thermostat at night during the time when you are sleeping.

Visit our local customer service offices

Most offices are open Monday-Friday, 9 a.m. - 5 p.m.

Bellingham – 1329 N State St
Burlington – 1660 Park Lane
Ellensburg – 207 N Pearl St

Freeland – 1794 Main St
Oak Harbor – 231 SE Barrington Dr #101
Olympia – 2711 Pacific Ave SE

Port Townsend – 181 Quincy St #101
Vashon Island – 18125 Vashon Highway SW

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For information about rates and your rights and responsibilities, please call or visit us online.

