

NOTICE OF REQUESTED RATE INCREASE AND PUBLIC HEARINGS



Proposed rate increase

On June 13, 2011, Puget Sound Energy filed a general rate case with Washington state's Utilities and Transportation Commission (UTC) requesting an increase for all customer groups except natural gas equipment rentals. The filing included a request for a Conservation Savings Adjustment which is designed to recover costs that would otherwise go unrecovered by PSE as a result of energy efficiency services provided by PSE. The initial filing was updated to reflect lower electric generation costs, resulting in a total revenue increase request of \$159.7 million, or 8.08 percent, in electric revenue, and an increase of \$33.3 million, or 3.16 percent, in natural gas revenue. These amounts include the Conservation Savings Adjustment request of \$7.4 million in electric revenue and \$1.5 million in natural gas revenue.

The electric revenue request (see pie chart) would recover increased costs due to investments in new electric infrastructure including the new Lower Snake River Wind Project, increased administrative, general, transmission and distribution expenses, increased depreciation expenses and increased return on investor investment. It also reflects reductions in costs of power production and other operating expenses. This request includes costs of investments to improve reliability, new delivery facilities, such as substations and transmission lines, to serve new customers, and investments to accommodate public infrastructure projects such as road projects.

The bulk of the natural gas revenue request (see pie chart) would recover investments in the natural gas distribution system to increase reliability, to serve new customers, to accommodate public infrastructure projects and costs for compliance and safety improvements. The balance of the request would recover increased cost of local taxes and depreciation expense, and increased return on investor investment. The request reflects reductions in costs of federal income taxes, distribution, administrative and general expenses.

Public hearing dates and locations

**Feb. 1, 2012 • 6-7:30 p.m.
Bellevue**

Bellevue City Hall
Council Chambers
450 110th Ave. NE

**Feb. 15, 2012 • 6-7:30 p.m.
Olympia**

Washington Utilities and Transportation Commission
Hearing Room 206
1300 S. Evergreen Park Drive SW

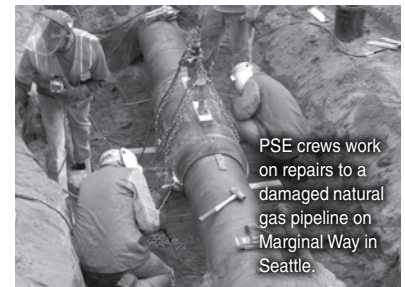
You are invited to comment on Puget Sound Energy's requested rate increase. The Utilities and Transportation Commission will hold two public hearings on this rate request.

You may comment in person at a public hearing or, for convenience, use the online comment form at www.utc.wa.gov, click on "Submit a Comment"

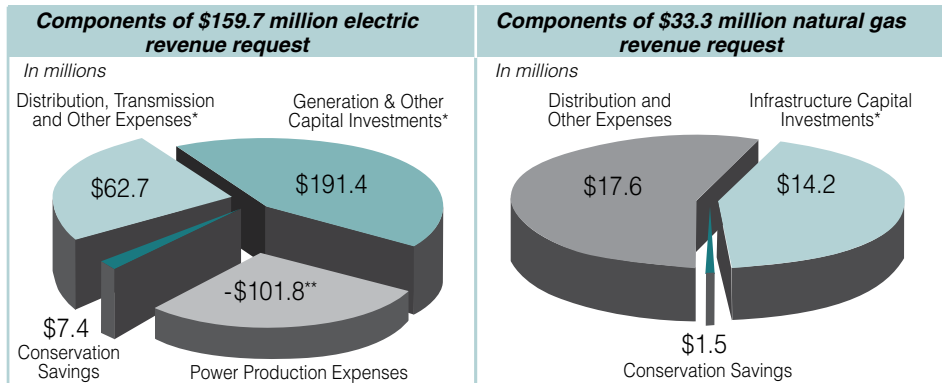
Please reference docket numbers UE-111048 (electric) and/or UG-111049 (natural gas). See the other side for all the ways you can comment.



Wind turbine construction at Lower Snake River project.



PSE crews work on repairs to a damaged natural gas pipeline on Marginal Way in Seattle.



* Includes return to investors on infrastructure and generation investments totaling \$25.3 million for electric and \$8.5 million for natural gas
 ** Reduced power production expenses of \$101.8 million offset some of the expenses and investments of \$191.4 million, \$62.7 million and \$7.4 million, resulting in PSE's electric revenue request of \$159.7 million.

General rate case information

A general rate case is the legal proceeding in which the UTC will examine a utility's operations and costs to ensure regulated companies provide safe and reliable service to customers at reasonable rates, while allowing the utilities the opportunity to earn a fair return on their investments.

The UTC staff, the Public Counsel of the Office of Attorney General, PSE and eight other parties with an interest in the case are also participants. The UTC has the authority to approve rates that are higher or lower than PSE's request. New rates will become effective upon completion of the UTC's 11-month investigation, expected to be completed in May 2012.

Effects on residential customers

The monthly bill effect of the general rate increase for the typical residential electric customer using 1,000 kWh per month and for the typical natural gas customer using 68 therms per month is shown in this chart. Individual customers will see a greater or lesser increase than what is shown, depending on the amount of usage.

Electric service	Current bill ⁽¹⁾	Proposed ⁽¹⁾ effective May 2012
Kilowatt-hour charge for 0 - 600 kWh ⁽²⁾	8.4815¢	8.9439¢
Kilowatt-hour charge for > 600 kWh ⁽²⁾	10.2798¢	10.8861¢
Basic Charge	\$7.25	\$7.83
Total bill at 1,000 kWh per month	\$99.26	\$105.04

Natural gas service	Current bill	Proposed, effective May 2012
Therm charge for all therms ⁽³⁾	\$1.10306	\$1.13462
Basic Charge	\$10.00	\$10.80
Total Bill at 68 therms per month	\$85.01	\$87.96

Summary of requested rate increases

Overall revenue increase: \$159.7 million / 8.08%		Current Average Rate per kWh	Proposed Average Rate per kWh (Includes CSA ⁽⁴⁾)	Percent Change (Includes CSA ⁽⁴⁾)
Electric Schedule	Type of Service			
7	Residential	10.094¢	10.930¢	8.3%
24	Secondary Voltage (50 kW or less)	9.470¢	10.267¢	8.4%
25	Secondary Voltage (over 50 kW to 350 kW)	8.821¢	9.391¢	6.5%
26	Secondary Voltage (over 350 kW)	8.009¢	8.690¢	8.5%
26P	Primary Voltage General	7.871¢	8.546¢	8.6%
29	Seasonal Irrigation & Drainage Pumping	8.172¢	8.703¢	6.5%
31	Primary Voltage Limited	7.939¢	8.614¢	8.5%
35	Primary Voltage Irrigation	5.527¢	6.009¢	8.7%
43	Interruptible Total Electric Schools	8.517¢	9.238¢	8.5%
40	Campus Rate	6.860¢	7.350¢	7.1%
46	High Voltage Interruptible	6.509¢	7.028¢	8.0%
49	High Voltage General	6.302¢	6.806¢	8.0%
50-59	Lighting (Area & Street)	20.830¢	22.495¢	8.0%
449/459	Choice/Retail Wheeling ⁽⁵⁾	0.360¢	0.397¢	10.5%

Overall revenue increase \$33.3 million / 3.16%		Current Average Rate per Therm	Proposed Average Rate per Therm (Includes CSA ⁽⁴⁾)	Percent Change (Includes CSA ⁽⁴⁾)
Natural Gas Schedule	Type of Service			
23	Residential	\$1.24795	\$1.29183	3.5%
31	Commercial & Industrial	\$1.13566	\$1.17122	3.1%
41	Large Volume	\$0.93305	\$0.94453	1.2%
85	Interruptible	\$0.77844	\$0.78362	0.7%
86	Limited Interruptible	\$0.89234	\$0.89354	0.1%
87	Non-exclusive Interruptible	\$0.71755	\$0.72549	1.1%
41T	Large Volume Transportation ⁽⁵⁾	\$0.20937	\$0.21668	3.5%
85T	Interruptible Transportation ⁽⁵⁾	\$0.10349	\$0.10771	4.1%
86T	Limited Interruptible Transportation ⁽⁵⁾	\$0.22865	\$0.22746	-0.5%
87T	Non-exclusive Interruptible Transportation ⁽⁵⁾	\$0.04208	\$0.0471	11.9%
16	Gas Lighting	\$1.24211	\$1.28474	3.4%
53	Propane	\$4.66868	\$4.72333	1.2%
61	Standby & Auxiliary Heating	n/a	n/a	10.0%
	Special Contracts	\$0.0461	\$0.04834	4.9%
71, 72, 74	Rentals	n/a	n/a	0%

Note: The figures above represent averages by rate schedule including the basic charge. Natural gas transportation and electric choice/wheeling customers have rates that are significantly less than the average rates for other schedules because, in part, these customers receive only delivery or transportation services.

(1) Current rates, as of June 13, 2011, include the effect of the Regulatory Asset Tracker which expires on December 31, 2011. Proposed rates do not include this tracker.

(2) Current and proposed electric rates shown above represent all per kWh charges.

(3) Current rates as of June 13, 2011, and proposed rates represent all per therm charges.

(4) Conservation Savings Adjustment or CSA is not in current rates but is proposed as part of the general rate case.

(5) Rates for transportation customers do not include the cost of gas or electricity or the CSA proposal. The resulting percentage change is therefore on a different basis than for other customers.

Public comment

To comment to the UTC on PSE's requested rate increase:

- in person at one of two public hearings (outlined in this notice)
- via UTC online comment form: www.utc.wa.gov, click on "Submit a Comment"
- by email at: comments@utc.wa.gov
- in writing: UTC - P.O. Box 47250, Olympia, WA 98504-7250
- by fax at: 360-586-1150
- by telephone at: 1-888-333-WUTC (9882)

Please reference docket numbers UE-111048 (electric) and/or UG-111049 (natural gas) in your comment. If you have questions about the UTC's process, please contact the UTC using one of the above methods.

The public is represented by the Public Counsel Section of the Washington Attorney General's Office. You can contact the office at:

Public Counsel
Assistant Attorney General
800 5th Avenue, Suite 2000
Seattle, WA 98104-3188

or by email:
utility@atg.wa.gov

To contact Puget Sound Energy, you may reach us in writing at:

Puget Sound Energy
Attn.: Customer Care
P.O. Box 97034
Bellevue, WA 98009-9734

or by e-mail:
generalratecase@pse.com

For more information visit PSE.com or call 888-225-5773, press option 5.