

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PUGET ENERGY, INC.
(Exact name of registrant as specified in its charter)

Washington

91-1969407

(State or other jurisdiction of incorporation or organization)
Employer Identification No.)

(I.R.S.)

411 - 108th Avenue N.E.
Bellevue, Washington 98004-5515
(425) 454-6363
(Address, including zip code, and telephone number,
including area code of principal executive offices)

NONQUALIFIED STOCK OPTION GRANT NOTICE/AGREEMENT (GRANTED JANUARY 7, 2002)
NONQUALIFIED STOCK OPTION GRANT NOTICE/AGREEMENT (GRANTED JANUARY 7, 2002)
(Full title of the plans)

STEPHEN A. MCKEON
Senior Vice President - Finance and Legal
Chief Financial Officer
Puget Energy, Inc.
411 - 108th Avenue N.E.
Bellevue, Washington 98004-5515
(425) 454-6363

(Name, address and telephone number, including area code, of agent for service)

Copies to:

ANDREW BOR
Perkins Coie LLP
1201 Third Avenue, Suite 4800
Seattle, Washington 98101-3099
(206) 583-8888

CALCULATION OF REGISTRATION FEE

=====			
Proposed Maximum	Amount of	Amount to	Proposed Maximum
Aggregate Offering	Registration Fee	Be	Offering Price Per

Title of Securities to be Registered Price (2)	Registered (1)	Share (2)
----- ----- Common Stock, par value \$.01 per share, \$ 2,476,100 \$ 228 subject to the Nonqualified Stock Option Grant Notice/Agreement (granted January 7, 2002).....	110,000	\$ 22.51
----- ----- Common Stock, par value \$.01 per share, \$ 3,376,500 \$ 311 subject to the Nonqualified Stock Option Grant Notice/Agreement (granted January 7, 2002).....	150,000	\$ 22.51
----- ----- TOTAL..... \$ 5,852,600 \$ 539	260,000	\$ 22.51

- (1) Together with an indeterminate number of additional shares which may be necessary to adjust the number of shares reserved for issuance pursuant to the stock option agreements as the result of any future stock split, stock dividend, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to shareholders other than a normal cash dividend or similar adjustment to the Registrant's outstanding Common Stock.
- (2) Computed pursuant to Rule 457(h) under the Securities Act of 1933, as amended. The maximum offering price per share and the registration fee are calculated based upon the price at which each of the options may be exercised, which is \$22.51 per share.

PART II

INFORMATION REQUIRED IN REGISTRATION STATEMENT

Item 3. INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Securities and Exchange Commission (the "Commission") are hereby incorporated by reference in this Registration Statement:

(a) Annual Report on Form 10-K for the year ended December 31, 2001, filed by Puget Energy, Inc. (the "Registrant") on March 14, 2002, which contains audited financial statements for the most recent fiscal year for which such statements have been filed.

(b) The description of the Registrant's common stock contained in the Registrant's Registration Statement on Form S-4 (No. 333-77491) filed on April 30, 1999, including any amendments or reports filed for the purpose of updating such description.

(c) All other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since December 31, 2001.

All documents filed by the Registrant pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date hereof, and prior to the filing of a post-effective amendment which indicates that the securities offered hereby have been sold or which deregisters the securities covered hereby then remaining unsold, shall also be deemed to be incorporated by reference into this Registration Statement and to be a part hereof commencing on the respective dates on which such documents are filed.

Item 4. DESCRIPTION OF SECURITIES

Not applicable.

Item 5. INTERESTS OF NAMED EXPERTS AND COUNSEL

None.

Item 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Sections 23B.08.500 through 23B.08.600 of the Washington Business Corporation Act (the "WBCA") authorize a court to award, or a corporation's board of directors to grant, indemnification to directors and officers on terms sufficiently broad to permit indemnification under certain circumstances for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"). Article 11 of the Registrant's restated articles of incorporation and Section 6 of the Registrant's bylaws provides for indemnification of the Registrant's directors and officers to the maximum extent permitted by Washington law.

Section 23B.08.320 of the WBCA authorizes a corporation to limit a director's personal liability to the corporation or its shareholders for monetary damages for conduct as a director, except in certain circumstances involving intentional misconduct, knowing violations of law or illegal corporate loans or distributions, or any transaction from which the director personally receives a benefit in money, property or services to which the director is not legally entitled. Article 10 of the Registrant's restated articles of incorporation contains provisions implementing, to the fullest extent permitted by Washington law, such limitations on a director's liability to the Registrant and its shareholders.

Officers and directors of the Registrant are covered by insurance (with certain exceptions and certain limitations) that indemnifies them against losses and liabilities arising from certain alleged "wrongful acts," including alleged errors or misstatements, or certain other alleged wrongful acts or omissions constituting neglect or breach of duty.

The above discussion of the WBCA and the bylaws and articles of incorporation is not intended to be exhaustive and is qualified in its entirety by reference to such statute, the bylaws and the articles of incorporation.

Item 7. EXEMPTION FROM REGISTRATION CLAIMED

Not applicable.

Item 8. EXHIBITS

Exhibit Number	Description
5.1	Opinion of Perkins Coie LLP regarding legality of the Common Stock being registered
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Perkins Coie LLP (included in opinion filed as Exhibit 5.1)
24.1	Power of Attorney (see signature page)
99.1	Nonqualified Stock Option Grant Notice/Agreement (Granted January 7, 2002)
99.2	Nonqualified Stock Option Grant Notice/Agreement (Granted January 7, 2002)

Item 9. UNDERTAKINGS

A. The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (1)(i) and (1)(ii) above do not apply if the

information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered that which remain unsold at the termination of the offering.

B. The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bellevue, State of Washington, on the 7th day of March, 2002.

PUGET ENERGY, INC.

By: /s/ Stephen P. Reynolds

Stephen P. Reynolds
President and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below authorizes James W. Eldredge or Stephen A. McKeon, or either of them, as attorneys-in-fact with full power of substitution, to execute in the name and on the behalf of each person, individually and in each capacity stated below, and to file, any and all amendments to this Registration Statement, including any and all post-effective amendments.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities indicated below on the 7th day of March, 2002.

SIGNATURE	TITLE
/s/ Stephen P. Reynolds ----- Stephen P. Reynolds	President, Chief Executive Officer, and Director (Principal Executive Officer)
/s/ Stephen A. McKeon ----- Stephen A. McKeon	Senior Vice President - Finance and Legal Chief Financial Officer (Principal Financial Officer)
/s/ James W. Eldredge ----- James W. Eldredge	Corporate Secretary and Chief Accounting Officer (Principal Accounting Officer)
/s/ Douglas P. Beighle ----- Douglas P. Beighle	Chairman of the Board of Directors
/s/ Charles W. Bingham ----- Charles W. Bingham	Director
/s/ Phillis J. Campbell ----- Phillis J. Campbell	Director
/s/ Craig W. Cole ----- Craig W. Cole	Director
/s/ Robert L. Dryden ----- Robert L. Dryden	Director
/s/ John D. Durbin ----- John D. Durbin	Director

/s/ Tomio Moriguchi

Director

Tomio Moriguchi

/s/ Kenneth P. Mortimer

Director

Kenneth P. Mortimer

/s/ Sally G. Narodick

Director

Sally G. Narodick

INDEX TO EXHIBITS

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24.1	Power of Attorney (see signature page)
99.1	Nonqualified Stock Option Grant Notice/Agreement (Granted January 7, 2002)
99.2	Nonqualified Stock Option Grant Notice/Agreement (Granted January 7, 2002)

PERKINS COIE LLP

1201 THIRD AVENUE, SUITE 4800, SEATTLE, WASHINGTON 98101-3099
TELEPHONE: 206 583-8888 FACSIMILE: 206 583-8500

March 15, 2002

Puget Energy, Inc.
411-108th Avenue N.E.
Bellevue, WA 98004-5515

Re: Registration Statement on Form S-8 of Shares of Common Stock,
Par Value \$0.01 Per Share, of Puget Energy, Inc.

Ladies and Gentlemen:

We have acted as counsel to Puget Energy, Inc. (the "Company") in connection with the preparation of a Registration Statement on Form S-8 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), which the Company is filing with the Securities and Exchange Commission with respect to 260,000 shares of Common Stock which may be issued pursuant to the exercise of two nonqualified stock options granted to Stephen P. Reynolds on January 7, 2002 by the Company's board of directors. One Nonqualified Stock Option Grant Notice/Agreement is for 110,000 shares and the other is for 150,000 shares (collectively, the "Option Grant Agreements").

We have examined the Registration Statement and such documents and records of the Company and other documents as we have deemed relevant and necessary for the purpose of this opinion. In giving this opinion, we are assuming the authenticity of all instruments presented to us as originals, the conformity with originals of all instruments presented to us as copies and the genuineness of all signatures.

Based on and subject to the foregoing, we are of the opinion that the shares to be issued pursuant to the Option Grant Agreements have been duly authorized and that, upon the due execution by the Company and the registration by its registrar of such shares, the issuance thereof by the Company in accordance with the terms of the Option Grant Agreements and the receipt of consideration, if any, therefor in accordance with the terms of the Option Grant Agreements, such shares will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving such consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act.

Very truly yours,

/s/ Perkins Coie LLP

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated February 8, 2002 relating to the financial statements and financial statement schedule of Puget Energy, Inc., which appears in Puget Energy, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001.

/s/ PRICEWATERHOUSECOOPERS LLP
Seattle, Washington
March 15, 2002

PUGET ENERGY INC.

NONQUALIFIED STOCK OPTION GRANT NOTICE

Puget Energy, Inc. (the "Company") hereby grants to Participant an Option (the "Option") to purchase shares of the Company's Common Stock. The Option is subject to all the terms and conditions set forth in this Nonqualified Stock Option Grant Notice (this "Grant Notice") and in the Nonqualified Stock Option Agreement (the "Option Agreement"), which is attached to and incorporated into this Grant Notice in its entirety. The Option is granted outside the Company's Amended and Restated 1995 Long-Term Incentive Compensation Plan (the "Plan") but, except as expressly provided otherwise herein, is limited by and subject to the express terms and conditions of the Plan. Capitalized terms that are not defined in this Grant Notice and the Option Agreement but defined in the Plan have the meanings given to them in the Plan.

Participant: Stephen P. Reynolds

Grant Date: January 7, 2002

Vesting Commencement Date: January 1, 2002

Number of Shares Subject to Option: 110,000

Exercise Price (per Share): \$22.51

Option Expiration Date: January 7, 2012 (subject to earlier termination in accordance with the terms of the Plan and the Option Agreement)

Type of Option: Nonqualified Stock Option

Vesting and Exercisability Schedule: 25% of the shares subject to the Option will vest and become exercisable on each anniversary of the Vesting Commencement Date over the next four years.

Additional Terms/Acknowledgement: The undersigned Participant acknowledges receipt of, and understands and agrees to the terms and conditions in, this Grant Notice, the Option Agreement and the Plan. Participant further acknowledges that as of the Grant Date, this Grant Notice, the Option Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the Option and supersede all prior oral and written agreements on the subject with the exception of the Agreement between Puget Sound Energy, Inc., the Company and Stephen P. Reynolds, entered into as of January 1, 2002 (the "Employment Agreement").

PUGET ENERGY, INC.

STEPHEN P. REYNOLDS

By: /s/ Stephen McKeon

/s/ Stephen P. Reynolds

Signature

Stephen A. McKeon

Date: March 13, 2002

Its: Sr. Vice President, Legal and
Finance, Chief Financial Officer

Address: P.O. Box 97034 OBC- -15

Bellevue, WA 98009

Attachments:

1. Nonqualified Stock Option Agreement
2. Agreement between Puget Energy, Inc., Puget Sound Energy, Inc. and Stephen P. Reynolds, entered into as of January 1, 2002
3. Amended and Restated 1995 Long-Term Incentive Compensation Plan

PUGET ENERGY, INC.

NONQUALIFIED STOCK OPTION AGREEMENT

Pursuant to your Nonqualified Stock Option Grant Notice (the "Grant Notice") and this Nonqualified Stock Option Agreement (this "Option Agreement"), Puget Energy, Inc. (the "Company") has granted you an Option outside its Amended and Restated 1995 Long-Term Incentive Compensation Plan (the "Plan") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice (the "Shares") at the exercise price indicated in your Grant Notice. Except as expressly provided otherwise herein and in the Grant Notice, the Option is limited by and subject to the express terms and conditions of the Plan. Capitalized terms not explicitly defined in this Option Agreement or the Grant Notice but defined in the Plan have the same definitions as in the Plan.

The details of the Option are as follows:

1. Vesting and Exercisability

Subject to the limitations contained herein, the Option will vest and become exercisable as provided in your Grant Notice, provided that vesting will cease upon the termination of your employment or service relationship with the Company and the unvested portion of the Option will terminate.

Notwithstanding the foregoing,

(a) Upon a Change of Control (as the term Change of Control is defined in your Agreement with the Company and Puget Sound Energy, Inc., entered into as of January 1, 2002 (the "Employment Agreement")) of the Company, the Option will become fully vested and immediately exercisable, and you may defer any gain realized upon exercise of the Option in accordance with the terms of the Employment Agreement; and

(b) If your employment or service relationship with the Company is terminated by the Company without Cause or by you with Good Reason (as the terms Cause and Good Reason are defined in the Employment Agreement), the vesting and exercisability of the Option will be accelerated such that total number of shares vested and exercisable will be calculated as if the Option had vested on a daily basis over a four-year period through the date of such termination.

2. Securities Law Compliance

Notwithstanding any other provision of this Option Agreement, you may not exercise the Option unless the Shares issuable upon exercise are registered under the Securities Act or, if such Shares are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of the Option must also comply with other applicable laws and regulations governing the Option, and you may not exercise the Option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

3. Method of Exercise

You may exercise the Option by giving written notice to the Company, in form and substance satisfactory to the Company, which will state your election to exercise the Option and the number of Shares for which you are exercising the Option. The written notice must be accompanied by full payment of the exercise price for the number of Shares you are purchasing. You may make this payment in any combination of the following:

(a) by cash;

(b) by check acceptable to the Company;

(c) by tendering, either actually or by attestation, shares of Common Stock you have owned for at least six months (or any shorter period necessary to avoid a charge to the Company's earnings for financial reporting purposes) that on the day prior to the exercise date have a Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(d) by delivery of a properly executed exercise notice, together with irrevocable instructions to a brokerage firm designated by the Company to deliver promptly to the Company the aggregate amount of sale or loan proceeds to pay the Option exercise price and any withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board; or

(e) by any other method permitted by the Plan Administrator.

4. Termination of Employment

Subject to the provisions of Section 1 above, the unvested portion of the Option will terminate automatically and without further notice immediately upon termination of your employment or service relationship with the Company for any reason ("Termination of Service"), including without limitation, termination by the Company for Cause, voluntary resignation by you without Good Reason or the occurrence of your Retirement, Disability or death (as the term Disability is defined in the Employment Agreement). You may exercise the vested portion of the Option as follows:

(a) General Rule. You must exercise the vested portion of the Option on or before the earlier of (i) three months after your Termination of Service and (ii) the Option Expiration Date;

(b) Retirement or Disability. If your Termination of Service is due to Retirement or Disability, you must exercise the vested portion of the Option on or before the earlier of (i) one year after your Termination of Service and (ii) the Option Expiration Date; and

(c) Death. If your Termination of service is due to your death, the vested portion of the Option must be exercised on or before the earlier of (i) one year after your Termination of Service and (ii) the Option Expiration Date. If you die after your Termination of Service but while the Option is still exercisable, the vested portion of the Option may be exercised until the earlier of (x) one year after the date of death and (y) the Option Expiration Date.

It is your responsibility to be aware of the date the Option terminates.

5. Limited Transferability

During your lifetime only you can exercise the Option unless the Plan Administrator permits otherwise. The Plan provides for exercise of the Option by a beneficiary designated on a Company-approved form or the personal representative of your estate.

6. Withholding Taxes

As a condition to the exercise of any portion of the Option, you must make such arrangements as the Company may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such exercise.

7. Option Not an Employment or Service Contract

Nothing in the Option or the Plan will be deemed to constitute an employment contract or confer or be deemed to confer any right for you to continue in the employ of, or to continue any other relationship with, the Company or any Subsidiary or limit in any way the right of the Company or any Subsidiary to terminate your employment or other relationship at any time, with or without Cause.

8. No Right to Damages

You will have no right to bring a claim or to receive damages if you are required to exercise the vested portion of the Option within three months (one year in the case of Retirement, Disability or death) of your Termination of Service or if any portion of the Option is cancelled or expires unexercised. The loss of existing or potential profit in the Option will not constitute an element of damages in the event of your Termination of Service for any reason even if the termination is in violation of an obligation of the Company or a Subsidiary to you.

9. Binding Effect

This Option Agreement will inure to the benefit of the successors and assigns of the Company and be binding upon you and your heirs, executors, administrators, successors and assigns.

PUGET ENERGY INC.

NONQUALIFIED STOCK OPTION GRANT NOTICE

Puget Energy, Inc. (the "Company") hereby grants to Participant an Option (the "Option") to purchase shares of the Company's Common Stock. The Option is subject to all the terms and conditions set forth in this Nonqualified Stock Option Grant Notice (this "Grant Notice") and in the Nonqualified Stock Option Agreement (the "Option Agreement"), which is attached to and incorporated into this Grant Notice in its entirety. The Option is granted outside the Company's Amended and Restated 1995 Long-Term Incentive Compensation Plan (the "Plan") but, except as expressly provided otherwise herein, is limited by and subject to the express terms and conditions of the Plan. Capitalized terms that are not defined in this Grant Notice and the Option Agreement but defined in the Plan have the meanings given to them in the Plan.

Participant: Stephen P. Reynolds

Grant Date: January 7, 2002

Vesting Commencement Date: January 1, 2002

Number of Shares Subject to Option: 150,000

Exercise Price (per Share): \$22.51

Option Expiration Date: January 7, 2012 (subject to earlier termination in accordance with the terms of the Plan and the Option Agreement)

Type of Option: Nonqualified Stock Option

Vesting and Exercisability Schedule: 20% of the shares subject to the Option will vest and become exercisable on each anniversary of the Vesting Commencement Date over the next five years.

Additional Terms/Acknowledgement: The undersigned Participant acknowledges receipt of, and understands and agrees to the terms and conditions set forth in, this Grant Notice, the Option Agreement and the Plan. Participant further acknowledges that as of the Grant Date, this Grant Notice, the Option Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the Option and supersede all prior oral and written agreements on the subject with the exception of the Agreement between Puget Sound Energy, Inc., the Company and Stephen P. Reynolds, entered into as of January 1, 2002 (the "Employment Agreement").

PUGET ENERGY, INC.

STEPHEN P. REYNOLDS

By: /s/ Stephen McKeon

/s/ Stephen P. Reynolds

Signature

Stephen A. McKeon

Date: March 11, 2002

Its: Sr. Vice President, Legal and
Finance, Chief Financial Officer

Address: P.O. Box 97034 OBC- -15

Bellevue, WA 98009

Attachments:

1. Nonqualified Stock Option Agreement
2. Agreement between Puget Energy, Inc., Puget Sound Energy, Inc. and Stephen P. Reynolds, entered into as of January 1, 2002
3. Amended and Restated 1995 Long-Term Incentive Compensation Plan

PUGET ENERGY, INC.

NONQUALIFIED STOCK OPTION AGREEMENT

Pursuant to your Nonqualified Stock Option Grant Notice (the "Grant Notice") and this Nonqualified Stock Option Agreement (this "Option Agreement"), Puget Energy, Inc. (the "Company") has granted you an Option outside its Amended and Restated 1995 Long-Term Incentive Compensation Plan (the "Plan") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice (the "Shares") at the exercise price indicated in your Grant Notice. Except as expressly provided otherwise herein and in the Grant Notice, the Option is limited by and subject to the express terms and conditions of the Plan. Capitalized terms not explicitly defined in this Option Agreement or the Grant Notice but defined in the Plan have the same definitions as in the Plan.

The details of the Option are as follows:

1. Vesting and Exercisability

Subject to the limitations contained herein, the Option will vest and become exercisable as provided in your Grant Notice, provided that vesting will cease upon the termination of your employment or service relationship with the Company and the unvested portion of the Option will terminate.

Notwithstanding the foregoing,

(a) Upon a Change of Control (as the term Change of Control is defined in your Agreement with the Company and Puget Sound Energy, Inc., entered into as of January 1, 2002 (the "Employment Agreement")) of the Company, the Option will become fully vested and immediately exercisable, and you may defer any gain realized upon exercise of the Option in accordance with the terms of the Employment Agreement; and

(b) If your employment or service relationship with the Company is terminated by the Company without Cause or by you with Good Reason (as the terms Cause and Good Reason are defined in the Employment Agreement), the vesting and exercisability of the Option will be accelerated by two years.

2. Securities Law Compliance

Notwithstanding any other provision of this Option Agreement, you may not exercise the Option unless the Shares issuable upon exercise are registered under the Securities Act or, if such Shares are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of the Option must also comply with other applicable laws and regulations governing the Option, and you may not exercise the Option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

3. Method of Exercise

You may exercise the Option by giving written notice to the Company, in form and substance satisfactory to the Company, which will state your election to exercise the Option and the number of Shares for which you are exercising the Option. The written notice must be accompanied by full payment of the exercise price for the number of Shares you are purchasing. You may make this payment in any combination of the following:

(a) by cash;

(b) by check acceptable to the Company;

(c) by tendering, either actually or by attestation, shares of Common Stock you have owned for at least six months (or any shorter period necessary to avoid a charge to the Company's earnings for financial reporting purposes) that on the day prior to the exercise date have a Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(d) by delivery of a properly executed exercise notice, together with irrevocable instructions to a brokerage firm designated by the Company to deliver promptly to the Company the aggregate amount of sale or loan proceeds to pay the Option exercise price and any withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board; or

(e) by any other method permitted by the Plan Administrator.

4. Termination of Employment

Subject to the provisions of Section 1 above, the unvested portion of the Option will terminate automatically and without further notice immediately upon termination of your employment or service relationship with the Company for any reason ("Termination of Service"), including without limitation, termination by the Company for Cause, voluntary resignation by you without Good Reason or the occurrence of your Retirement, Disability or death (as the term Disability is defined in the Employment Agreement). You may exercise the vested portion of the Option as follows:

(a) General Rule. You must exercise the vested portion of the Option on or before the earlier of (i) three months after your Termination of Service and (ii) the Option Expiration Date;

(b) Retirement or Disability. If your Termination of Service is due to Retirement or Disability, you must exercise the vested portion of the Option on or before the earlier of (i) one year after your Termination of Service and (ii) the Option Expiration Date; and

(c) Death. If your Termination of service is due to your death, the vested portion of the Option must be exercised on or before the earlier of (i) one year after your Termination of Service and (ii) the Option Expiration Date. If you die after your Termination of Service but while the Option is still exercisable, the vested portion of the Option may be exercised until the earlier of (x) one year after the date of death and (y) the Option Expiration Date.

It is your responsibility to be aware of the date the Option terminates.

5. Limited Transferability

During your lifetime only you can exercise the Option unless the Plan Administrator permits otherwise. The Plan provides for exercise of the Option by a beneficiary designated on a Company-approved form or the personal representative of your estate.

6. Withholding Taxes

As a condition to the exercise of any portion of the Option, you must make such arrangements as the Company may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such exercise.

7. Option Not an Employment or Service Contract

Nothing in the Option or the Plan will be deemed to constitute an employment contract or confer or be deemed to confer any right for you to continue in the employ of, or to continue any other relationship with, the Company or any Subsidiary or limit in any way the right of the Company or any Subsidiary to terminate your employment or other relationship at any time, with or without Cause.

8. No Right to Damages

You will have no right to bring a claim or to receive damages if you are required to exercise the vested portion of the Option within three months (one year in the case of Retirement, Disability or death) of your Termination of Service or if any portion of the Option is cancelled or expires unexercised. The loss of existing or potential profit in the Option will not constitute an element of damages in the event of your Termination of Service for any reason even if the termination is in violation of an obligation of the Company or a Subsidiary to you.

9. Binding Effect

This Option Agreement will inure to the benefit of the successors and assigns of the Company and be binding upon you and your heirs, executors, administrators, successors and assigns.