As filed with the Securities and Exchange Commission on July 11, 2003

Registration Nos. 333-82940
333-82940-01
333-82940-02

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1
TO
FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PUGET ENERGY, INC.	PUGET SOUND ENERGY, INC.	PUGET SOUND ENERGY CAPITAL TRUST III
(Exact name of registrant as specified in its charter)	(Exact name of registrant as specified in its charter)	(Exact name of registrant as specified in its charter)
Washington	Washington	Delaware
(State or other jurisdiction of incorporation or organization)	(State or other jurisdiction of incorporation or organization)	(State or other jurisdiction of incorporation or organization)
91-1969407	91-0374630	To Be Applied For
(I.R.S. Employer Identification Number)	(I.R.S. Employer Identification Number)	(I.R.S. Employer Identification Number)
STEPHEN A. McKEON Senior Vice President Finance & Chief Financial Officer 10885 NE 4th Street Bellevue, Washington 98004 (425) 454-6363 (Name, address, including zip code, and telephone number, including area code, of agent for service)	STEPHEN A. McKEON Senior Vice President Finance & Chief Financial Officer 10885 NE 4th Street Bellevue, Washington 98004 (425) 454-6363 (Name, address, including zip code, and telephone number, including area code, of agent for service)	DONALD E. GAINES Trustee 10885 NE 4th Street Bellevue, Washington 98004 (425) 454-6363 (Name, address, including zip code, and telephone number, including area code, of agent for service)

It is respectfully requested that the Commission send copies of all notices, orders and communications to:

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

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective as determined by market conditions and other factors.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.☐

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☒

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.☐_____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.☐_____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.☐

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This registration statement contains two forms of prospectuses to be used in connection with offerings of the following securities:

- Common stock of Puget Energy, Inc. and

- Trust preferred securities of Puget Sound Energy Capital Trust III, debt securities of Puget Sound Energy, Inc. and the guarantees by Puget Sound Energy of trust preferred securities that may be issued by Puget Sound Energy Capital Trust III.

This registration statement originally covered up to $500,000,000 of securities. As of the date hereof, $269,025,000 of securities originally covered by this registration statement have been sold, and, accordingly, this registration statement now covers $230,975,000 of securities. Under the shelf registration process, we may offer any combination of the securities described in the two prospectuses contained in this registration statement in one or more offerings with a total offering price of up to $230,975,000.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the corresponding registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state in which the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 11, 2003

PROSPECTUS

Puget Energy, Inc.

COMMON STOCK

Puget Energy, Inc. may offer shares of common stock from time to time with an aggregate public offering price of up to $230,975,000. The specific terms and amounts of the securities will be fully described in a prospectus supplement that will accompany this prospectus. Please read both the prospectus supplement and this prospectus carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

Our common stock is listed on the New York Stock Exchange under the symbol “PSD.” On July 10, 2003 the last reported sales price of our common stock on the NYSE was $23.09 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2003.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf process, we may sell our common stock in one or more offerings. This prospectus provides you with a general description of our common stock. Each time we offer common stock, we will provide you with a prospectus supplement that will describe the specific amounts, prices and terms of the offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read carefully both this prospectus and any prospectus supplement together with additional information described below.

This prospectus does not contain all the information provided in the registration statement we filed with the SEC. For further information about us or our common stock, you should refer to that registration statement, which you can obtain from the SEC as described below under "Where You Can Find More Information."

You should rely only on the information contained or incorporated by reference in this prospectus or a prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus or any prospectus supplement, as well as information we have previously filed with the SEC and incorporated by reference, is accurate as of the date on the front of those documents only. Our business, financial condition, results of operations and prospects may have changed since those dates.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into this prospectus contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. This act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these as forward-looking and provide meaningful cautionary language identifying important factors that could cause actual results to differ from the projected results. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "should" or "will" or the negative of such terms or other comparable terminology. Forward-looking statements provide our current expectations or forecasts of future events.

Any or all of our forward-looking statements in this prospectus and the documents incorporated by reference herein or therein, and in any other public statements we make may turn out to be wrong. Forward-looking statements reflect our current expectations and are inherently uncertain. Inaccurate assumptions we might make and known or unknown risks and uncertainties can affect the accuracy of our forward-looking statements. Consequently, no forward-looking statement can be guaranteed and our actual results may differ materially. Some important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include:

Risks relating to the regulated utility business (Puget Sound Energy, Inc.)

- governmental policies and regulatory actions, including those of the Federal Energy Regulatory Commission (FERC) and the Washington Utilities and Transportation Commission (Washington Commission), with respect to allowed rates of return, financings, industry and rate structures, transmission and generation business structures within Puget Sound Energy, acquisition and disposal of assets and facilities, operation and construction of electric generating facilities, distribution and transmission facilities, recovery of other capital investments, recovery of power and gas costs and present or prospective wholesale and retail competition;

- financial difficulties of other energy companies and related events, which may affect the regulatory and legislative process in unpredictable ways and also adversely affect the availability of and access to capital and credit markets;

- default by counterparties in the wholesale natural gas and electricity markets that owe Puget Sound Energy money or energy;

- deterioration of liquidity in the forward markets in which Puget Sound Energy transacts hedges to manage its energy portfolio risks which can limit Puget Sound Energy's ability to enter into forward contracts and, therefore, its ability to manage its portfolio risks;

- weather, which can have a potentially serious impact on Puget Sound Energy's revenues and its ability to procure adequate supplies of gas, fuel or purchased power to serve its customers and on the cost of procuring such supplies;

- hydroelectric conditions, which can have a potentially serious impact on electric capacity and Puget Sound Energy's ability to generate electricity;

- the stability and liquidity of wholesale energy markets generally, including the requirements for Puget Sound Energy to post collateral to support its energy portfolio transactions and the effect of price controls by FERC on the availability and price of wholesale energy purchases and sales in the western United States;

- the effect of wholesale market structures (including, but not limited to, new market design such as RTO West and Standard Market Design);

- the amount of collection, if any, of Puget Sound Energy's receivable from the California Independent System Operator (CAISO) and the amount of refunds found to be due from Puget Sound Energy to the CAISO or others;

- industrial, commercial and residential growth and demographic patterns in the service territories of Puget Sound Energy;

- general economic conditions in the Pacific Northwest;

- the loss of significant customers or changes in the business of significant customers, which may result in changes in demand for Puget Sound Energy's services;

- plant outages which can have an impact on Puget Sound Energy's expenses and its ability to procure adequate supplies to replace the lost energy;

Risks relating to the non-regulated, utility service business (InfrastruX Group, Inc.)

- the failure of InfrastruX to service its obligations under its credit agreement, in which case Puget Energy, as guarantor, may be required to satisfy these obligations, which could have a negative impact on Puget Energy's liquidity and access to capital;

- the inability to generate internal growth at InfrastruX, which could be affected by, among other factors, InfrastruX's ability to expand the range of services offered to customers, attract new customers, increase the number of projects performed for existing customers, hire and retain employees and open additional facilities;

- the ability of InfrastruX to integrate acquired companies with existing operations without substantial costs, delays or other operational or financial problems, which involves a number of special risks;

- the effect of competition in the industry in which InfrastruX competes, including from competitors that may have greater resources than InfrastruX, which may enable them to develop expertise, experience and resources to provide services that are superior in both price and quality;

- the extent to which existing electric power and gas companies or prospective customers will continue to outsource services in the future, which may be impacted by, among other things, regional and general economic conditions in the markets InfrastruX serves;

- delinquencies associated with the financial conditions of InfrastruX's customers;

- the impact of any goodwill impairments on the results of operations of InfrastruX arising from its acquisitions, which could have a negative effect on the results of operations of Puget Energy;

- the impact of adverse weather conditions that negatively affect operating results;

Risks relating to both the regulated and non-regulated businesses

- the impact of acts of terrorism or similar significant events, such as the attack on September 11, 2001;

- the ability of Puget Energy, Puget Sound Energy and InfrastruX to access the capital markets to support requirements for working capital, construction costs and the repayment of maturing debt;

- capital market conditions, including changes in the availability of capital or interest rate fluctuations;

- changes in Puget Energy's or Puget Sound Energy's credit ratings, which may have an adverse impact on the availability and cost of capital for Puget Energy, Puget Sound Energy and InfrastruX;

- legal and regulatory proceedings;

- changes in, and compliance with, environmental and endangered species laws, regulations, decisions, and policies;

- employee workforce factors, including strikes, work stoppages, availability of qualified employees, or the loss of a key executive; and

- the ability to obtain adequate insurance coverage and the cost of such insurance.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

WHERE YOU CAN FIND MORE INFORMATION

We file reports, proxy statements and other information with the Securities and Exchange Commission. These SEC filings are available over the Internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document we file at the SEC's public reference room at 450 Fifth Street N.W., Room 1024, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms and their copy charges. You may also inspect our SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

In connection with this offering, we have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933. As permitted by SEC rules, this prospectus omits certain information included in the registration statement. For a more complete understanding of the securities we may offer, you should refer to the registration statement, including its exhibits.

The SEC allows us to "incorporate by reference" into this prospectus the information we file separately with it, which means we may disclose important information by referring you to those other documents. The information we incorporate by reference is considered to be part of this prospectus, except for any information superseded by information in this prospectus. This prospectus incorporates by reference the documents set forth below that we have filed previously with the SEC. These documents contain important information about us and our finances.

SEC Filings (File No. 1-16305)	Period/Date
• Annual Report on Form 10-K	Year ended December 31, 2002
• Quarterly Reports on Form 10-Q	Quarter ended March 31, 2003
• Current Reports on Form 8-K	Filed January 15, 2003 Filed February 13, 2003 Filed April 23, 2003
• Definitive Proxy Statement on Schedule 14A	Filed March 10, 2003, in connection with our 2003 annual meeting of shareholders

The documents filed by us with the SEC pursuant to Sections 13(a), 13(c), 14 and 15 of the Securities Exchange Act of 1934 after the date of this prospectus are also incorporated by reference into this prospectus.

You may request a copy of these filings at no cost by writing or telephoning us at the following address:

Investor Relations
Puget Energy, Inc.
P.O. Box 97034
Bellevue, Washington 98009-9734
(425) 454-6363

PUGET ENERGY

Puget Energy, Inc. is an energy services holding company incorporated in the State of Washington. Subject to limited exceptions, we are exempt from regulation as a public utility holding company pursuant to Section 3(a)(1) of the Public Utility Holding Company Act of 1935. We do not own or operate any significant assets other than the stock of our direct subsidiaries, Puget Sound Energy, Inc. and InfrastruX Group, Inc. All of our operations are conducted through Puget Sound Energy and InfrastruX.

Our executive office is located at 10885 N.E. 4th Street, Bellevue, Washington 98004, and our mailing address is P.O. Box 97034, Bellevue, Washington, 98009-9734. Our telephone number is (425) 454-6363.

Our utility business: Puget Sound Energy

Our principal subsidiary is Puget Sound Energy, a public utility engaged in the generation, transmission, distribution and sale of electric energy and the purchase, distribution, transportation and sale of natural gas. Puget Sound Energy is the largest electric and gas utility headquartered in Washington State, serving a territory covering approximately 6,000 square miles, principally in the Puget Sound region.

At March 31, 2003, Puget Sound Energy had approximately 963,700 electric customers, of which approximately 88.2% were residential customers, 11.1% were commercial customers and 0.7% were industrial, transportation and other customers. At March 31, 2003, Puget Sound Energy had approximately 628,600 gas customers, of which approximately 92.1% were residential customers, 7.5% were commercial customers and 0.4% were industrial and transportation customers.

Our nonregulated business: InfrastruX

Our nonregulated subsidiary, InfrastruX, is a holding company for businesses that provide gas and electric construction and maintenance services to the utility industry. Since its formation in 2000, InfrastruX has grown through the acquisition of 11 businesses located primarily in Texas and the mid-west and eastern United States. InfrastruX has relationships with a diverse group of major utilities.

USE OF PROCEEDS

Unless otherwise indicated in the accompanying prospectus supplement, we expect to use the net proceeds from the sale of common stock offered hereby for general corporate purposes, including capital expenditures, investments in subsidiaries, working capital and the repayment of debt. We will describe any specific allocation of the proceeds to a particular purpose that has been made at the date of any prospectus supplement in the appropriate prospectus supplement.

DESCRIPTION OF CAPITAL STOCK

We are authorized to issue 250,000,000 shares of common stock, $0.01 par value per share, and 50,000,000 shares of preferred stock, par value $0.01 per share.

Common Stock

As of June 30, 2003, there were 94,031,652 shares of common stock outstanding, held of record by approximately 46,500 shareholders. The holders of common stock are entitled to one vote per share on all matters submitted to a vote of shareholders. Our restated articles of incorporation do not permit cumulative voting in the election of directors. Holders of common stock are entitled to receive ratably such dividends as may be declared by our board of directors out of funds legally available therefor, subject to preferences that may be applicable to any outstanding preferred stock. In the event of liquidation, dissolution or winding up of Puget Energy, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any outstanding preferred stock. Holders of common stock have no preemptive, subscription or conversion rights. There are no redemption or sinking fund provisions applicable to the common stock. All the outstanding shares of common stock are validly issued, fully paid and nonassessable.

Preferred Stock

Our board of directors has authority to issue 50,000,000 shares of preferred stock in one or more series and to fix the powers, designations, preferences and relative, participating, optional or other rights thereof, including dividend rights, conversion rights, voting rights, redemption terms, liquidation preferences and the number of shares constituting any series, without any further vote or action by our shareholders. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock. Accordingly, preferred stock could be issued with terms that could delay or prevent a change of control of Puget Energy or make removal of management more difficult. We have no shares of preferred stock outstanding as of the date of this prospectus.

Antitakeover Effects of Charter Documents and Washington Law

Provisions of our restated articles of incorporation, our bylaws and Washington law may be deemed to have an antitakeover effect and may collectively operate to delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider in his or her best interest, including those attempts that might result in a premium over the market price for the shares held by our shareholders.

Preferred Stock

As noted above, our board of directors, without shareholder approval, has the authority under our restated articles of incorporation to issue preferred stock with rights superior to the rights of the holders of common stock. As a result, preferred stock could be issued quickly and easily, could adversely affect the rights of holders of common stock and could be issued with terms calculated to delay or prevent a change in control or make removal of management more difficult.

Election and Removal of Directors

Our board of directors is divided into three classes, each class having a three-year term that expires on a year different from the other classes. At each annual meeting of shareholders, the successors to the class of directors whose terms are expiring are elected to serve for three-year terms. This classification of the board of directors has the effect of requiring at least two annual shareholder meetings, instead of one, to replace a majority of the directors. In addition, our directors may be removed only for cause. Because this system of electing and removing directors generally makes it more difficult for shareholders to replace a majority of the board of directors, it may discourage a third party from making a tender offer or otherwise attempting to gain control of Puget Energy and may maintain the incumbency of our board of directors.

Shareholder Meetings

Our articles of incorporation provide that shareholders may not call a special meeting of the shareholders. Our board of directors, the chairman of the board, the chief executive officer and the president each may call special meetings of shareholders.

Requirements for Advance Notification of Shareholder Nominations and Proposals

Our bylaws contain advance notice procedures with respect to shareholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee thereof.

Washington Law

Washington law imposes restrictions on certain transactions between a corporation and certain significant shareholders. The Washington Business Corporation Act generally prohibits a "target corporation" from engaging in certain significant business transactions with an "acquiring person," which is defined as a person or group of persons that beneficially owns 10% or more of the voting securities of the target corporation, for a period of five years after such acquisition, unless the transaction or acquisition of shares is approved by a majority of the members of the target corporation's board of directors prior to the time of the acquisition. Such prohibited transactions include, among other things,

- a merger or consolidation with, disposition of assets to, or issuance or redemption of stock to or from, the acquiring person;
- termination of 5% or more of the employees of the target corporation as a result of the acquiring person's acquisition of 10% or more of the shares; or
- allowing the acquiring person to receive any disproportionate benefit as a shareholder.

After the five-year period, a "significant business transaction" may occur if it complies with "fair price" provisions specified in the statute. A corporation may not "opt out" of this statute. This provision may have the effect of delaying, deterring or preventing a change in control of Puget Energy.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Mellon Investor Services, LLC.

Shareholder Rights Plan

We have a shareholders rights plan pursuant to which holders of our common stock have been granted one preferred share purchase right on each outstanding share of common stock. The preferred share purchase rights are not currently exercisable and will become exercisable only upon the earlier of

- the close of business on the tenth business day after a public announcement that a person has acquired beneficial ownership of 10% or more of our outstanding shares of common stock and
- a date that our board of directors designates following the commencement of, or first public disclosure of an intent to commence, a tender or exchange offer for outstanding shares of common stock which could result in the offeror becoming the beneficial owner of 10% or more of our outstanding shares of common stock.

Each preferred share purchase right entitles its registered holder to purchase from us one one-hundredth of a share of our Series R Participating Cumulative Preferred Stock, at a price of $65 per one one-hundredth of a preferred share, subject to certain antidilution adjustments.

If a person acquires beneficial ownership of 10% or more of our outstanding shares of common stock, the preferred share purchase rights will entitle each right holder, other than a beneficial owner of 10% or more of our outstanding shares of common stock, or any affiliate or associate of that person, to purchase, for the purchase price, the number of shares of our common stock which at the time of the transaction would have a market value of twice the purchase price.

Any preferred share purchase rights that are at any time beneficially owned by a beneficial owner of 10% or more of our outstanding shares of common stock, or any affiliate or associate of that person, will be null and void and nontransferable. Furthermore, any holder of any preferred share purchase rights who beneficially owns 10% or more than 10% of our shares of common stock, any affiliate or associate of that person, or any purported transferee or subsequent holder will be unable to exercise or transfer such person's preferred share purchase rights.

After a person becomes the beneficial owner of 10% or more of our outstanding shares of common stock, our board of directors may elect to exchange each preferred share purchase right, other than those that have become null and void and nontransferable as described above, for shares of common stock, without payment of the purchase price. The exchange rate in this situation would be one-half the number of shares of common stock that would otherwise be issuable at that time upon the exercise of one preferred share purchase right.

Each of the following events would entitle each holder of a preferred share purchase right to purchase, for the purchase price, that number of shares of common stock of another publicly traded corporation which at the time of the event would have a market value of twice the purchase price:

- the acquisition of Puget Energy in a merger by that publicly traded corporation;
- a business combination between Puget Energy and that publicly traded corporation; or
- the sale, lease, exchange or transfer of 50% or more of our assets or assets accounting for 50% or more of our net income or revenues, in one or more transactions, to that publicly traded corporation.

If any one of these events involved an entity that is not publicly traded, each holder of a preferred share purchase right would be entitled to purchase, for the purchase price and at such holder's option:

- that number of shares of the surviving corporation in the transaction, whether the surviving corporation is Puget Energy or the other corporation, which at the time of the transaction would have a book value of twice the purchase price;
- that number of shares of the ultimate parent entity of the surviving corporation which at the time of the transaction would have a book value of twice the purchase price; or
- that number of shares of common stock of the acquiring entity's affiliate that has publicly traded shares of common stock, if any, which at the time of the transaction would have a market value of twice the purchase price.

At any time prior to any person acquiring beneficial ownership of 10% or more of our outstanding shares of common stock, our board of directors may redeem the preferred share purchase rights in whole, but not in part. The redemption price of $.01 per preferred share purchase right, subject to adjustment in certain circumstances, may be in cash, shares of common stock or other Puget Energy securities deemed by our board of directors to be at least equivalent in value.

Because of the nature of the preferred shares' dividend, liquidation and voting rights, the value of the one one-hundredth interest in a preferred share issuable upon exercise of each preferred share purchase right should approximate the value of one common share. Customary antidilution provisions are designed to protect that relationship in the event of certain changes in the common and preferred shares.

The preferred share purchase rights have certain antitakeover effects and will cause substantial dilution to a person that attempts to acquire Puget Energy on terms not approved by our board of directors. The preferred share purchase rights should not affect any prospective offeror willing to make an all-cash offer at a full and fair price, or willing to negotiate with our board of directors. Similarly, the preferred share purchase rights will not interfere with any merger or other business combination approved by our board of directors since the board of directors may, at its option, redeem all, but not less than all, of the then outstanding preferred share purchase rights at the redemption price. The shareholder rights plan and the rights expire in December 2010.

PLAN OF DISTRIBUTION

We may sell our common stock

- through underwriters or dealers;
- through agents;
- directly to purchasers; or
- through a combination of any of these methods.

The prospectus supplement with respect to an offering will set forth the terms of the offering, including:

- the name or names of any underwriters, dealers or agents;
- the name or names of any managing underwriter or underwriters;
- the purchase price of the common stock and the proceeds to us from their sale;
- any underwriting discounts and commissions and other items constituting underwriters' compensation;
- any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers;
- any commissions paid to an agent;
- any delayed delivery arrangements; and
- any securities exchange on which the common stock may be listed.

Sale Through Underwriters or Dealers

If underwriters are used in the sale, they will acquire the offered securities for their own account and may resell them on one or more occasions in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The offered shares may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. Unless otherwise set forth in the prospectus supplement relating thereto, the obligations of the underwriters to purchase the offered shares will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the offered shares if any are purchased. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers.

During and after an offering through underwriters, the underwriters may purchase and sell our common stock in the open market. These transactions may include overallotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters may also impose a penalty bid, which means that selling concessions allowed to syndicate members or other broker-dealers for the offered shares sold for their account may be reclaimed by the syndicate if the offered shares are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the offered shares, which may be higher than the price that might otherwise prevail in the open market. If commenced, the underwriters may discontinue these activities at any time.

We have engaged Cantor Fitzgerald & Co. to act as underwriter for offerings from time to time of up to 3,500,000 shares of our common stock in one or more placements in a Controlled Equity Offering "CEO℠". Cantor will act as sales agent and/or principal with respect to these sales pursuant to the terms of a Sales Agreement between Cantor and Puget Energy dated July 10, 2003, a copy of which has been filed as an exhibit to the registration statement of which this prospectus is a part. In a CEO℠, if we reach agreement with Cantor on a placement, including the number of shares of common stock to be offered in the placement and any minimum price below which sales may not be made, Cantor would agree to use its commercially reasonable efforts, consistent with its normal trading and sales practices, to try to sell such shares on such terms. As a part of a CEO℠, Cantor could make sales in privately negotiated transactions, at the market in the existing trading market for our common stock, including sales made to or through a market maker or through an electronic communications network, or in any other manner that may be deemed to be an "at the market" offering as defined in Rule 415 promulgated under the Securities Act and/or any other method permitted by law.

We have also engaged Banc One Capital Markets, Inc. (BOCM) to act as underwriter for offerings from time to time of up to an additional 3,500,000 shares of our common stock in one or more placements. BOCM will act as sales agent and/or principal with respect to these sales pursuant to the terms of a Distribution Agreement between BOCM and Puget Energy dated July 10, 2003. When acting as agent, BOCM will use commercially reasonable efforts to sell the shares pursuant to the terms agreed to with us, including the number of shares to be offered in the placement and any minimum price below which sales may not be made. BOCM, in its capacity as agent or principal, could arrange for or make sales in privately negotiated transactions, at the market in the existing trading market for our common stock, including sales made to or through a market maker or through an electronic communications network, or in any other manner that may be deemed to be an "at the market" offering as defined in Rule 415 promulgated under the Securities Act and/or any other method permitted by law.

At the market offerings may not exceed 10% of the aggregate market value of our outstanding voting securities held by non-affiliates on a date within 60 days prior to the filing of the registration statement of which this prospectus is a part. Accordingly, we may not sell more than approximately $203,100,000 of our common stock in "at the market" offerings pursuant to this prospectus.

If dealers are utilized in the sale of our common stock, we will sell the offered securities to the dealers as principals. The dealers may then resell the offered securities to the public at varying prices to be determined by the dealers at the time of resale.

Direct Sales and Sales Through Agents

We may sell our common stock directly or through agents designated by us from time to time. Unless otherwise indicated in the prospectus supplement, any agent will be acting on a best-efforts basis for the period of its appointment.

We may sell our common stock directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale of the securities. The terms of these sales will be described in the related prospectus supplement.

Delayed Delivery Contracts

If indicated in the prospectus supplement, we may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase securities from us at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

General Information

Agents, dealers and underwriters may be entitled under agreements with us to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the agents, dealers or underwriters may be required to make in respect of liabilities under the Securities Act. Agents, dealers and underwriters may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Sections 23B.08.500 through 23B.08.600 of the Washington Business Corporation Act 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. Section 6 of our bylaws provide for indemnification of our directors and officers to the maximum extent permitted by Washington law.

Section 23B.08.320 of the Washington Business Corporation Act 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 II of our restated articles of incorporation contain provisions implementing, to the fullest extent permitted by Washington law, such limitations on a director's liability to Puget Energy and our shareholders.

Officers and directors of Puget Energy 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 underwriting agreements, which are filed as exhibits to the registration statement of which this prospectus is a part, contain provisions whereby the underwriters agree to indemnify Puget Energy, its directors and certain officers and other persons, and are incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons under the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

LEGAL OPINIONS

Unless otherwise indicated in the applicable prospectus supplement, the validity of the common stock will be passed on for Puget Energy by Perkins Coie LLP, Seattle, Washington. Certain legal matters with respect to the common stock will be passed on by counsel for any underwriters, dealers or agents, each of whom will be named in the related prospectus supplement.

EXPERTS

The financial statements and financial statement schedule incorporated in this prospectus by reference to Puget Energy's Annual Report on Form 10-K for the year ended December 31, 2002, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent auditors, given on the authority of said firm as experts in auditing and accounting.

$230,975,000

Puget Energy, Inc.

COMMON STOCK

PROSPECTUS

, 2003

The information in this prospectus is not complete and may be changed. We may not sell these securities until the corresponding registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state in which the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 11, 2003

PROSPECTUS

Puget Sound Energy, Inc.

SENIOR NOTES
UNSECURED DEBENTURES
GUARANTEES

AND

Puget Sound Energy Capital Trust III

TRUST PREFERRED SECURITIES
GUARANTEED TO THE EXTENT SET FORTH HEREIN BY PUGET SOUND ENERGY, INC.

OFFERING AMOUNT: $230,975,000

Puget Sound Energy may offer, on one or more occasions:

- secured senior debt or unsecured debt securities consisting of notes, debentures and other unsecured evidence of indebtedness and
- guarantees of Puget Sound Energy with respect to trust preferred securities of Puget Sound Energy Capital Trust III.

Puget Sound Energy Capital Trust III, which is a Delaware business trust, may offer, on one or more occasions, trust preferred securities, which represent preferred undivided beneficial interests in the assets of Puget Sound Energy Capital Trust III.

For each type of security listed above, the amount, price and terms will be determined at or prior to the time of sale.

Each time we offer any of these securities, we will set forth the specific terms of these securities in one or more supplements to this prospectus. The prospectus supplement or supplements also will set forth the names of any underwriters, dealers or agents involved in the offering of the securities, the compensation of these parties and any other special terms of the offering and sale. You should read carefully this prospectus and the accompanying prospectus supplement or supplements before you invest.

This prospectus may not be used to consummate sales of any of these securities unless accompanied by a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2003.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf process, we may sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities. Each time we offer securities, we will provide you with a prospectus supplement that will describe the specific amounts, prices and terms of the offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read carefully both this prospectus and any prospectus supplement together with additional information described below.

This prospectus does not contain all the information provided in the registration statement we filed with the SEC. For further information about Puget Sound Energy, Puget Sound Energy Capital Trust III or the securities described in this prospectus, you should refer to that registration statement, which you can obtain from the SEC as described below under "Where You Can Find More Information."

You should rely only on the information contained or incorporated by reference in this prospectus or a prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus or any prospectus supplement, as well as information we have previously filed with the SEC and incorporated by reference, is accurate as of the date on the front of those documents only. Our business, financial condition, results of operations and prospects may have changed since those dates.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into this prospectus contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. This act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these as forward-looking and provide meaningful cautionary language identifying important factors that could cause actual results to differ from the projected results. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "should" or "will" or the negative of such terms or other comparable terminology. Forward-looking statements provide our current expectations or forecasts of future events.

Any or all of our forward-looking statements in this prospectus and the documents incorporated by reference herein or therein, and in any other public statements we make may turn out to be wrong. Forward-looking statements reflect our current expectations and are inherently uncertain. Inaccurate assumptions we might make and known or unknown risks and uncertainties can affect the accuracy of our forward-looking statements. Consequently, no forward-looking statement can be guaranteed and our actual results may differ materially. Some important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include:

- governmental policies and regulatory actions, including those of the Federal Energy Regulatory Commission (FERC) and the Washington Utilities and Transportation Commission (Washington Commission), with respect to allowed rates of return, financings, industry and rate structures, transmission and generation business structures within Puget Sound Energy, acquisition and disposal of assets and facilities, operation and construction of electric generating facilities, distribution and transmission facilities, recovery of other capital investments, recovery of power and gas costs and present or prospective wholesale and retail competition;

- financial difficulties of other energy companies and related events, which may affect the regulatory and legislative process in unpredictable ways and also adversely affect the availability of and access to capital and credit markets;

- default by counterparties in the wholesale natural gas and electricity markets that owe Puget Sound Energy money or energy;

- deterioration of liquidity in the forward markets in which Puget Sound Energy transacts hedges to manage its energy portfolio risks which can limit Puget Sound Energy's ability to enter into forward contracts and, therefore, its ability to manage its portfolio risks;

- weather, which can have a potentially serious impact on Puget Sound Energy's revenues and its ability to procure adequate supplies of gas, fuel or purchased power to serve its customers and on the cost of procuring such supplies;

- hydroelectric conditions, which can have a potentially serious impact on electric capacity and Puget Sound Energy's ability to generate electricity;

- the stability and liquidity of wholesale energy markets generally, including the requirements for Puget Sound Energy to post collateral to support its energy portfolio transactions and the effect of price controls by FERC on the availability and price of wholesale energy purchases and sales in the western United States;

- the effect of wholesale market structures (including, but not limited to, new market design such as RTO West and Standard Market Design);

- the amount of collection, if any, of Puget Sound Energy's receivable from the California Independent System Operator (CAISO) and the amount of refunds found to be due from Puget Sound Energy to the CAISO or others;

- industrial, commercial and residential growth and demographic patterns in the service territories of Puget Sound Energy;

- general economic conditions in the Pacific Northwest;

- the loss of significant customers or changes in the business of significant customers, which may result in changes in demand for Puget Sound Energy's services;

- plant outages which can have an impact on Puget Sound Energy's expenses and its ability to procure adequate supplies to replace the lost energy;

- the impact of acts of terrorism or similar significant events, such as the attack on September 11, 2001;

- the ability of Puget Sound Energy, and its parent Puget Energy, to access the capital markets to support requirements for working capital, construction costs and the repayment of maturing debt;

- capital market conditions, including changes in the availability of capital or interest rate fluctuations;

- changes in Puget Sound Energy's, or its parent Puget Energy's, credit ratings, which may have an adverse impact on the availability and cost of capital for Puget Sound Energy and Puget Energy;

- legal and regulatory proceedings;

- changes in, and compliance with, environmental and endangered species laws, regulations, decisions, and policies;

- employee workforce factors, including strikes, work stoppages, availability of qualified employees, or the loss of a key executive; and

- the ability to obtain adequate insurance coverage and the cost of such insurance.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

WHERE YOU CAN FIND MORE INFORMATION

Puget Sound Energy files reports and other information with the Securities and Exchange Commission. These SEC filings are available over the Internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document Puget Sound Energy files at the SEC's public reference room at 450 Fifth Street N.W., Room 1024, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms and their copy charges. You may also inspect Puget Sound Energy's SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

In connection with this offering, we have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933. As permitted by SEC rules, this prospectus omits certain information included in the registration statement. For a more complete understanding of the securities we may offer, you should refer to the registration statement, including its exhibits.

The SEC allows us to "incorporate by reference" into this prospectus the information we file separately with it, which means we may disclose important information by referring you to those other documents. The information we incorporate by reference is considered to be part of this prospectus, except for any information superseded by information in this prospectus. This prospectus incorporates by reference the documents set forth below that Puget Sound Energy has filed previously with the SEC. These documents contain important information about Puget Sound Energy and its finances.

SEC Filings (File No. 1-4393)	Period/Date
• Annual Report on Form 10-K	Year ended December 31, 2002
• Quarterly Reports on Form 10-Q	Quarter ended March 31, 2003
• Current Reports on Form 8-K	Filed January 15, 2003 Filed February 13, 2003 Filed April 23, 2003 Filed June 3, 2003

The documents filed by Puget Sound Energy with the SEC pursuant to Sections 13(a), 13(c), 14 and 15 of the Securities Exchange Act of 1934 after the date of this prospectus are also incorporated by reference into this prospectus.

You may request a copy of these filings at no cost by writing or telephoning Puget Sound Energy at the following address:

Investor Relations
Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, Washington 98009-9734
(425) 454-6363

Separate financial statements of the capital trust have not been included in this prospectus. Puget Sound Energy and the capital trust do not consider such financial statements to be helpful because:

- Puget Sound Energy beneficially owns directly or indirectly all of the undivided beneficial interests in the assets of the capital trust (other than the beneficial interests represented by the trust preferred securities);

- Puget Sound Energy will guarantee the trust preferred securities such that the holders of the trust preferred securities, with respect to the payment of distributions and amounts on liquidation, dissolution and winding up, are at least in the same position with regard to the assets of Puget Sound Energy as a preferred shareholder of Puget Sound Energy;

- in future filings under the Securities Exchange Act of 1934, an audited footnote to Puget Sound Energy's annual financial statements will state that the capital trust is wholly owned by Puget Sound Energy, that the sole assets of the trust are the unsecured subordinated debentures of Puget Sound Energy having a specified total principal amount, and that, considered together, the back-up undertakings, including the guarantees, constitute a full and unconditional guarantee by Puget Sound Energy of the capital trust's obligations under the trust preferred securities issued by the capital trust; and

- the capital trust is a newly created special purpose entity, has no operating history, no independent operations and is not engaged in, and does not propose to engage in, any activity other than as described under "Puget Sound Energy Capital Trust III."

PUGET SOUND ENERGY

Puget Sound Energy, Inc. is a public utility incorporated in the State of Washington engaged in the generation, transmission, distribution and sale of electric energy and the purchase, distribution, transportation and sale of natural gas. We are the principal subsidiary of Puget Energy, Inc., an energy services holding company that owns all of our common stock. Subject to limited exceptions, Puget Energy is exempt from regulation as a public utility holding company pursuant to Section 3(a)(1) of the Public Utility Holding Company Act of 1935. Puget Energy also owns InfrastruX Group, Inc., a nonregulated holding company for businesses that provide gas and electric construction and maintenance services to the utility industry.

Puget Sound Energy is the largest electric and gas utility headquartered in Washington State, serving a territory covering approximately 6,000 square miles, principally in the Puget Sound region. At March 31, 2003, we had approximately 963,700 electric customers, of which approximately 88.2% were residential customers, 11.1% were commercial customers and 0.7% were industrial, transportation and other customers. At March 31, 2003, we had approximately 628,600 gas customers, of which approximately 92.1% were residential customers, 7.5% were commercial customers and 0.4% were industrial and transportation customers.

Our executive office is located at 10885 N.E. 4th Street, Bellevue, Washington 98004, and our mailing address is P.O. Box 97034, Bellevue, Washington, 98009-9734. Our telephone number is (425) 454-6363

PUGET SOUND ENERGY CAPITAL TRUST III

Puget Sound Energy Capital Trust III is a statutory business trust created under the Delaware Business Trust Act by way of

- a trust agreement executed by Puget Sound Energy, as sponsor, and the trustee of the capital trust and

- the filing of a certificate of trust with the Secretary of State of the State of Delaware.

At the time of public issuance of the trust preferred securities, the trust agreement will be amended and restated in its entirety and will be qualified as an indenture under the Trust Indenture Act of 1939. Puget Sound Energy will directly or indirectly acquire common securities of the capital trust in a total liquidation amount equal to approximately 3% of the total capital of the capital trust. The trust exists for the exclusive purposes of

- issuing the trust preferred securities and common securities representing undivided beneficial interests in the assets of the capital trust;

- investing the gross proceeds of the common securities and the trust preferred securities in unsecured subordinated debentures of Puget Sound Energy; and

- engaging in only those other activities necessary or incidental thereto.

The capital trust has a term of approximately 55 years, but it may terminate earlier as provided in the amended and restated trust agreement.

The proceeds from the offering of the trust preferred securities and the sale of the common securities may be used by the capital trust to purchase from Puget Sound Energy unsecured subordinated debentures in a total principal amount equal to the total liquidation preference of the common securities and the trust preferred securities. The Puget Sound Energy debentures would bear interest at an annual rate equal to the annual distribution rate of the common securities and the trust preferred securities and would have certain redemption terms that correspond to the redemption terms for the common securities and the trust preferred securities. The subordinated debentures will rank subordinate in right of payment to all of Puget Sound Energy's senior indebtedness (as defined in this prospectus). Distributions on the common securities and the trust preferred securities may not be made unless the capital trust receives corresponding interest payments on the subordinated debentures from Puget Sound Energy. Puget Sound Energy will irrevocably guarantee, on a subordinated basis and to the extent set forth in the guarantee, with respect to each of the common securities and the trust preferred securities, the payment of distributions, the redemption price, including all accrued or deferred and unpaid distributions, and payment on liquidation, but only to the extent of funds on hand at the capital trust. Each guarantee will be unsecured and will be subordinate to all senior indebtedness of Puget Sound Energy. Upon the occurrence of certain events (subject to the conditions to be described in an accompanying prospectus supplement), the capital trust may be liquidated and the holders of the common securities and the trust preferred securities could receive the related subordinated debentures of Puget Sound Energy in lieu of any liquidating cash distribution.

The number of trustees of the capital trust will initially be four. Two of the trustees will be employees or officers of, or affiliated with, Puget Sound Energy and will be referred to as the Puget Sound Energy trustees. The third trustee will be a financial institution that is unaffiliated with Puget Sound Energy, which trustee will serve as property trustee under the amended and restated trust agreement and as indenture trustee for the purposes of compliance with the provisions of the Trust Indenture Act of 1939. Initially, Bank One Trust Company, N.A. will be the property trustee until removed or replaced by the holder of the common securities. For the purpose of compliance with the provisions of the Trust Indenture Act of 1939, Bank One Trust Company, N.A. will also act as guarantee trustee. The fourth trustee, Bank One Delaware, Inc., will act as the Delaware trustee for the purposes of the Delaware Business Trust Act, until removed or replaced by the holder of the common securities.

The property trustee will hold title to the subordinated debentures for the benefit of the holders of the common securities and the trust preferred securities, and the property trustee will have the power to exercise all rights, powers and privileges under the indenture as the holder of the subordinated debentures. In addition, the property trustee will maintain exclusive control of a segregated non-interest-bearing bank account to hold all payments made in respect of subordinated debentures for the benefit of the holders of the common securities and the trust preferred securities. Puget Sound Energy, as the direct or indirect holder of all the common securities, will have the right to appoint, remove or replace any of the trustees. Puget Sound Energy will also have the right to increase or decrease the number of trustees, as long as the number of trustees shall be at least three, a majority of which shall be Puget Sound Energy trustees. Puget Sound Energy will pay all fees and expenses related to the trusts and the offering of the common securities and the trust preferred securities.

The rights of the holders of the trust preferred securities, including economic rights, rights to information and voting rights, are set forth in the amended and restated trust agreement, the Delaware Business Trust Act and the Trust Indenture Act of 1939.

The Delaware trustee for the capital trust in the State of Delaware is Bank One Delaware, Inc., Three Christiana Center, 201 North Walnut Street, Wilmington, Delaware, 19801. The principal place of business of the capital trust will be c/o Puget Sound Energy, Inc. 10885 NE 4th St., Bellevue, Washington 98004.

USE OF PROCEEDS

The proceeds received by the capital trust from the sale of its trust preferred securities and the common securities will be invested in unsecured subordinated debentures of Puget Sound Energy. As will be more specifically set forth in the applicable prospectus supplement, Puget Sound Energy will use those borrowed amounts and the net proceeds from the sale of senior notes or unsecured debentures offered hereby for its general corporate purposes, including capital expenditures, investment in subsidiaries, working capital and repayment of debt. Any specific allocation of the proceeds to a particular purpose that has been made at the date of any prospectus supplement will be described in the appropriate prospectus supplement.

RATIOS OF EARNINGS TO FIXED CHARGES AND TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

The following table sets forth Puget Sound Energy's ratios of earnings to fixed charges and to combined fixed charges and preferred dividends for the periods indicated. For purposes of computing the ratios, earnings represent income from continuing operations before extraordinary items and cumulative effect of changes in accounting principles plus applicable income taxes and fixed charges. Fixed charges include all interest expense and the proportion deemed representative of the interest factor of rent expense.

	Twelve Months Ended March 31,		Years Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
Ratio of earnings to fixed charges	2.01x	1.52x	1.81x	2.01x	2.69x	2.74x	2.84x
Ratio of earnings to combined fixed charges and preferred dividends	1.90x	1.41x	1.71x	1.88x	2.50x	2.48x	2.49x

DESCRIPTION OF SECURITIES

Debt Securities

Senior notes will be issued under a senior note indenture. The unsecured debentures will be issued under an unsecured debt indenture. Unless otherwise provided in the applicable prospectus supplement, the trustee under the senior note indenture will be U.S. Bank National Association, and the trustee under the unsecured debt indenture will be Bank One Trust Company, N.A. The senior note indenture and the unsecured debt indenture are sometimes referred to in this prospectus individually as an "indenture" and collectively as the "indentures."

The following briefly summarizes the material provisions of the indentures and the debt securities. You should read the more detailed provisions of the applicable indenture, including the defined terms, for provisions that may be important to you. The indentures have been filed as exhibits to the registration statement of which this prospectus is a part. Copies of the indentures may also be obtained from Puget Sound Energy or the applicable trustee.

The indentures provide that debt securities of Puget Sound Energy may be issued in one or more series, with different terms, in each case as authorized on one or more occasions by Puget Sound Energy. The applicable prospectus supplement relating to any series of debt securities will describe the following terms, where applicable:

- the title of the debt securities;
- whether the debt securities will be senior or subordinated debt;
- the total principal amount of the debt securities;
- the percentage of the principal amount at which the debt securities will be sold and, if applicable, the method of determining the price;
- the maturity date or dates;
- the interest rate or the method of computing the interest rate;
- the date or dates from which any interest will accrue, or how such date or dates will be determined, and the interest payment date or dates and any related record dates;
- the location where payments on the debt securities will be made;
- the terms and conditions on which the debt securities may be redeemed at the option of Puget Sound Energy;
- any obligation of Puget Sound Energy to redeem, purchase or repay the debt securities at the option of a holder upon the happening of any event and the terms and conditions of redemption, purchase or repayment;
- any provisions for the discharge of Puget Sound Energy's obligations relating to the debt securities by deposit of funds or United States government obligations;
- whether the debt securities are to trade in book-entry form and the terms and any conditions for exchanging the global security in whole or in part for paper certificates;
- any material provisions of the applicable indenture described in this prospectus that do not apply to the debt securities;
- any additional amounts with respect to the debt securities that Puget Sound Energy will pay to a non-United States person because of any tax, assessment or governmental charge withheld or deducted and, if so, any option of Puget Sound Energy to redeem the debt securities rather than pay these additional amounts;

- any additional events of default; and

- any other specific terms of the debt securities.

Federal income tax consequences and other special considerations applicable to any debt securities issued by Puget Sound Energy at a discount will be described in the applicable prospectus supplement.

Debt securities may be presented for exchange. Registered debt securities may be presented for registration of transfer at the offices of the applicable trustee and, subject to the restrictions set forth in the debt security and in the applicable prospectus supplement, without service charge, but upon payment of any taxes or other governmental charges due in connection with the transfer, subject to any limitations contained in the applicable indenture.

Distributions on the debt securities in registered form will be made at the office or agency of the applicable trustee in its designated office. However, at the option of Puget Sound Energy, payment of any interest may be made by check or wire transfer. Payment of any interest due on debt securities in registered form will be made to the persons in whose names the debt securities are registered at the close of business on the record date for such interest payments. Payments made in any other manner will be specified in the applicable prospectus supplement.

Senior Notes

Security; Release Date

Until the release date (as described in the next paragraph), the senior notes will be secured by one or more series of Puget Sound Energy's first mortgage bonds from either or both of Puget Sound Energy's current first mortgage indentures issued and delivered by Puget Sound Energy to the senior note trustee. Upon the issuance of a series of senior notes prior to the release date, Puget Sound Energy will simultaneously issue and deliver to the senior note trustee, as security for all senior notes, a series of first mortgage bonds that will have the same stated maturity date and corresponding redemption provisions, and will be in the same total principal amount as the series of the senior notes being issued. Any series of first mortgage bonds securing senior notes may, but need not, bear interest. Any payment by Puget Sound Energy to the senior note trustee of principal of, and interest and/or any premium on, a series of first mortgage bonds will be applied by the senior note trustee to satisfy Puget Sound Energy's obligations with respect to principal of, and interest and/or any premium on, the corresponding senior notes.

The "release date" will be the date that all first mortgage bonds of Puget Sound Energy issued and outstanding under its electric utility mortgage indenture with State Street Bank and Trust Company and its gas utility mortgage indenture with The Bank of New York Company, Inc., other than first mortgage bonds securing senior notes, have been retired (at, before or after their maturity) through payment, redemption or otherwise. On the release date, the senior note trustee will deliver to Puget Sound Energy, for cancellation, all first mortgage bonds securing senior notes. Not later than 30 days thereafter, the senior note trustee will provide notice to all holders of senior notes of the occurrence of the release date. As a result, on the release date, the first mortgage bonds securing senior notes will cease to secure the senior notes. The senior notes will then become, at Puget Sound Energy's option, either

- unsecured general obligations of Puget Sound Energy or

- obligations secured by substitute first mortgage bonds issued under a substitute mortgage indenture other than Puget Sound Energy's electric utility mortgage or gas utility mortgage.

A lien on certain property owned by Puget Sound Energy will secure each series of first mortgage bonds that secures senior notes. Upon the payment or cancellation of any outstanding senior notes, the senior note trustee will surrender to Puget Sound Energy for cancellation an equal principal amount of the related series of first mortgage bonds. Puget Sound Energy will not permit, at any time prior to the release date, the total principal

amount of first mortgage bonds securing senior notes held by the senior note trustee to be less than the total principal amount of senior notes outstanding. Following the release date, Puget Sound Energy will cause the mortgages to be discharged and will not issue any additional first mortgage bonds under its electric utility mortgage or gas utility mortgage. While Puget Sound Energy will be precluded after the release date from issuing additional first mortgage bonds, it will not be precluded under the senior note indenture or senior notes from issuing or assuming other secured debt, or incurring liens on its property, except to the extent indicated below under "— Certain Covenants of Puget Sound Energy — Limitation on Liens."

Events of Default

The following constitute events of default under senior notes of any series:

- failure to pay principal of, and any premium on, any senior note of the series when due for five days;
- failure to pay interest on any senior note of the series when due for 30 days;
- failure to perform any other covenant or agreement of Puget Sound Energy in the senior notes of the series for 90 days after written notice to Puget Sound Energy by the senior note trustee or the holders of at least a majority in total principal amount of the outstanding senior notes;
- prior to the release date, a default occurs under the gas utility mortgage and the gas utility mortgage trustee or the holders of at least a majority in total principal amount of the outstanding senior notes give notice of the default to the senior note trustee;
- prior to the release date, a default occurs under the electric utility mortgage and the electric utility mortgage trustee or the holders of at least a majority in total principal amount of the outstanding senior notes give notice of the default to the senior note trustee;
- if any substituted mortgage bonds are outstanding, a default occurs under the substitute mortgage and the trustee under the substitute mortgage or the holders of at least a majority in total principal amount of the outstanding senior notes give notice of the default to the senior note trustee; and
- events of bankruptcy, insolvency or reorganization of Puget Sound Energy specified in the senior note indenture.

If an event of default occurs and is continuing, either the senior note trustee or the holders of at least a majority in total principal amount of the outstanding senior notes may declare the principal amount of all senior notes to be due and payable immediately.

The senior note trustee generally will be under no obligation to exercise any of its rights or powers under the senior note indenture at the request or direction of any of the holders of senior notes of a series unless those holders have offered to the senior note trustee reasonable security or indemnity. Subject to the provisions for indemnity and certain other limitations contained in the senior note indenture, the holders of at least a majority in total principal amount of the outstanding senior notes of a series generally will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the senior note trustee, or of exercising any trust or power conferred on the senior note trustee. The holders of at least a majority in principal amount of the outstanding senior notes of such series generally will have the right to waive any past default or event of default (other than a payment default) on behalf of all holders of senior notes of the series.

No holder of senior notes of a series may institute any action against Puget Sound Energy under the senior note indenture unless

- that holder gives to the senior note trustee advance written notice of default and its continuance;
- the holders of not less than a majority in total principal amount of senior notes of the series then outstanding affected by that event of default request the senior note trustee to institute such action;

- that holder has offered the senior note trustee reasonable indemnity; and

- the senior note trustee shall not have instituted such action within 60 days of such request.

Furthermore, no holder of senior notes will be entitled to institute any such action if and to the extent that the action would disturb or prejudice the rights of other holders of senior notes of the series.

Within 90 days after the occurrence of a default with respect to the senior notes of a series, the senior note trustee must give the holders of the senior notes of that series notice of the default if known to the senior note trustee, unless cured or waived. The senior note trustee may withhold the notice if it determines in good faith that it is in the interest of the holders to do so except in the case of default in the payment of principal of, and interest and/or any premium on, any senior notes of the series. Puget Sound Energy is required to deliver to the senior note trustee each year a certificate as to whether or not, to the knowledge of the officers signing the certificate, Puget Sound Energy is in compliance with the conditions and covenants under the senior note indenture.

Modification

Except as provided in the paragraph below, Puget Sound Energy and the senior note trustee cannot modify or amend the senior note indenture without the consent of the holders of at least a majority in principal amount of the outstanding affected senior notes. In addition, Puget Sound Energy and the senior note trustee cannot modify or amend the senior note indenture without the consent of the holder of each outstanding senior note of a series to

- change the maturity date of any senior note of the series;

- reduce the rate (or change the method of calculation of the rate) or extend the time of payment of interest on any senior note of the series;

- reduce the principal amount of, or premium payable on, any senior note of the series;

- change the coin or currency of any payment of principal of, and interest and/or any premium on, any senior note of the series;

- change the date on which any senior note of the series may be redeemed or repaid at the option of its holder or adversely affect the rights of a holder to institute suit for the enforcement of any payment on or with respect to any senior note of the series;

- impair the interest of the senior note trustee in the first mortgage bonds securing the senior notes of the series held by it or, prior to the release date, reduce the principal amount of any series of first mortgage bonds securing the senior notes of the series to an amount less than the principal amount of the related series of senior notes or alter the payment provisions of the first mortgage bonds in a manner adverse to the holders of the senior notes; or

- modify or reduce the percentage of holders of senior notes of the series necessary to modify or amend the senior note indenture or to waive any past default to less than a majority.

Puget Sound Energy and the senior note trustee can modify and amend the senior note indenture without the consent of the holders in certain cases, including

- to add to the covenants of Puget Sound Energy for the benefit of the holders or to surrender a right conferred on Puget Sound Energy in the senior note indenture;

- to add further security for the senior notes of the series;

- to supply omissions, cure ambiguities or correct defects, which actions, in each case, are not prejudicial to the interests of the holders in any material respect; or

- to make any other changes that are not prejudicial to the holders of senior notes of the series.

Defeasance and Discharge

The senior note indenture provides that Puget Sound Energy will be discharged from any and all obligations with respect to the senior notes of a series and the senior note indenture (except for obligations to register the transfer or exchange of senior notes, replace stolen, lost or mutilated senior notes and maintain paying agencies) if, among other things, Puget Sound Energy irrevocably deposits with the senior note trustee, in trust for the benefit of holders of senior notes of the series, money or certain United States government obligations, or any combination of money or government obligations, which through the payment of interest and principal on the deposits in accordance with their terms must provide money in an amount sufficient, without reinvestment, to make all payments of principal of, and any premium and interest on, the senior notes on the dates those payments are due in accordance with the terms of the senior note indenture and the senior notes of the series. Unless all the senior notes of the series are to be due within 90 days of the deposit by redemption or otherwise, Puget Sound Energy must also deliver to the senior note trustee an opinion of counsel to the effect that the holders of the senior notes of the series will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance or discharge of the senior notes. Thereafter, the holders of senior notes must look only to the deposit for payment of the principal of, and interest and any premium on, the senior notes.

Consolidation, Merger and Sale or Disposition of Assets

Puget Sound Energy may consolidate with or merge into, or sell or otherwise dispose of its properties as or substantially as an entirety if

- the successor or transferee corporation is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia;

- the new corporation assumes the due and punctual payment of the principal of, and premium and interest on, all the senior notes and the performance of every covenant of the senior note indenture to be performed or observed by Puget Sound Energy;

- prior to the release date, the new corporation assumes Puget Sound Energy's obligations under its electric utility mortgage and gas utility mortgage with respect to first mortgage bonds securing senior notes; and

- after the release date and there are substitute first mortgage bonds outstanding, the new corporation assumes Puget Sound Energy's obligations under the substitute first mortgage with respect to substitute first mortgage bonds securing senior notes.

The senior note indenture defines "all or substantially all" of the assets of Puget Sound Energy as being 50% or more of the total assets of Puget Sound Energy as shown on its balance sheet as of the end of the prior year. The senior note indenture specifically permits any sale, transfer or other disposition during a calendar year of less than 50% of total assets without the consent of the holders of the senior notes and without the assumption by the transferee of Puget Sound Energy's obligations on the senior notes and covenants contained in the senior note indenture.

Certain Covenants of Puget Sound Energy

Limitation on Liens

Puget Sound Energy cannot issue any first mortgage bonds other than first mortgage bonds that secure senior notes. After the release date, Puget Sound Energy will be precluded from issuing additional first mortgage bonds under its electric utility mortgage and gas utility mortgage. Unless substitute first mortgage bonds are issued to secure senior notes, after the release date, Puget Sound Energy may not issue, assume, guarantee or permit to exist any debt that is secured by any mortgage, security interest, pledge or other lien of or upon any real property or other depreciable asset used in Puget Sound Energy's electric and gas utility business without effectively securing the senior notes (together with, if Puget Sound Energy shall so determine, any other

indebtedness of Puget Sound Energy ranking equally with the senior notes) equally and ratably with that debt. The foregoing restriction will not apply to

- liens on any property existing at the time of its acquisition (but excluding any extension of or addition to that property unless the terms of the mortgage as of the date of the acquisition of the property provide that the mortgage shall be secured by extensions or additions to the property);

- liens to secure the payment of all or part of the purchase price of property or to secure any debt incurred prior to, at the time of or within 180 days after the acquisition of that property for the purpose of financing all or part of the purchase price of the property;

- liens secured by property used in the generation of electricity;

- liens existing as of the date of the senior note indenture;

- permitted encumbrances similar to the permitted encumbrances under the electric utility mortgage;

- any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any lien referred to in the bullet points above; provided, however, that the principal amount of debt secured thereby may not exceed the principal amount of debt (plus any premium or fee payable in connection with such extension, renewal or replacement) so secured at the time of such extension, renewal or replacement; and provided, further, that such lien must be limited to all or such part of the property which was subject to the mortgage so extended, renewed or replaced (plus improvements on such property);

- liens in favor of the United States, any state thereof, any other country or any political subdivision of any of the foregoing, to secure partial, progress, advance or other payments under any contract or statute; or

- liens securing industrial development, pollution control or similar revenue bonds.

Notwithstanding the foregoing restriction, Puget Sound Energy may create, assume or incur any lien not excepted above without equally and ratably securing the senior notes if the aggregate amount of all debt then outstanding and secured by that lien or any other lien not excepted above, together with all net sale proceeds from sale and leaseback transactions that are not described in " — Limitations on Sale and Leaseback Transactions" below, does not exceed 15% of Puget Sound Energy's total consolidated capitalization as shown on its latest audited consolidated balance sheet.

Limitations on Sale and Lease Back Transactions

Unless substituted first mortgage bonds are issued to secure the senior notes, after the release date Puget Sound Energy may not sell or transfer any real property interest or other depreciable asset and take back a lease of that property unless

- the sale and leaseback transaction occurs within 180 days after the later of the date of acquisition of the property or the date of the completion of construction or commencement of full operations on the property or

- within 120 days after the sale and leaseback transaction, Puget Sound Energy applies or causes to be applied to the retirement of debt of Puget Sound Energy (other than debt which is subordinate in right of payment to senior notes) an amount not less than the net proceeds of the sale of the property.

Notwithstanding the foregoing restriction, Puget Sound Energy may effect any sale and leaseback transaction not excepted above if the net sale proceeds from the sale and leaseback transaction, together with the net sale proceeds from all other sale and leaseback transactions not excepted above and all debt then outstanding and secured by mortgages not described in any of the bullet points under "— Limitations on Liens," do not exceed 15% of Puget Sound Energy's total consolidated capitalization as shown on its latest audited consolidated balance sheet. Puget Sound Energy may also effect any sale and leaseback transaction involving a lease for a period, including renewals, of not more than 36 months.

Voting of First Mortgage Bonds Held by Senior Note Trustee

The senior note trustee, as the holder of first mortgage bonds securing senior notes, will attend any meeting of bondholders under Puget Sound Energy's electric utility mortgage and gas utility mortgage or, at its option, will deliver its proxy in connection therewith as it relates to matters with respect to which it is entitled to vote or consent. The senior note trustee will vote all the electric utility bonds or gas utility bonds held by it, or will consent with respect thereto, as directed by holders of at least a majority in total principal amount of the outstanding senior notes; provided, however, that the senior note trustee is not required to vote the electric utility bonds or gas utility bonds of any particular issue in favor of, or give consent to, any action except upon notification by the senior note trustee to the holders of the related issue of senior notes of such proposal and consent thereto of the holders of at least a majority in principal amount of the outstanding senior notes of such issue.

Concerning the Senior Note Trustee

U.S. Bank National Association is both the senior note trustee under the senior note indenture and the mortgage trustee under the electric utility mortgage indenture. U.S. Bank National Association also serves as the issuing and paying agent for, and a dealer under, our commercial paper program, and is a lender under our revolving credit facility.

The senior note trustee may resign at any time by giving written notice to Puget Sound Energy specifying the day on which the resignation is to take effect. The resignation will take effect immediately upon the later of the appointment of a successor senior note trustee and the day specified by the senior note trustee.

The senior note trustee may be removed at any time by a written instrument filed with the senior note trustee and signed by the holders of at least a majority in total principal amount of outstanding senior notes. In addition, if no event of default has occurred and is continuing, Puget Sound Energy may remove the senior note trustee upon notice to the holder of each senior note outstanding and the senior note trustee, and appointment of a successor senior note trustee.

Description of the First Mortgage Bonds

The first mortgage bonds securing the senior notes are to be issued under Puget Sound Energy's electric utility mortgage indenture or its gas utility mortgage indenture, each as amended and supplemented by various supplemental indentures. U.S. Bank National Association will act as the electric utility mortgage trustee and BNY Midwest Trust Company will act as the gas utility mortgage trustee.

The statements herein concerning these mortgage indentures are outlines and are not complete and are subject to, and qualified in their entirety by, all the provisions of the electric utility mortgage indenture and the gas utility mortgage indenture, which are exhibits to the registration statement of which this prospectus forms a part. They make use of defined terms and are qualified in their entirety by express reference to the mortgage indentures, copies of which are available upon request to the senior note trustee.

First mortgage bonds securing senior notes will be issued as security for Puget Sound Energy's obligations under the senior note indenture and will be immediately delivered to and registered in the name of the senior note trustee. The first mortgage bonds securing senior notes will be issued as security for senior notes of a series and will secure the senior notes of that series until the release date. The senior note indenture provides that the senior note trustee shall not transfer any first mortgage bonds securing senior notes except to a successor trustee, to Puget Sound Energy (as provided in the senior note indenture) or in compliance with a court order in connection with a bankruptcy or reorganization proceeding of Puget Sound Energy.

First mortgage bonds securing senior notes will correspond to the senior notes of their related series in respect of principal amount, interest rate, maturity date and redemption provisions. Upon payment of the

principal or any premium or interest on senior notes of a series, the related first mortgage bonds in a principal amount equal to the principal amount of the senior notes will, to the extent of the payment of principal, premium or interest, be deemed fully paid and the obligation of Puget Sound Energy to make the payment shall be discharged.

The Electric Utility Mortgage Bonds

Priority and Security

The electric utility mortgage bonds securing senior notes of any series will rank equally as to security with bonds of other series now outstanding or issued later under the electric utility mortgage. This security is a direct first lien on Puget Sound Energy's electric utility property and its electric franchises and permits, other than property expressly excluded from the lien. Property expressly excluded from the lien includes

- cash, securities, notes, accounts receivable and similar instruments;
- conditional sales, appliance rental or lease agreements;
- materials and supplies held for use in the ordinary course of business;
- merchandise held for the purpose of sale, lease or distribution;
- fuel (including fissionable material) and personal property consumable in operations;
- timber, oil, gas and other minerals under or upon lands of Puget Sound Energy;
- office furniture and equipment, automobiles and similar transportation equipment; and
- nonutility property.

The lien of the electric utility mortgage is subject to excepted encumbrances (and certain other limitations) as defined and described in the electric utility mortgage indenture. It is also subject to the lien of the gas utility mortgage with respect to Puget Sound Energy's gas utility property that was acquired in connection with the merger with Washington Energy Company on February 10, 1997. The electric utility mortgage indenture permits the acquisition of property subject to prior liens.

Dividend Restriction

So long as any of the electric utility mortgage bonds are outstanding, Puget Sound Energy shall not do either of the following, except out of net income available for dividends on its common stock, accumulated after December 31, 1957, plus the sum of $7,500,000:

- declare or pay any dividends (other than dividends payable in Puget Sound Energy's common stock) or make any other distribution on any shares of its common stock or
- purchase, redeem or otherwise retire for consideration any shares of stock.

Issuance of Electric Utility Mortgage Bonds and Withdrawal of Cash Deposited Against That Issuance

The principal amount of electric utility mortgage bonds that Puget Sound Energy may issue under the electric utility mortgage is not limited, provided that the issuance tests in the electric utility mortgage are satisfied. Electric utility mortgage bonds may be issued from time to time against one or more of the following:

- 60% of unfunded net property additions;
- deposit of cash with the electric utility mortgage trustee; and
- 100% of unfunded electric utility mortgage bond credits.

The issuance of electric utility mortgage bonds is subject to net earnings available for interest being at least two times the annual interest requirements on all electric utility mortgage bonds and prior lien debt to be outstanding. Cash deposited is withdrawable against 60% of unfunded net additions and 100% of unfunded electric utility mortgage bond credits.

Depreciation Fund

Puget Sound Energy will pay cash or deliver electric utility mortgage bonds of any series to the electric utility mortgage trustee by May 31 of each year in an amount equal to the minimum provision for depreciation for the preceding year (i.e., an amount by which 15% of gross utility operating revenues of Puget Sound Energy, after deducting cost of electricity purchased, fuel costs, and rental and lease payments, exceeds maintenance, repairs and renewals). Cash held in the depreciation fund may be applied to the retirement of the electric utility mortgage bonds of certain of the Secured Medium-Term Notes, Series A, certain of the Secured Medium-Term Notes, Series B, the 7.05% Series due 2021, the 7.25% Series due 2021 and the 6.80% Series due 2022 (the last three series were issued as collateral for City of Forsyth, Rosebud County, Montana, Pollution Control Revenue Refunding Bonds) at a price not exceeding the applicable regular redemption price thereof, or other electric utility mortgage bonds at a price not exceeding the applicable special redemption price thereof. In lieu of paying cash or delivering electric utility mortgage bonds, Puget Sound Energy has the option of satisfying this obligation through the use of unfunded property additions or unfunded electric utility mortgage bond credits. Cash and electric utility mortgage bonds held in the depreciation fund may also be withdrawn by using either unfunded property additions or unfunded electric utility mortgage bond credits.

Modification of Mortgage

The rights of the bondholders under the electric utility mortgage may be modified by Puget Sound Energy with the consent of the holders of at least 66-2/3% in total principal amount of the electric utility bonds, and of not less than 66-2/3% of the total principal amount of each series affected. In general, however, no modification of the terms of payment of principal or interest and no modification affecting the lien or reducing the percentage required for modification is effective against any bondholder without the bondholder’s consent.

Concerning the Mortgage Trustee

U.S. Bank National Association is the mortgage trustee under the electric utility mortgage indenture. U.S. Bank National Association also serves as the issuing and paying agent for, and a dealer under, our commercial paper program, and is a lender under our revolving credit facility.

The holders of a majority in total principal amount of the electric utility mortgage bonds have the right to require the electric utility mortgage trustee to enforce the electric utility mortgage, but the electric utility mortgage trustee is entitled to receive reasonable indemnity and is not required to act under certain circumstances.

Defaults

The electric utility mortgage defines the following as “defaults:”

- failure to pay principal and premium when due;
- failure to pay interest for 30 days after becoming due;
- failure to pay any installment of any sinking or other purchase fund for 60 days after becoming due;
- an unstayed continuance for 90 days after an entry of an order for reorganization or an appointment of a trustee;

- certain events in bankruptcy, insolvency or reorganization;

- an unstayed continuance for 90 days after entry of a judgment in excess of $100,000; and

- failure for 90 days after notice to observe other covenants or conditions.

The electric utility mortgage indenture does not contain a provision requiring any periodic evidence to be furnished as to the absence of default or as to compliance with the terms thereof.

Gas Utility Mortgage Bonds

Priority and Security

The gas utility mortgage bonds securing senior notes of any series will rank equally as to security with gas utility mortgage bonds of other series now outstanding or issued later under the gas utility mortgage indenture. This security is a direct first lien on all of Puget Sound Energy's gas utility property, on its gas utility franchises and permits and on its gas purchase contracts (other than certain property expressly excluded from the lien. Property expressly excluded from the lien includes

- cash, securities, notes, accounts receivable and similar instruments;

- conditional sales, appliance rental or lease agreements;

- equipment, materials, supplies and merchandise held by Puget Sound Energy for consumption in the ordinary course of business or acquired for sale, lease or distribution;

- gas or liquid hydrocarbons in pipelines and in storage;

- fuel and personal property consumable in operations;

- oil, gas and other minerals and timber under or upon lands of Puget Sound Energy;

- office furniture and equipment, automobiles and similar transportation equipment;

- nonutility property; and

- certain property of a successor corporation in a merger or consolidation.

All property owned by Puget Sound Energy immediately prior to its merger with Washington Energy Company on February 10, 1997 is excepted from the lien of the gas utility mortgage . All property acquired by Puget Sound Energy after the merger is also excepted from the lien, unless the property improves or replaces the gas utility property owned by Washington Energy Company at the time of the merger. This lien is subject to excepted encumbrances (and certain other limitations) as defined and described in the gas utility mortgage indenture. The mortgage indenture permits the acquisition of property subject to prior liens, but this property will not be considered as additional property under the gas utility mortgage until the prior lien is paid.

Dividend Restriction

If the aggregate amount of all the dividends, distributions and expenditures listed below made since September 30, 1994 would exceed the aggregate amount of the net income of Puget Sound Energy accumulated after September 30, 1994 plus the sum of $20,000,000, Puget Sound Energy shall not do any of the following so long as any of Puget Sound Energy's Secured Medium-Term Notes, Series C, issued under the gas utility mortgage, are outstanding:

- declare or pay any dividends (other than dividends payable in Puget Sound Energy's common stock) or make any other distribution on any shares of its common stock, or

- purchase, redeem or otherwise retire for consideration any shares of stock (other than in exchange for, or from the net cash proceeds of, other new shares of capital stock of Puget Sound Energy and other than any shares of any class of stock ranking as to dividends or assets prior to Puget Sound Energy's common stock required to be purchased, redeemed or otherwise retired for any sinking fund or purchase fund for that class of stock).

Renewal Fund

Puget Sound Energy will pay cash and/or deliver gas utility mortgage bonds (taken at the principal amount thereof) to the gas utility mortgage trustee for deposit into a renewal fund on or before May 1 of each year in an amount equal to

- the greater of
    - the aggregate amount of the minimum provision for depreciation (i.e., an amount computed at the rate of 2% per annum, or another rate as may be permitted or required by the Washington Utilities and Transportation Commission, of the book value of depreciable gas utility property subject to the lien of the gas utility mortgage and not to prior liens) from March 1, 1957 to the end of the next preceding calendar year or
    - the aggregate amount of retirements for the same period

in excess of

- the greater of
    - the aggregate amount for the minimum provision for depreciation or retirements, whichever is greater, shown in the next preceding renewal fund certificate filed with the gas utility mortgage trustee pursuant to the requirements of Section 4.04 of the gas utility mortgage or
    - the aggregate amount for the minimum provision for depreciation or retirements, whichever is greater, shown in the latest certificate of available net additions delivered to the gas utility mortgage trustee pursuant to Section 2.01 of the gas utility mortgage;

less the aggregate amount of gas utility mortgage bonds retired by sinking fund operations, not theretofore used as a credit on account of the renewal fund in previous renewal fund certificates. The renewal fund obligation may be satisfied in whole or in part by credits consisting of unfunded property additions and/or unfunded gas utility mortgage bonds credits.

Any cash deposited in the renewal fund, if and to the extent that Puget Sound Energy at the time does not have property additions available for use as a credit to satisfy the renewal fund obligation, may, upon the written order of Puget Sound Energy, be applied by the gas utility mortgage trustee to the redemption of gas utility mortgage bonds or, if not so applied pursuant to the provisions of the gas utility mortgage, to the retirement of gas utility mortgage bonds.

Issuance of Gas Bonds and Withdrawal of Cash Deposited Against Such Issuance

The principal amount of gas utility mortgage bonds issuable under the gas utility mortgage is not limited, provided that the issuance tests in the gas utility mortgage are satisfied. Gas utility mortgage bonds may be issued from time to time against one or more of the following:

- 60% of unfunded net property additions;
- deposit of cash with the gas utility mortgage trustee; and
- 100% of unfunded gas utility mortgage bond credits.

With certain exceptions, the issuance of gas utility mortgage bonds is subject to net earnings available for interest being at least

- two times the annual interest requirements on all gas utility mortgage bonds and prior lien debt to be outstanding and
- so long as gas utility mortgage bonds issued prior to the date of this prospectus are outstanding, 1.75 times the annual interest requirements on all indebtedness of Puget Sound Energy to be outstanding immediately after such issuance.

Cash deposited is withdrawable against 60% of unfunded net property additions in the case of moneys on deposit with the gas utility mortgage trustee for the purpose described above, 100% of the amount of unfunded net additions in the case of any other trust moneys and 100% of unfunded gas utility mortgage bond credits.

Modification of Mortgage

The rights of the bondholders under the gas utility mortgage may be modified by Puget Sound Energy with the consent of the holders of at least 66-2/3% in total principal amount of the gas utility mortgage bonds and of not less than 66-2/3% of the total principal amount of each series affected. In general, however, no modification of the terms of payment of principal or interest and no modification affecting the lien or reducing the percentage required for modification is effective against any bondholder without the bondholder's consent.

Concerning the Mortgage Trustee

BNY Midwest Trust Company is the gas utility mortgage trustee under the mortgage indenture.

The holders of at least a majority in total principal amount of the gas utility mortgage bonds have the right to require the gas utility mortgage trustee to enforce the gas utility mortgage, but the gas utility mortgage trustee is entitled to receive reasonable indemnity and is not required to act under certain circumstances.

Defaults

The gas utility mortgage defines the following as "defaults:"

- failure to pay principal and premium when due;
- failure to pay interest for 10 days after becoming due;
- failure to pay any installment of any sinking or other purchase fund for 30 days after becoming due;
- certain events in bankruptcy, insolvency or reorganization;
- failure to pay money due under any indebtedness other than gas utility mortgage bonds in an amount of $500,000 or more or the failure to perform any other agreement evidencing the indebtedness if Puget Sound Energy's failure causes any payments to become due prior to the due date;
- a judgment against Puget Sound Energy in excess of $100,000 that continues unstayed and unsatisfied for a period of 90 days following entry of the judgment; and
- failure for 30 days after notice to observe other covenants or conditions.

The gas utility mortgage indenture does not contain a provision requiring any periodic evidence to be furnished as to the absence of default or as to compliance with the terms thereof.

Unsecured Debentures

The unsecured debentures will be issued under the unsecured debt indenture and, unless otherwise specified in the applicable prospectus supplement, will rank equally with our other unsecured and unsubordinated indebtedness. The unsecured debt indenture does not limit the aggregate principal amount of unsecured debt securities that may be issued under the indenture.

Subordination

If unsecured debt securities are issued to the capital trust or the trustee of the capital trust in connection with the issuance of trust preferred securities of the capital trust, or if otherwise specified in the applicable prospectus supplement, the unsecured debentures will rank subordinated and junior in right of payment, to the extent set forth in the unsecured indenture, to all "senior indebtedness" of Puget Sound Energy.

"Senior indebtedness" means distributions on the following, whether outstanding on the date of execution of the subordinated debt indenture or thereafter incurred, created or assumed:

- indebtedness of Puget Sound Energy for money borrowed by Puget Sound Energy or evidenced by debentures (other than the subordinated debentures), notes, bankers' acceptances or other corporate debt securities or similar instruments issued by Puget Sound Energy;

- capital lease obligations of Puget Sound Energy;

- obligations of Puget Sound Energy incurred for deferring the purchase price of property, with respect to conditional sales, and under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

- obligations of Puget Sound Energy with respect to letters of credit;

- all indebtedness of others of the type referred to in the four preceding clauses assumed by or guaranteed in any manner by Puget Sound Energy or in effect guaranteed by Puget Sound Energy;

- all indebtedness of others of the type referred to in the five preceding bullet points secured by a lien on any of Puget Sound Energy's property or assets; or

- renewals, extensions or refundings of any of the indebtedness referred to in the preceding five clauses unless, in the case of any particular indebtedness, renewal, extension or refunding, under the express provisions of the instrument creating or evidencing the same or the assumption or guarantee of the same, or pursuant to which the same is outstanding, such indebtedness or such renewal, extension or refunding thereof is not superior in right of payment to the subordinated debt securities.

If Puget Sound Energy defaults in the payment of any distributions on any senior indebtedness when it becomes due and payable after any applicable grace period, then, unless and until the default is cured or waived or ceases to exist, Puget Sound Energy cannot make a payment on account of or redeem or otherwise acquire the subordinated debentures issued under the unsecured debt indenture. The unsecured debt indenture provisions described in this paragraph, however, do not prevent Puget Sound Energy from making sinking fund payments in subordinated debentures acquired prior to the maturity of senior indebtedness or, in the case of default, prior to such default and notice thereof. If there is any insolvency, bankruptcy, liquidation or other similar proceeding relating to Puget Sound Energy, its creditors or its property, then all senior indebtedness must be paid in full before any payment may be made to any holders of subordinated debentures. Holders of subordinated debentures must return and deliver any payments received by them, other than in a plan of reorganization or through a defeasance trust as described above, directly to the holders of senior indebtedness until all senior indebtedness is paid in full.

The unsecured debt indenture does not limit the total amount of senior indebtedness that may be issued. As of March 31, 2003, senior indebtedness of Puget Sound Energy totaled approximately $2,067,296,000.

Certain Covenants if Subordinated Debentures Are Issued to the Capital Trust

If subordinated debt securities are issued to the capital trust or the trustee of the capital trust in connection with the issuance of trust preferred securities of the capital trust, Puget Sound Energy will covenant that it will not make the payments and distributions described below if

- an event of default has occurred under the unsecured debt indenture;

- an event occurs that Puget Sound Energy has actual knowledge of, which, with the giving of notice or the lapse of time, or both, would constitute an event of default under the unsecured debt indenture and which it has not taken reasonable steps to cure;

- it is in default with respect to its payment obligations under the guarantees relating to the trust preferred securities; or

- it has elected to defer payments of interest on the related subordinated debentures by extending the interest payment period and that deferral is continuing.

In these circumstances, Puget Sound Energy will not

- declare or pay any dividends or distributions on, or redeem, purchase, or make a liquidation payment with respect to, any of Puget Sound Energy's capital stock other than
    - dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, its common stock;
    - transactions relating to a shareholders' rights plan;
    - payments under the preferred securities guarantee;
    - as a result of and only to the extent required in order to avoid the issuance of fractional shares of capital stock following a reclassification of its capital stock or the exchange or conversion of one class or series of its capital stock for another class or series of its capital stock; and
    - the purchase of fractional share interests upon conversion or exchange of its capital stock or
- make any payment of principal, interest or any premium on, or repay or repurchase or redeem any debt securities (including guarantees) of Puget Sound Energy that rank equal with or junior to, the subordinated debentures.

In addition, if subordinated debt securities are issued in connection with the issuance of trust preferred securities of the capital trust, Puget Sound Energy will agree

- to maintain, directly or indirectly, 100% ownership of the capital trust common securities, provided that certain successors permitted pursuant to the indenture may succeed to Puget Sound Energy's ownership of the common securities;
- not to voluntarily dissolve, wind up or liquidate the trust, except
    - in connection with a distribution of the subordinated debentures to the holders of the trust preferred securities in liquidation of the related capital trust or
    - in connection with specified mergers, consolidations or amalgamations permitted by the amended and restated trust agreement and
- to use its reasonable efforts to cause the related capital trust to remain classified as a grantor trust and not as an association taxable as a corporation for United States federal income tax purposes.

Events of Default

The unsecured debt indenture provides that events of default regarding any series of unsecured debentures include the following events which shall have occurred and be continuing:

- failure to pay required interest on the series of unsecured debentures for 30 days;
- failure to pay when due principal on the series of unsecured debentures;
- failure to make any required deposit or payment of any sinking fund or analogous payment on the series of unsecured debentures when due;
- failure to perform, for 90 days after notice, any other covenant in the unsecured debt indenture applicable to the series of unsecured debentures;
- certain events of bankruptcy or insolvency, whether voluntary or not; and
- with respect to a series of unsecured subordinated debentures issued to a capital trust in connection with the issuance by the capital trust of trust preferred securities, the capital trust is voluntarily or involuntarily dissolved, wound up or terminated, except in connection with
    - the distribution of the subordinated debentures to the holders of the common securities and the trust preferred securities in liquidation of the capital trust;

- the redemption of all outstanding common securities and trust preferred securities of the capital trust; and

- mergers, consolidation or amalgamations permitted by the declaration of that capital trust.

If an event of default regarding unsecured debentures of any series should occur and be continuing, either the unsecured debenture trustee or the holders of at least 25% in total principal amount of outstanding unsecured debentures of such series may declare each unsecured debenture of that series immediately due and payable.

Holders of at least a majority in total principal amount of the outstanding unsecured debentures of any series will be entitled to control certain actions of the unsecured debenture trustee and to waive past defaults regarding such series. The trustee generally will not be required to take any action requested, ordered or directed by any of the holders of unsecured debentures, unless one or more of such holders shall have offered to the trustee reasonable security or indemnity.

Before any holder of any series of unsecured debentures may institute action for any remedy, except payment on such holder's unsecured debentures when due, the holders of not less than 25% in principal amount of the unsecured debentures of that series outstanding must request the unsecured debenture trustee to take action. Holders must also offer and give the unsecured debenture trustee satisfactory security and indemnity against liabilities incurred by the trustee for taking such action.

Puget Sound Energy is required to annually furnish the unsecured debenture trustee a statement as to Puget Sound Energy's compliance with all conditions and covenants under the unsecured debt indenture. The unsecured debenture trustee is required, within 90 days after the occurrence of a default with respect to a series of unsecured debentures, to give notice of all defaults affecting such series of unsecured debentures to each holder of such series of debentures. However, the unsecured debt indenture provides that the unsecured debenture trustee may withhold notice to the holders of the unsecured debentures of any series of any default affecting such series, except payment on holders' unsecured debentures when due, if it considers withholding notice to be in the interests of the holders of the unsecured debentures of such series.

Consolidation, Merger or Sale of Assets

The unsecured debt indenture provides that Puget Sound Energy may consolidate with or merge into, or sell, lease or convey its property as an entirety or substantially as an entirety to, any other corporation if the successor corporation assumes the obligations of Puget Sound Energy under the unsecured debentures and the unsecured debt indenture and is organized and existing under the laws of the United States, any state thereof or the District of Columbia.

Modification of the Indenture

The unsecured debt indenture permits Puget Sound Energy and the unsecured debenture trustee to enter into supplemental indentures without the consent of the holders of the unsecured debentures to:

- establish the form and terms of any series of securities under the unsecured debt indenture;

- secure the debentures with property or assets;

- evidence the succession of another corporation to Puget Sound Energy, and the assumption by the successor corporation of Puget Sound Energy's obligations, covenants and agreements under the unsecured debt indenture;

- add covenants of Puget Sound Energy for the benefit of the holders of the unsecured debentures;

- cure any ambiguity or correct or supplement any provision in the indenture or any supplement to the indenture, provided that no such action adversely affects the interests of the holders of the unsecured debentures; and

- evidence and provide for the acceptance of a successor trustee.

The unsecured debt indenture also permits Puget Sound Energy and the unsecured debenture trustee, with the consent of the holders of at least a majority in total principal amount of the unsecured debentures of all series then outstanding and affected (voting as one class), to change in any manner the provisions of the unsecured debt indenture or modify in any manner the rights of the holders of the unsecured debentures of each such affected series. Puget Sound Energy and the trustee may not, without the consent of the holder of each unsecured debenture affected, enter into any supplemental indenture to

- change the time of payment of the principal;
- reduce the principal amount of such unsecured debentures;
- reduce the rate or change the time of payment of interest on such unsecured debentures;
- reduce any amount payable upon redemption of such unsecured debentures; or
- impair the right to institute suit for the enforcement of any payment on any unsecured debentures when due.

In addition, no such modification may reduce the percentage in principal amount of the unsecured debentures of the affected series, the consent of whose holders is required for any such modification or for any waiver provided for in the unsecured debt indenture.

Prior to the acceleration of the maturity of any unsecured debentures, the holders, voting as one class, of a majority in total principal amount of the unsecured debentures with respect to which a default or event of default has occurred and is continuing, may, on behalf of the holders of all such affected unsecured debentures, waive any past default or event of default and its consequences, except a default or event of default in the payment of the principal or interest or in respect of a covenant or provision of the applicable indenture or of any unsecured debenture that cannot be modified or amended without the consent of the holder of each unsecured debenture affected.

Defeasance, Covenant Defeasance and Discharge

The unsecured debt indenture provides that, at the option of Puget Sound Energy, Puget Sound Energy will be discharged from all obligations in respect of the unsecured debentures of a particular series then outstanding (except for certain obligations to register the transfer of or exchange the unsecured debentures of such series, to replace stolen, lost or mutilated unsecured debentures of such series, to maintain paying agencies and to maintain the capital trust described below) if Puget Sound Energy in each case irrevocably deposits in trust with the relevant trustee money, and/or securities backed by the full faith and credit of the United States that, through the payment of the principal thereof and the interest thereon in accordance with their terms, will provide money in an amount sufficient to pay all the principal and interest on the unsecured debentures of such series on the stated maturities of such unsecured debentures in accordance with the terms thereof.

To exercise this option, Puget Sound Energy is required to deliver to the relevant trustee an opinion of independent counsel to the effect that the exercise of such option would not cause the holders of the unsecured debentures of such series to recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance, and such holders will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

Trust Preferred Securities

The capital trust may issue only one series of trust preferred securities. The terms of the trust preferred securities will include those stated in the amended and restated trust agreement of the capital trust. For a complete description of the trust preferred securities, please read the applicable prospectus supplement and the amended and restated trust agreement, a form of which is an exhibit to the registration statement of which this

prospectus forms a part. The prospectus supplement relating to trust preferred securities being offered will include specific terms relating to the offering. These terms will include some or all of the following:

- the designation and number of trust preferred securities to be offered, which will represent undivided beneficial interests in the assets of the capital trust;
- the annual distribution rate and the dates or date upon which such distributions will be paid;
- any rights to defer distributions on the trust preferred securities by extending the interest payment period;
- the amount of any liquidation preference;
- any repurchase or redemption provisions;
- the terms for any conversion or exchange of the trust preferred securities into other securities;
- any voting rights of the trust preferred securities in addition to those required by law;
- the terms and conditions upon which the related subordinated debentures of Puget Sound Energy may be distributed to holders of trust preferred securities; and
- any other relevant rights, powers, preferences, privileges, limitations or restrictions of the trust preferred securities.

All trust preferred securities offered hereby will be irrevocably guaranteed by Puget Sound Energy, on a subordinated basis and to the extent set forth below under "Guarantee." Any federal income tax considerations applicable to an offering of the trust preferred securities will be described in the related prospectus supplement. The total number of trust preferred securities that the capital trust will be authorized to issue will be set forth in the amended and restated trust agreement.

Effect of Obligations Under the Subordinated Debentures and the Guarantees

As will be set forth in the amended and restated trust agreement, the sole purpose of the capital trust is to issue the common securities and the trust preferred securities evidencing undivided beneficial interests in the assets of the capital trust and to invest the proceeds from the issuance and sale of those securities to acquire directly the subordinated debentures from Puget Sound Energy.

As long as payments of interest and other payments are made when due on the subordinated debentures, those payments will be sufficient to cover distributions and payments due on the common securities and the trust preferred securities because of the following factors:

- the total principal amount of subordinated debentures will be equal to the sum of the total stated liquidation amount of the common securities and the trust preferred securities;
- the interest rate, and the interest and other payment dates, on the subordinated debentures will match the distribution rate, and distribution and other payment dates, for the common securities and the trust preferred securities;
- Puget Sound Energy will pay all, and the capital trust shall not be obligated to pay, directly or indirectly, any costs, expenses, debt and obligations of the capital trust (other than with respect to the common securities and the trust preferred securities); and
- the amended and restated trust agreement will provide that the Puget Sound Energy trustees will not take or cause or permit the capital trust to, among other things, engage in any activity that is not consistent with the purposes of the capital trust.

Payments of distributions (to the extent funds for distributions are available) and other payments due on the trust preferred securities (to the extent funds for other payments are available) are guaranteed by Puget Sound Energy as and to the extent discussed under "Guarantee" below. If Puget Sound Energy does not make interest

payments on the subordinated debentures purchased by the capital trust, it is expected that the capital trust will not have sufficient funds to pay distributions on the trust preferred securities. The Puget Sound Energy guarantee, which is for the purpose of ensuring that the capital trust performs its obligations to pay distributions on the trust preferred securities, does not apply to any payment of distributions unless and until the capital trust has sufficient funds for the payment of distributions and other payments on the trust preferred securities. The capital trust will have sufficient funds only if and to the extent that Puget Sound Energy has made a payment of interest or principal on the subordinated debentures held by the capital trust as its sole asset. The Puget Sound Energy guarantee, when taken together with Puget Sound Energy's obligations under the subordinated debentures and its obligations under the amended and restated trust agreement, including its obligations to pay costs, expenses, debts and liabilities of the capital trust (other than with respect to the common securities and the trust preferred securities), provides a full and unconditional guarantee of amounts on the trust preferred securities.

If Puget Sound Energy fails to make interest or other payments on the debt securities when due (taking account of any extension period), the amended and restated trust agreement will provide a mechanism whereby the holders of the trust preferred securities may direct the property trustee to enforce its rights under the subordinated debentures. If a property trustee fails to enforce its rights under the subordinated debentures, a holder of trust preferred securities may, to the fullest extent permitted by applicable law, institute a legal proceeding against Puget Sound Energy to enforce the property trustee's rights under the subordinated debentures without first instituting any legal proceeding against a property trustee or any other person or entity. Notwithstanding the foregoing, if an event of default has occurred and is continuing under the amended and restated trust agreement, and such event is attributable to the failure of Puget Sound Energy to pay interest or principal on the subordinated debentures on the date the interest or principal was otherwise payable (or in the case of redemption on the redemption date), then a holder of trust preferred securities may institute legal proceedings directly against Puget Sound Energy to obtain payment. If Puget Sound Energy fails to make payments under the guarantee, the guarantee provides a mechanism whereby the holders of the trust preferred securities may direct the guarantee trustee to enforce its rights under the guarantee. Any holder of trust preferred securities may institute a legal proceeding directly against Puget Sound Energy to enforce the guarantee trustee's rights under the guarantee without first instituting a legal proceeding against the capital trust, the guarantee trustee or any other person or entity.

Guarantee

The following is a summary of information concerning the guarantee that will be executed and delivered by Puget Sound Energy for the benefit of the holders of the trust preferred securities. The guarantee will be qualified as an indenture under the Trust Indenture Act of 1939. Bank One Trust Company, N.A. will act as indenture trustee under the guarantee for the purpose of compliance with the provisions of the Trust Indenture Act of 1939. This summary is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the guarantee, a form of which is filed as an exhibit to the registration statement of which this prospectus forms a part.

Puget Sound Energy will irrevocably and unconditionally agree to pay in full, on a subordinated basis, to the extent set forth herein, the guarantee payments (as described below) to the holders of the trust preferred securities, as and when due, regardless of any defense, right of set off or counterclaim that the capital trust may have or assert. The following payments with respect to the trust preferred securities, to the extent not paid by or on behalf of the capital trust, will be subject to a guarantee by Puget Sound Energy

- any accumulated and unpaid distributions required to be paid on the trust preferred securities, to the extent that the capital trust has funds on hand to make those distributions;

- the redemption price with respect to any trust preferred securities called for redemption to the extent that the capital trust has funds on hand for the redemption; or

- upon a voluntary or involuntary dissolution, winding up or liquidation of the capital trust (unless the subordinated debentures are distributed to holders of the trust preferred securities), the lesser of

- the liquidation distribution, to the extent that the capital trust has funds on hand available for distribution at such time, and

- the amount of assets of the capital trust remaining available for distribution to holders of the trust preferred securities.

Puget Sound Energy's obligation to make a guarantee payment may be satisfied by direct payment of the required amounts by Puget Sound Energy to the holders of the trust preferred securities or by causing the capital trust to pay the amounts to those holders.

The guarantee will be an irrevocable guarantee, on a subordinated basis, of the capital trust's obligations under the trust preferred securities, but it will apply only to the extent that the capital trust has funds sufficient to make the relevant payments. The guarantee is not a guarantee of collection. If Puget Sound Energy does not make interest payments on the subordinated debentures held by the capital trust, the capital trust will not be able to pay distributions on the trust preferred securities and will not have funds legally available to make those distributions.

Puget Sound Energy has, through the guarantee, the amended and restated trust agreement, and the subordinated debentures, taken together, fully, irrevocably and unconditionally guaranteed all the capital trust's obligations under the trust preferred securities. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of the capital trust's obligations under the trust preferred securities.

Puget Sound Energy has also agreed separately to irrevocably and unconditionally guarantee the obligations of the capital trust with respect to the common securities to the same extent as the guarantee of the preferred securities, except that upon the occurrence and during the continuation of an event of default under the amended and restated trust agreement, the holders of trust preferred securities shall have priority over the holders of the common securities with respect to distributions and payments on liquidation, redemption or otherwise.

Amendments and Assignment

Except with respect to any changes that do not affect the rights of holders of the trust preferred securities in a materially adverse way (in which case no vote will be required), the guarantee of the trust preferred securities may not be amended without the prior approval of the holders of not less than a majority in total liquidation amount of the outstanding trust preferred securities. All guarantees and agreements contained in the guarantee shall bind the successors, assigns, receivers, trustees and representatives of Puget Sound Energy.

Termination of the Guarantee

Puget Sound Energy's guarantee of the trust preferred securities will terminate upon

- full payment of the redemption price of the trust preferred securities;

- full payment of the amounts payable upon liquidation of the capital trust; or

- distribution of the subordinated debentures to the holders of the trust preferred securities in exchange for all the trust preferred securities.

The guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of trust preferred securities must restore payment of any sums paid under the trust preferred securities or the guarantee.

Events of Default

An event of default under the guarantee of the trust preferred securities will occur upon the failure of Puget Sound Energy to perform any of its payment or other obligations under the guarantee. The holders of a majority in total liquidation amount of the trust preferred securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee in respect of the guarantee or to direct the exercise of any trust or power conferred on the guarantee trustee under the guarantee.

Any holder of the trust preferred securities may institute a legal proceeding directly against Puget Sound Energy to enforce its rights under the guarantee without first instituting a legal proceeding against the capital trust, the guarantee trustee or any other person or entity. Puget Sound Energy has waived any right or remedy to require that any action be brought only against the capital trust, or any other person or entity before proceeding directly against Puget Sound Energy.

Status of the Guarantee

The guarantee of the trust preferred securities will constitute an unsecured obligation of Puget Sound Energy and will rank

- equal to or subordinate and junior in right of payment to all other liabilities of Puget Sound Energy, as applicable;
- equal with the most senior preferred stock now or hereafter issued by Puget Sound Energy and with any guarantee now or hereafter entered into by Puget Sound Energy in respect of any preferred or preference stock of any affiliate of Puget Sound Energy; and
- senior to Puget Sound Energy's common stock.

PLAN OF DISTRIBUTION

Puget Sound Energy or the capital trust may sell the offered securities

- through underwriters or dealers;
- through agents;
- directly to purchasers; or
- through a combination of any of these methods.

The prospectus supplement with respect to any offered securities will set forth the terms of the related offering, including

- the name or names of any underwriters, dealers or agents;
- the name or names of any managing underwriter or underwriters;
- the purchase price of the offered securities and the proceeds to Puget Sound Energy and/or the capital trust from their sale;
- any underwriting discounts and commissions and other items constituting underwriters' compensation;
- any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers;
- any commissions paid to agent;
- any delayed delivery arrangements; and
- any securities exchange on which the offered securities may be listed.

Sale Through Underwriters or Dealers

If underwriters are used in the sale, they will acquire the offered securities for their own account and may resell them on one or more occasions in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The offered securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. Unless otherwise set forth in the applicable prospectus supplement, the obligations of the underwriters to purchase the offered securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the offered securities if any are purchased. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers.

During and after an offering through underwriters, the underwriters may purchase and sell the securities in the open market. These transactions may include overallotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters may also impose a penalty bid, which means that selling concessions allowed to syndicate members or other broker-dealers for the offered securities sold for their account may be reclaimed by the syndicate if the offered securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the offered securities, which may be higher than the price that might otherwise prevail in the open market. If commenced, the underwriters may discontinue these activities at any time.

If dealers are utilized in the sale of offered securities, Puget Sound Energy and/or the capital trust will sell the offered securities to the dealers as principals. The dealers may then resell the offered securities to the public at varying prices to be determined by the dealers at the time of resale.

Direct Sales and Sales Through Agents

The offered securities may be sold directly by Puget Sound Energy and/or the capital trust or through agents designated by Puget Sound Energy and/or the capital trust from time to time. Unless otherwise indicated in the prospectus supplement, any agent will be acting on a best-efforts basis for the period of its appointment.

The offered securities may be sold directly by Puget Sound Energy and/or the capital trust to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale of the securities. The terms of these sales will be described in the related prospectus supplement.

Delayed Delivery Contracts

If indicated in the prospectus supplement, Puget Sound Energy and/or the capital trust may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase securities from Puget Sound Energy and/or the capital trust at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

General Information

Agents, dealers and underwriters may be entitled under agreements with Puget Sound Energy and/or the capital trust to indemnification by Puget Sound Energy and/or the capital trust against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the agents, dealers or underwriters may be required to make in respect of liabilities under the Securities Act. Agents, dealers and underwriters may be customers of, engage in transactions with, or perform services for Puget Sound Energy and/or the capital trust in the ordinary course of business.

The offered securities may or may not be listed on a national securities exchange. You should read the applicable prospectus supplement for a discussion of this matter. We cannot assure you there will be a market for any of the offered securities.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Sections 23B.08.500 through 23B.08.600 of the Washington Business Corporation Act 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. Section 6 of Puget Sound Energy's bylaws provides for indemnification of Puget Sound Energy's directors and officers to the maximum extent permitted by Washington law.

Section 23B.08.320 of the Washington Business Corporation Act 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 X of Puget Sound Energy's restated articles of incorporation, as amended, contains provisions implementing, to the fullest extent permitted by Washington law, such limitations on a director's liability to Puget Sound Energy and its shareholders.

Officers and directors of Puget Sound Energy 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 underwriting agreements, which are filed as exhibits to the registration statement of which this prospectus is a part, contain provisions whereby the underwriters agree to indemnify Puget Sound Energy, its directors and certain officers and other persons, and are incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons under the foregoing provisions, we have been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

LEGAL OPINIONS

Opinions as to the legality of certain of the offered securities will be rendered for Puget Sound Energy by Perkins Coie LLP, Seattle, Washington. Certain matters of Delaware law relating to the validity of the trust preferred securities will be passed upon on behalf of the capital trust by Skadden, Arps, Slate, Meagher & Flom LLP, special Delaware counsel to the capital trust. Certain United States federal income taxation matters may be passed upon for Puget Sound Energy and the capital trust by either Perkins Coie LLP, tax counsel for Puget Sound Energy, or by special tax counsel to Puget Sound Energy and the capital trust, who will be named in the related prospectus supplement. Certain legal matters with respect to offered securities will be passed upon by counsel for any underwriters, dealers or agents, each of whom will be named in the related prospectus supplement.

EXPERTS

The financial statements and financial statement schedule incorporated in this prospectus by reference to Puget Sound Energy's Annual Report on Form 10-K for the year ended December 31, 2002, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent auditors, given on the authority of said firm as experts in auditing and accounting.

$230,975,000

Puget Sound Energy, Inc.

SENIOR NOTES
UNSECURED DEBENTURES
GUARANTEES

AND

Puget Sound Energy Capital Trust III

TRUST PREFERRED SECURITIES
GUARANTEED TO THE EXTENT SET FORTH HEREIN BY
PUGET SOUND ENERGY, INC.

PROSPECTUS

, 2003

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution

Securities and Exchange Commission Fees	$ 21,250
Listing fees	21,000
Printing fees	20,000
Trustee fees (including counsel fees)	10,000
Legal fees and expenses	100,000
Blue Sky fees and expenses	10,000
Rating agency fees	30,000
Independent auditor fees	40,000
Miscellaneous	22,750
Total	$ 275,000

* All amounts are estimated except the Securities and Exchange Commission registration fee.

Item 15. 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"). Section 6 of Puget Energy's bylaws and Puget Sound Energy's bylaws provide for indemnification of Puget Energy's and Puget Sound Energy's, as the case may be, 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 II of Puget Energy's restated articles of incorporation and Article X of Puget Sound Energy's restated articles of incorporation, as amended, contain provisions implementing, to the fullest extent permitted by Washington law, such limitations on a director's liability to Puget Energy and Puget Sound Energy, as the case may be, and their shareholders.

Officers and directors of Puget Energy and Puget Sound Energy 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 underwriting agreements, filed as Exhibits 1.1, 1.2, 1.3, 1.4, 1.5 and 1.6 hereto, contain provisions whereby the underwriters agree to indemnify the registrants, their directors and certain officers and other persons, and are incorporated herein by reference.

Item 16. List of Exhibits

Exhibit Number	Description
1.1*	Form of Underwriting agreement with respect to the common stock of Puget Energy.
1.2*	Form of Underwriting Agreement with respect to the senior notes.
1.3*	Form of Underwriting Agreement with respect to the trust preferred securities.
1.4*	Form of Underwriting Agreement with respect to the unsecured debentures (other than unsecured debentures issued in connection with the trust preferred securities).
1.5	Controlled Equity Offering Sales Agreement, dated July 10, 2003, between Puget Energy, Inc. and Cantor Fitzgerald & Co.
1.6	Distribution Agreement, dated July 10, 2003, between Puget Energy, Inc. and Banc One Capital Markets, Inc.
4.1	Indenture defining the rights of the holders of Puget Sound Energy's senior notes (incorporated herein by reference to Exhibit 4-a to Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, Commission File No. 1-4393).
4.2	First, Second, Third and Fourth Supplemental Indentures defining the rights of the holders of Puget Sound Energy's senior notes (incorporated herein by reference to Exhibit 4-b to Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, Commission File No. 1-4393; Exhibit 4.26 to Current Report on Form 8-K, dated March 4, 1999, Commission File No. 1-4393; Exhibit 4.1 to Current Report on Form 8-K, dated November 2, 2000, Commission File No. 1-4393; and Exhibit 4.1 to Current Report on Form 8-K dated June 5, 2003, Commission File No. 1-4393) .
4.3	Fortieth through Seventy-ninth Supplemental Indentures defining the rights of the holders of Puget Sound Energy's Electric Utility First Mortgage Bonds (incorporated herein by reference to Exhibit 2-d to Registration No. 2-60200; Exhibit 4-c to Registration No. 2-13347; Exhibits 2-e through and including 2-k to Registration No. 2-60200; Exhibit 4-h to Registration No. 2-17465; Exhibits 2-1, 2-m and 2-n to Registration No. 2-60200; Exhibit 2-m to Registration No. 2-37645; Exhibit 2-o through and including 2-s to Registration No. 2-60200; Exhibit 5-b to Registration No. 2-62883; Exhibit 2-h to Registration No. 2-65831; Exhibit (4)-j-1 to Registration No. 2-72061; Exhibit (4)-a to Registration No. 2-91516; Exhibit (4)-b to Annual Report on Form 10-K for the fiscal year ended December 31, 1985, Commission File No. 1— 4393; Exhibits (4)(a) and (4)(b) to Puget Sound Energy's Current Report on Form 8-K, dated April 22, 1986; Exhibit (4)a to Puget Sound Energy's Current Report on Form 8-K, dated September 5, 1986; Exhibit (4)-b to Puget Sound Energy's Quarterly Report on Form 10-Q for the quarter ended September 30, 1986, Commission File No. 1-4393; Exhibit (4)-c to Registration No. 33-18506; Exhibit (4)-b to Annual Report on Form 10-K for the fiscal year ended December 31, 1989, Commission File No. 1-4393; Exhibit (4)-b to Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File No. 1-4393; Exhibits (4)-b and (4)— c to Registration No. 33-45916; Exhibit (4)-c to Registration No. 33-50788; Exhibit (4)-a to Registration No. 33-53056; Exhibit 4.3 to Registration No. 33-63278; Exhibit 4-c to Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, Commission File No. 1-4393; Exhibit 4.27 to Current Report on Form 8-K, dated March 1, 1999, Commission File No. 1-4393; Exhibit 4.2 to Current Report on Form 8-K, dated November 2, 2000, Commission File No. 1-4393; and Exhibit 4.2 to Current Report on Form 8-K, dated June 3, 2003, Commission File No. 1-4393).
4.4	Indenture of First Mortgage, dated as of April 1, 1957, defining the rights of the holders of Puget Sound Energy's Gas Utility First Mortgage Bonds (incorporated herein by reference to Washington Natural Gas Company Exhibit 4-B, Registration No. 2-14307).
4.5	First Supplemental Indenture to the Gas Utility Mortgage, dated April 1, 1957 (incorporated herein by reference to Washington Natural Gas Company Exhibit 4-D, Registration No. 2-17876).

Exhibit Number	Description
4.6	Sixth and Seventh Supplemental Indentures to the Gas Utility First Mortgage, dated as of August 1, 1966 and February 1, 1967, respectively (incorporated herein by reference to Washington Natural Gas Company Exhibit to Form 8-K for month of August 1966, File No. 0-951; and Exhibit 4-M, Registration No. 2-27038).
4.7	Sixteenth Supplemental Indenture to the Gas Utility First Mortgage, dated as of June 1, 1977 (incorporated herein by reference to Washington Natural Gas Company Exhibit 6-05, Registration No. 2-60352).
4.8	Seventeenth Supplemental Indenture to the Gas Utility First Mortgage, dated as of August 9, 1978 (incorporated herein by reference to Washington Energy Company Exhibit 5-K.18, Registration No. 2-64428).
4.9	Twenty-second Supplemental Indenture to the Gas Utility Mortgage, dated as of July 15, 1986 (incorporated herein by reference to Washington Natural Gas Company Exhibit 4-B.20 to Form 10-K for the year ended September 30, 1986, File No. 0-951).
4.10	Twenty-seventh through Thirty-First Supplemental Indentures to the Gas Utility First Mortgage (incorporated herein by reference to Washington Natural Gas Company Exhibit 4-B.20, Form 10-K for the year ended September 30, 1988, File No. 0-951; Washington Natural Gas Company Exhibit 4-A, Form 10-Q for the quarter ended March 31, 1993, File No. 0-951; Exhibit 4-A of Washington Natural Gas Company's S-3 Registration Statement, Registration No. 33-49599; Exhibit 4-A of Washington Natural Gas Company's S-3 Registration Statement, Registration No. 33-61859; and Exhibit 4.30 to Puget Sound Energy's Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 1-4393).
4.11	Indenture between Puget Sound Energy and the First National Bank of Chicago, dated June 6, 1997, defining the rights of the Puget Sound Energy's subordinated debentures issued in connection with the issuance of trust preferred securities by the Puget Sound Energy Capital Trust I (incorporated herein by reference to Exhibit 4.1 of Puget Sound Energy's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, Commission File No. 1-4393).
4.12	Amended and Restated Declaration of Trust of Puget Sound Energy Capital Trust I, dated June 6, 1997 (incorporated herein by reference to Exhibit 4.2 of Puget Sound Energy's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, Commission File No. 1-4393).
4.13	Series A Capital Securities Guarantee Agreement between Puget Sound Energy and the First National Bank of Chicago, dated June 6, 1997, for the benefit of the holders of the trust preferred securities of the Puget Sound Energy Capital Trust I (incorporated herein by reference to Exhibit 4.3 of Puget Sound Energy's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, Commission File No. 1-4393).
4.14	Unsecured Debt Indenture between Puget Sound Energy and Bank One Trust Company, N.A., dated as of May 18, 2001, defining the rights of the holders of Puget Sound Energy's unsecured debentures (incorporated herein by reference to Exhibit 4.3 to Puget Sound Energy's Current Report on Form 8-K, filed May 22, 2001, Commission File No. 1-4393).
4.15	First Supplemental Indenture to the Unsecured Debt Indenture, dated May 18, 2001, defining the rights of the Puget Sound Energy's 8.40% Subordinated Deferrable Interest Debentures due June 30, 2041 (incorporated herein by reference to Exhibit 4.4 to Puget Sound Energy's Current Report on Form 8-K, filed May 22, 2001, Commission File No. 1-4393).
4.16	Amended and Restated Declaration of Trust of Puget Sound Energy Capital Trust II, dated May 18, 2001 (incorporated herein by reference to Exhibit 4.2 to Puget Sound Energy's Current Report on Form 8-K, filed May 22, 2001, Commission File No. 1-4393).

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4.17	Preferred Securities Guarantee Agreement, dated May 18, 2001, between Puget Sound Energy and Bank One Trust Company, N.A., for the benefit of the holders of the trust preferred securities of the Puget Sound Energy Capital Trust II (incorporated herein by reference to Exhibit 4.5 to Puget Sound Energy's Current Report on Form 8-K, filed May 22, 2001, Commission File No. 1-4393).
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4.20†	Form of Amended and Restated Declaration of Trust of Puget Sound Energy Capital Trust III.
4.21†	Form of Preferred Securities Guarantee Agreement, for the benefit of the holders of trust preferred securities of the Puget Sound Energy Capital Trust III.
4.22†	Form of Common Securities Guarantee Agreement, for the benefit of the holders of common securities of the Puget Sound Energy Capital Trust III.
4.23	Rights Agreement, dated as of December 21, 2000, between Puget Energy and Mellon Investor Services LLC, as Rights Agent (incorporated herein by reference to Exhibit 2.1 to Puget Energy's Registration Statement on Form 8-A, dated January 2, 2001, Commission File No. 1-16305.
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4.25	Loan Agreement dated as of March 1, 2003, between the City of Forsyth, Rosebud County, Montana and Puget Sound Energy.
4.26	Statement of Relative Rights and Preferences for the 7/34% Series Preferred Stock Cumulative, $100 par value (incorporated herein by reference to Exhibit 1.6 to Puget Sound Energy Registration Statement on Form 8-A, filed February 14, 1994, Commission File No. 1-4393).
5.1†	Opinion of Perkins Coie LLP regarding the legality of the senior notes, the unsecured debentures and the preferred securities guarantee.
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23.1†	Consent of Perkins Coie LLP (contained in opinion referenced as Exhibit 5.1).
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23.3	Consent of PricewaterhouseCoopers LLP.
24.1†	Power of attorney.
25.1	Statement of Eligibility of U.S. Bank National Association.
25.2†	Statement of Eligibility of Bank One Trust Company, N.A.
25.3†	Statement of Eligibility of Bank One Trust Company, N.A.

* To be filed by amendment or incorporated by reference in connection with the offering of securities.

† Previously Filed.

Item 17. Undertakings

A. The undersigned registrants hereby undertake:

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

(a) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(b) To reflect in the prospectus any facts or events arising after the effective date of the 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 the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commissions pursuant to Rule 424(b) if, in the aggregate, the changes in the volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(c) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

provided, however, that paragraphs (1)(a) and (1)(b) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or forwarded to the Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, 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 which remain unsold at the termination of the offering.

B. The undersigned hereby undertake that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrants' annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefits plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the 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 of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions described under Item 15 above, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants 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 registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by them is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

D. The undersigned registrants hereby undertake to file an application for the purpose of determining the eligibility of the trustees to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Puget Energy, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this post-effective amendment to registration statement to be signed on its behalf by the undersigned, thereunder duly authorized, in the City of Bellevue, State of Washington, on July 11, 2003.

PUGET ENERGY, INC.

By: /s/ STEPHEN A. MCKEON

Stephen A. McKeon
Senior Vice President Finance and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this post-effective amendment to registration statement has been signed by the following persons in the capacities indicated below on the 11th day of July, 2003.

Signature	Title
* 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 Chief Financial Officer (Principal Financial Officer)
* JAMES W. ELDREDGE James W. Eldredge	Corporate Secretary and Chief Accounting Officer (Principal Accounting Officer)
* DOUGLAS P. BEIGHLE Douglas P. Beighle	Chairman of the Board
* CHARLES W. BINGHAM Charles W. Bingham	Director
* PHYLLIS J. CAMPBELL Phyllis J. Campbell	Director

Signature	Title
* CRAIG W. COLE Craig W. Cole	Director
* ROBERT L. DRYDEN Robert L. Dryden	Director
* TOMIO MORIGUCHI Tomio Moriguchi	Director
* KENNETH P. MORTIMER Kenneth P. Mortimer	Director
* SALLY G. NARODICK Sally G. Narodick	Director
* By: /s/ DONALD E. GAINES Donald E. Gaines Attorney-in-Fact	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Puget Sound Energy, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this post effective amendment to registration statement to be signed on its behalf by the undersigned, thereunder duly authorized, in the City of Bellevue, State of Washington, on July 11, 2003.

PUGET SOUND ENERGY, INC.

By: /s/ STEPHEN A. MCKEON

Stephen A. McKeon
Senior Vice President Finance and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this post effective amendment to registration statement has been signed by the following persons in the capacities indicated below on the 11th day of July, 2003.

Signature	Title
* 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 Chief Financial Officer (Principal Financial Officer)
* JAMES W. ELDREDGE James W. Eldredge	Vice President, Corporate Secretary and Controller (Principal Accounting Officer)
* DOUGLAS P. BEIGHLE Douglas P. Beighle	Chairman of the Board
* CHARLES W. BINGHAM Charles W. Bingham	Director
* PHYLLIS J. CAMPBELL Phyllis J. Campbell	Director
* CRAIG W. COLE Craig W. Cole	Director

Signature	Title
* ROBERT L. DRYDEN	
Robert L. Dryden	Director
* TOMIO MORIGUCHI	
Tomio Moriguchi	Director
* KENNETH P. MORTIMER	
Kenneth P. Mortimer	Director
* SALLY G. NARODICK	
Sally G. Narodick	Director
* By: /s/ DONALD E. GAINES	
Donald E. Gaines Attorney-in-Fact	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Puget Sound Energy Capital Trust III certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this post-effective amendment to registration statement to be signed on its behalf by the undersigned, thereunder duly authorized, in the City of Bellevue, State of Washington, on July 11, 2003.

PUGET SOUND ENERGY CAPITAL TRUST III

By: /s/ DONALD E. GAINES

Donald E. Gaines
Trustee

By: /s/ ELIZABETH J. RICE

Elizabeth J. Rice
Trustee

EXHIBIT INDEX

Exhibit Number	Description
1.1*	Form of Underwriting agreement with respect to the common stock of Puget Energy.
1.2*	Form of Underwriting Agreement with respect to the senior notes.
1.3*	Form of Underwriting Agreement with respect to the trust preferred securities.
1.4*	Form of Underwriting Agreement with respect to the unsecured debentures (other than unsecured debentures issued in connection with the trust preferred securities).
1.5	Controlled Equity Offering Sales Agreement, dated July 10, 2003, between Puget Energy, Inc. and Cantor Fitzgerald & Co.
1.6	Distribution Agreement, dated July 10, 2003, between Puget Energy, Inc. and Banc One Capital Markets, Inc.
4.1	Indenture defining the rights of the holders of Puget Sound Energy's senior notes (incorporated herein by reference to Exhibit 4-a to Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, Commission File No. 1-4393).
4.2	First, Second, Third and Fourth Supplemental Indentures defining the rights of the holders of Puget Sound Energy's senior notes (incorporated herein by reference to Exhibit 4-b to Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, Commission File No. 1-4393; Exhibit 4.26 to Current Report on Form 8-K, dated March 4, 1999, Commission File No. 1-4393; Exhibit 4.1 to Current Report on Form 8-K, dated November 2, 2000, Commission File No. 1-4393; and Exhibit 4.1 to Current Report on Form 8-K, dated June 5, 2003, Commission File No. 1-4393).
4.3	Fortieth through Seventy-ninth Supplemental Indentures defining the rights of the holders of Puget Sound Energy's Electric Utility First Mortgage Bonds (incorporated herein by reference to Exhibit 2-d to Registration No. 2-60200; Exhibit 4-c to Registration No. 2-13347; Exhibits 2-e through and including 2-k to Registration No. 2-60200; Exhibit 4-h to Registration No. 2-17465; Exhibits 2-1, 2-m and 2-n to Registration No. 2-60200; Exhibit 2-m to Registration No. 2-37645; Exhibit 2-o through and including 2-s to Registration No. 2-60200; Exhibit 5-b to Registration No. 2-62883; Exhibit 2-h to Registration No. 2-65831; Exhibit (4)-j-1 to Registration No. 2-72061; Exhibit (4)-a to Registration No. 2-91516; Exhibit (4)-b to Annual Report on Form 10-K for the fiscal year ended December 31, 1985, Commission File No. 1-4393; Exhibits (4)(a) and (4)(b) to Puget Sound Energy's Current Report on Form 8-K, dated April 22, 1986; Exhibit (4)a to Puget Sound Energy's Current Report on Form 8-K, dated September 5, 1986; Exhibit (4)-b to Puget Sound Energy's Quarterly Report on Form 10-Q for the quarter ended September 30, 1986, Commission File No. 1-4393; Exhibit (4)-c to Registration No. 33-18506; Exhibit (4)-b to Annual Report on Form 10-K for the fiscal year ended December 31, 1989, Commission File No. 1-4393; Exhibit (4)-b to Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File No. 1-4393; Exhibits (4)-b and (4)- c to Registration No. 33-45916; Exhibit (4)-c to Registration No. 33-50788; Exhibit (4)-a to Registration No. 33-53056; Exhibit 4.3 to Registration No. 33-63278; Exhibit 4-c to Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, Commission File No. 1-4393; Exhibit 4.27 to Current Report on Form 8-K, dated March 1, 1999, Commission File No. 1-4393; Exhibit 4.2 to Current Report on Form 8-K, dated November 2, 2000, Commission File No. 1-4393; Exhibit 4.2 to Current Report on Form 8-K, dated June 3, 2003, Commission File No. 1-4393).
4.4	Indenture of First Mortgage, dated as of April 1, 1957, defining the rights of the holders of Puget Sound Energy's Gas Utility First Mortgage Bonds (incorporated herein by reference to Washington Natural Gas Company Exhibit 4-B, Registration No. 2-14307).
4.5	First Supplemental Indenture to the Gas Utility Mortgage, dated April 1, 1957 (incorporated herein by reference to Washington Natural Gas Company Exhibit 4-D, Registration No. 2-17876).

Exhibit Number	Description
4.6	Sixth and Seventh Supplemental Indentures to the Gas Utility First Mortgage, dated as of August 1, 1966 and February 1, 1967, respectively (incorporated herein by reference to Washington Natural Gas Company Exhibit to Form 8-K for month of August 1966, File No. 0-951; and Exhibit 4-M, Registration No. 2-27038).
4.7	Sixteenth Supplemental Indenture to the Gas Utility First Mortgage, dated as of June 1, 1977 (incorporated herein by reference to Washington Natural Gas Company Exhibit 6-05, Registration No. 2-60352).
4.8	Seventeenth Supplemental Indenture to the Gas Utility First Mortgage, dated as of August 9, 1978 (incorporated herein by reference to Washington Energy Company Exhibit 5-K.18, Registration No. 2-64428).
4.9	Twenty-second Supplemental Indenture to the Gas Utility Mortgage, dated as of July 15, 1986 (incorporated herein by reference to Washington Natural Gas Company Exhibit 4-B.20 to Form 10-K for the year ended September 30, 1986, File No. 0-951).
4.10	Twenty-seventh through Thirty-First Supplemental Indentures to the Gas Utility First Mortgage (incorporated herein by reference to Washington Natural Gas Company Exhibit 4-B.20, Form 10-K for the year ended September 30, 1988, File No. 0-951; Washington Natural Gas Company Exhibit 4-A, Form 10-Q for the quarter ended March 31, 1993, File No. 0-951; Exhibit 4-A of Washington Natural Gas Company's S-3 Registration Statement, Registration No. 33-49599; Exhibit 4-A of Washington Natural Gas Company's S-3 Registration Statement, Registration No. 33-61859; and Exhibit 4.30 to Puget Sound Energy's Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 1-4393).
4.11	Indenture between Puget Sound Energy and the First National Bank of Chicago, dated June 6, 1997, defining the rights of the Puget Sound Energy's subordinated debentures issued in connection with the issuance of trust preferred securities by the Puget Sound Energy Capital Trust I (incorporated herein by reference to Exhibit 4.1 of Puget Sound Energy's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, Commission File No. 1-4393).
4.12	Amended and Restated Declaration of Trust of Puget Sound Energy Capital Trust I, dated June 6, 1997 (incorporated herein by reference to Exhibit 4.2 of Puget Sound Energy's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, Commission File No. 1-4393).
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* To be filed by amendment or incorporated by reference in connection with the offering of securities.

† Previously Filed.

EXHIBIT 1.5

CONTROLLED EQUITY OFFERING℠ SALES AGREEMENT

July 10, 2003

CANTOR FITZGERALD & CO.
135 East 57th Street, 3rd Floor
New York, New York 10171

Dear Sirs/Ladies:

Puget Energy, Inc., a Washington corporation (the "Company"), confirms its agreement ("Agreement") with Cantor Fitzgerald & Co. ("CF&Co"), as follows:

1. Issuance and Sale of Shares. The Company agrees that, from time to time during the term of this Agreement, on the terms and subject to the conditions set forth herein, it will issue and sell through CF&Co, acting as agent and/or principal, up to 3,500,000 shares (the "Shares") of the Company's common stock, par value $.01 per share ("Common Stock"). The issuance and sale of Shares through CF&Co will be effected pursuant to a registration statement on Form S-3 filed by the Company and declared effective by the Securities and Exchange Commission (the "Commission").

2. Placements. Each time that the Company wishes to issue and sell Shares hereunder (each, a "Placement"), it will notify CF&Co of the proposed terms of such Placement. If CF&Co wishes to accept such proposed terms (which it may decline to do for any reason in its sole discretion) or, following discussions with the Company, wishes to accept amended terms, CF&Co will issue to the Company a written notice setting forth the terms that CF&Co is willing to accept, including without limitation the number of Shares ("Placement Shares") to be issued, the manner(s) in which sales are to be made, the date or dates on which such sales are anticipated to be made, any minimum price below which sales may not be made, and the capacity in which CF&Co may act in selling Shares hereunder (as principal, agent or both) (a "Placement Notice"), the form of which is attached hereto as Schedule 1. The amount of any discount, commission or other compensation to be paid by the Company to CF&Co shall be a fixed rate of three percent (3.00%) of the gross proceeds of any Shares sold under this Agreement. The terms set forth in a Placement Notice will not be binding on the Company or CF&Co unless and until the Company delivers written notice of its acceptance of all of the terms of such Placement Notice (an "Acceptance"); provided, however, that neither the Company nor CF&Co will be bound by the terms of a Placement Notice unless the Company delivers to CF&Co an Acceptance with respect thereto prior to 4:30 p.m. (New York time) on the Business Day (as defined in Section 12) following the Business Day on which such Placement Notice is delivered to the Company. It is expressly acknowledged and agreed that neither the Company nor CF&Co will have any obligation whatsoever with respect to a Placement or any Placement Shares unless and until CF&Co delivers a Placement Notice to the Company and the Company delivers an Acceptance to such Placement Notice to CF&Co, and then only upon the terms specified in such Placement

Notice and herein. In the event of a conflict between the terms of this Agreement and the terms of a Placement Notice, the terms of the Placement Notice will control.

3. Sale of Placement Shares by CF&Co. Subject to the terms and conditions of this Agreement, upon the Acceptance of a Placement Notice, and unless the sale of the Placement Shares described therein has been suspended or otherwise terminated in accordance with the terms of this Agreement, CF&Co will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such Placement Shares up to the amount specified, and otherwise in accordance with the terms of such Placement Notice. CF&Co will provide written confirmation to the Company following the close of trading on the New York Stock Exchange each Trading Day (as defined below) on which it has made sales of Placement Shares hereunder setting forth the number of Placement Shares sold on such day, the compensation payable by the Company to CF&Co with respect to such sales, and the Net Proceeds (as defined below) payable to the Company. CF&Co will sell Placement Shares in the manner set forth in the Placement Notice, which may include privately negotiated transactions and/or any other method permitted by law, including sales to be made directly on the New York Stock Exchange or sales made to or through a market maker or through an electronic communications network, or in any other manner that may be deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act of 1933, as amended (the "Act"). The Company acknowledges and agrees that (i) there can be no assurance that CF&Co will be successful in selling Placement Shares, and (ii) CF&Co will incur no liability or obligation to the Company or any other person or entity if it does not sell Placement Shares for any reason other than a failure by CF&Co to use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such Placement Shares as required under this Section 3. For the purposes hereof, "Trading Day" means any day on which Common Stock may be purchased and sold on the New York Stock Exchange.

4. Suspension of Sales. The Company or CF&Co may, upon notice to the other party in writing or by telephone (confirmed promptly by verifiable facsimile transmission), suspend any sale of Placement Shares; provided, however, that such suspension shall not affect or impair either party's obligations with respect to any Placement Shares sold hereunder prior to the giving of such notice. The Company agrees that no such notice shall be effective against CF&Co unless it is made to one of the individuals named on Schedule 2 hereto, as such Schedule may be amended from time to time by delivery of a copy of the amended schedule to the Company. CF&Co agrees to amend such Schedule promptly to reflect the replacement of any of the listed individuals.

5. Settlement.

(1) Settlement of Placement Shares. Unless otherwise specified in the applicable Placement Notice, settlement for sales of Placement Shares will occur on the third (3rd) Business Day (or such earlier day as is industry practice for regular-way trading) following the date on which such sales are made (each a "Settlement Date"). The amount of proceeds to be delivered to the Company on a Settlement Date against the receipt of the Placement Shares sold ("Net

Proceeds") will be equal to the aggregate sales price at which such Placement Shares were sold, after deduction for CF&Co's commission, discount, or other compensation for such sales payable by the Company and any transaction fees imposed by any governmental or self-regulatory organization in respect of such sales.

(2) Delivery of Shares. On or before each Settlement Date, the Company will, or will cause its transfer agent to, electronically transfer the Placement Shares being sold by crediting CF&Co's or its designee's account at The Depository Trust Company through its Deposit Withdrawal Agent Commission System or by such other means of delivery as may be mutually agreed upon by the parties hereto and, upon receipt of such Placement Shares, CF&Co will deliver the related Net Proceeds in same day funds delivered to an account designated by the Company prior to the Settlement Date. If the Company defaults in its obligation to deliver Placement Shares on a Settlement Date, the Company agrees that in addition to and in no way limiting the rights and obligations set forth in Section 9(a) hereto, it will (i) hold CF&Co harmless against any loss, claim, damage, or expense (including reasonable legal fees and expenses), as incurred, arising out of or in connection with such default by the Company and (ii) pay to CF&Co any commission, discount, or other compensation to which it would otherwise have been entitled absent such default.

6. Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, CF&Co that:

(1) The Common Stock is registered pursuant to Section 12(b) of the Exchange Act (as hereinafter defined). The Common Stock is currently listed and quoted on the New York Stock Exchange under the trading symbol "PSD". The Company (i) meets the requirements for use of Form S-3 under the Act and the rules and regulations thereunder ("Rules and Regulations") for the registration of the transactions contemplated by this Agreement and (ii) has been subject to the requirements of Section 12 of the Exchange Act (as defined herein) and has timely filed all the material required to be filed pursuant to Section 13 and 14 of the Exchange Act for a period of more than twelve (12) calendar months. A registration statement on Form S-3 (Registration No. 333-82940-02) with respect to the Shares (as amended or supplemented, the "Registration Statement"), including the form of prospectus contained therein (as amended or supplemented, the "Prospectus"), has been prepared by the Company in conformity with the requirements of the Act and the Rules and Regulations and has become effective. Any amendment or supplement to the Registration Statement or Prospectus required by this Agreement will be so prepared and filed by the Company, and the Company will use reasonable efforts to cause it to become effective as soon as reasonably practicable. No stop order suspending the effectiveness of the Registration Statement has been issued, and, to the knowledge of the Company, no proceeding for that purpose has been instituted or threatened by the Commission. Copies of all filings made by the Company under the Act which are incorporated by reference (or deemed to be incorporated) into the Prospectus on or prior to date hereof have been delivered to CF&Co. Any reference herein to the Registration Statement, the Prospectus, or any amendment or supplement thereto shall be deemed to refer to and include the documents incorporated (or deemed to be incorporated) by reference therein, and any reference

herein to the terms “amend,” “amendment” or “supplement” with respect to the Registration Statement or Prospectus shall be deemed to refer to and include the filing after the execution hereof of any document with the Commission deemed to be incorporated by reference therein.

(2) Each part of the Registration Statement, when such part became or becomes effective, and the Prospectus, on the date of filing thereof with the Commission and at each Settlement Date, conformed or will conform in all material respects with the requirements of the Act and the Rules and Regulations; each part of the Registration Statement, when such part became or becomes effective, did not or will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus, on the date of filing thereof with the Commission and at each Settlement Date, did not or will not include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the foregoing shall not apply to statements or omissions in any such document made in reliance on information furnished to the Company by CF&Co specifically stating that it is intended for use in the Registration Statement, the Prospectus, or any amendment or supplement thereto.

(3) The documents incorporated by reference in the Registration Statement or the Prospectus, or any amendment or supplement thereto (the “Disclosure Documents”), when they became effective under the Act or were filed with the Commission under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as the case may be, conformed in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; except that the foregoing will not apply to statements or omissions in any such document made in reliance on information furnished to the Company by CF&Co specifically stating that it is intended for use in any such document.

(4) The consolidated financial statements and financial schedules of the Company and its subsidiaries, including Puget Sound Energy, Inc., a Washington corporation wholly-owned by the Company (“PSE”), and its subsidiaries, together with the related notes set forth or incorporated by reference in the Registration Statement and Prospectus, have been and will be prepared in accordance with Regulation S-X under the Act and with generally accepted accounting principles consistently applied at the times and during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present and will fairly present the consolidated financial

position of the Company and PSE as of the dates thereof and the results of its operations and cash flows or the periods then ended (subject, in the case of unaudited statements, to normal year-end adjustments). The selected financial and statistical data included or incorporated by reference in the Registration Statement and the Prospectus present fairly the information shown therein and, to the extent based upon or derived from the financial statements, have been compiled on a basis consistent with the financial statements presented therein. Any pro forma financial statements of the Company and its subsidiaries, in each case including the related notes thereto, included or incorporated by reference in the Registration Statement and the Prospectus, present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the basis described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. No other financial statements are required to be set forth or to be incorporated by reference in the Registration Statement or the Prospectus under the Act.

(5) The Company has been duly incorporated and is validly existing as a corporation under the laws of the state of Washington with full power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and Prospectus; and the Company is duly qualified as a foreign entity to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure, individually or in the aggregate, to be so qualified and be in good standing would not reasonably be expected to have a material adverse effect on (i) the consolidated business, operations, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole, (ii) the transactions contemplated hereby, (iii) the Shares or (iv) the ability of the Company to perform its obligations under this Agreement (collectively, a "Material Adverse Effect"). The Company has full corporate power and authority necessary to own, hold, lease and/or operate its assets and properties, to conduct the business in which it is engaged and as described in the Prospectus and to enter into and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The Company is in compliance in all material respects with the laws, orders, rules, regulations and directives applicable to it. Complete and correct copies of the articles of incorporation and of the bylaws of the Company and all amendments thereto have been delivered to CF&Co.

(6) (1) Each direct or indirect subsidiary of the Company, including PSE (each a "Subsidiary" and collectively "Subsidiaries"), has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement and Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to be so qualified would not reasonably be expected to have a Material Adverse Effect. Each of the Subsidiaries is in compliance in all material respects with the laws, orders, rules, regulations and directives applicable to it.

(2) The Company has no "significant subsidiaries" (as such term is defined in Rule 1-02 of Regulation S-X promulgated under the Act) as of the date of this Agreement, other than PSE, although the Company anticipates that InfrastruX Group, Inc. will be a "significant subsidiary" in the future (collectively with PSE, the "Material Subsidiaries"). The Material Subsidiaries are the Company's only direct Subsidiaries. Complete and correct copies of the articles of incorporation and of the bylaws of the Material Subsidiaries and all amendments hereto have been delivered to CF&Co.

(3) All of the outstanding shares of common stock of each of the Material Subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable. All of the outstanding shares of common stock of PSE are wholly owned by the Company, and all of the outstanding shares of capital stock of the Material Subsidiaries owned by the Company are owned free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or other equity or adverse claims, except such (i) as are described in the Prospectus (including the documents incorporated by reference therein) or (ii) that do not singly or in the aggregate materially affect the value of such capital stock or the Company's ownership interest in such capital stock. No options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligation into shares of common stock of PSE are outstanding.

(7) The Company has an authorized capitalization as set forth in its most recent Annual Report on Form 10-K and will have an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and have been issued in compliance with all applicable federal and state securities laws.

(8) The Shares have been duly authorized and, when issued, delivered and paid for pursuant to this Agreement, will be validly issued and fully paid and non-assessable, free and clear of all Encumbrances; the capital stock of the Company, including the Shares, conforms in all material respects to the description thereof contained in the Registration Statement and the Shares will conform in all material respects to the description thereof contained in the Prospectus as amended or supplemented. Neither the shareholders of the Company, nor any other person or entity have any preemptive rights or rights of first refusal with respect to the Shares or other rights to purchase or receive any of the Shares, and no person has the right, contractual or otherwise, to cause the Company to issue to it, or register pursuant to the Act, any shares of capital stock or other securities or assets of the Company upon the issuance or sale of the Shares.

(9) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (i) neither the Company nor any of its Subsidiaries has incurred any liabilities or obligations, direct or contingent, or entered into any transactions, not in the ordinary course of business, that are material to the Company and its Subsidiaries taken as a whole, and (ii) there has not been any

development that has caused a Material Adverse Effect, or any development reasonably likely to cause a Material Adverse Effect.

(10) Except as set forth in the Prospectus, there is no claim, litigation or administrative proceeding or inquiry pending, or, to the Company's knowledge, threatened against the Company or any of its Subsidiaries, or, to the Company's knowledge, against any officer, director or employee of the Company or any Subsidiary in connection with such person's employment therewith that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(11) There are no legal or governmental proceedings, contracts or documents of the Company or any of its Subsidiaries that are required to be described in or filed as exhibits to the Commission Documents, Registration Statement or any of the documents incorporated by reference therein by the Act or the Exchange Act or by the rules and regulations of the Commission thereunder that have not been so described or filed as required.

(12) Subject to approval of each Placement Notice by the Company's Board of Directors (or duly authorized committee thereof), all necessary action has been duly and validly taken by the Company to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly and validly authorized, executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether applied in a proceeding at law or in equity).

(13) Neither the Company nor any of its Subsidiaries is in violation of any provisions of its charter, bylaws or any other governing document as amended and in effect on and as of the date hereof or in default (and no event has occurred which, with notice or lapse of time or both, would constitute a default) under any indenture, mortgage, deed of trust, loan or credit agreement or any provision of any instrument or contract to which it is a party or by which it is bound, except for such violations or defaults that, individually and collectively, would not reasonably be expected to result in a Material Adverse Effect.

(14) Executing and delivering this Agreement and the issuance and sale of the Shares and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions contemplated herein will not result in (i) a breach or violation of any of the terms and provisions of, or constitute a default under, any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan or credit agreement or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them is bound or to which any of the property of the Company or any of its Subsidiaries is subject, except for such breaches or violations that would not reasonable be expected to have a Material Adverse Effect, (ii) a violation of the Company's charter or by-laws, or any statute or any order, rule or regulation of any court or governmental agency or body having

jurisdiction over the Company or any of its Subsidiaries or any of its properties, except for such violations that would not reasonably be expected to have a Material Adverse Effect, or (iii) he creation of any Encumbrance upon any assets of the Company or of any of its Subsidiaries or the triggering of any preemptive or anti-dilution rights or rights of first refusal or first offer, or any similar rights (whether pursuant to a "poison pill" provision or otherwise), on the part of holders of the Company's securities or any other person.

(15) The Company and its Subsidiaries are in compliance with all laws, statutes, ordinances, regulations, rules and orders of any foreign, federal, state or local government and any other governmental department or agency, and any judgment, decision, decree or order of any court or governmental agency, department or authority, except for such violations or noncompliance which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(16) The Company and its Subsidiaries possess such licenses, permits, consents, orders, certificates or authorizations issued by the appropriate federal, state, foreign or local regulatory agencies or bodies necessary to conduct their business as described in the Prospectus except for licenses, permits, consents, orders, certificates, authorizations, approvals, franchises or rights, the absence of which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; the Company and its Subsidiaries have not received any notice of proceedings or investigations relating to the revocation or modification of any such licenses, permits, consents, orders, certificates, authorizations, approvals, franchises or rights which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a Material Adverse Effect. No consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the issue and sale of the Shares and the consummation by the Company of the transactions contemplated by this Agreement, except the filing with the Commission of the Registration Statement (including the Prospectus) and amendments and supplements to the Registration Statement and Prospectus related to the issue and sale of the Shares and such consents, approvals, authorizations, registrations or qualifications as have already been obtained or made or as may be required under state securities or Blue Sky laws.

(17) Except as described in the Prospectus, to the best of the Company's knowledge, the Company carries, or is covered by, insurance in such amounts and covering such risks as is prudent, reasonable and customary for companies engaged in similar businesses in similar industries.

(18) Except as described in the Prospectus, the Company and each Subsidiary have obtained all material environmental permits, licenses and other authorizations required by federal, state, foreign and local law in order to conduct their businesses as described in the Prospectus; the Company and each Subsidiary are conducting their businesses in substantial compliance with such permits, licenses and authorizations and with applicable environmental laws, except where the failure to be in compliance would not reasonably be expected to have a Material Adverse Effect; and, except as described in the Prospectus, neither the Company nor

any Subsidiary is in violation of any federal, state, foreign or local law or regulation relating to the storage, handling, disposal, release or transportation of hazardous or toxic materials except for such violations or oncompliance which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(19) PricewaterhouseCoopers LLP, which has audited the financial statements of the Company and its Subsidiaries included in the Prospectus, is an independent public accountant as required by the Act and the Rules and Regulations.

(20) On each Settlement Date and each Filing Date (as defined in paragraph 7(l) below), the Company shall be deemed to have confirmed (i) the accuracy and completeness, as of such date, of each representation and warranty made by it in this Agreement, as if each such representation and warranty were made on and as of such date, and (ii) that the Company has complied with all of the agreements to be performed by it hereunder at or prior to such date.

(21) The Company and each Material Subsidiary maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles as applied in the United States and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

7. Covenants of the Company. The Company covenants and agrees with CF&Co that:

(1) During any period in which either a Placement Notice is in effect or a prospectus relating to the Shares is required to be delivered by CF&Co under the Act: (i) the Company will notify CF&Co promptly of the time when any subsequent amendment to the Registration Statement has been filed with the Commission and has become effective or any subsequent supplement to the Prospectus has been filed and of any request by the Commission for any amendment or supplement to the Registration Statement or Prospectus or for additional information, provided that delivery to CF&Co of a copy of a document pursuant to clause (iv) below will satisfy the notice requirement of this clause (i) with respect to the filing of such document with the Commission; (ii) the Company will prepare and file with the Commission, promptly upon CF&Co's request, any amendments or supplements to the Registration Statement or Prospectus that, in CF&Co's opinion, may be necessary or advisable in connection with the distribution of the Shares by CF&Co (provided, however, that the failure of CF&Co to make such request shall not relieve the Company of any obligation or liability hereunder, or affect CF&Co's right to rely on the representations and warranties made by the Company in this Agreement); (iii) the Company will not file any amendment or supplement to the Registration Statement or Prospectus (other than documents deemed to be incorporated by reference in the Registration Statement or Prospectus as contemplated by Section 6(a) of this Agreement and any

prospectus supplement relating to the offering of other securities registered under the Registration Statement) unless a copy thereof has been submitted to CF&Co a reasonable period of time before the filing nd CF&Co has not reasonably objected thereto (provided, however, that the failure of CF&Co to make such objection shall not relieve the Company of any obligation or liability hereunder, or affect CF&Co's right to rely on the representations and warranties made by the Company in this Agreement); (iv) the Company will furnish to CF&Co promptly following the filing thereof, a copy of any document that upon filing is or is deemed to be incorporated by reference in the Registration Statement or Prospectus, provided that the Company will not be required to furnish the exhibits to such filings; and (v) the Company will cause each amendment or supplement to the Prospectus to be filed with the Commission as required pursuant to the applicable paragraph of Rule 424(b) of the Rules and Regulations or, in the case of any document to be incorporated therein by reference, to be filed with the Commission as required pursuant to the Exchange Act, within the time period prescribed.

(2) The Company will advise CF&Co, promptly after it receives notice or obtains knowledge thereof, of the issuance or threatened issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, or of the initiation or threatening of any proceeding for any such purpose; and it will promptly use its commercially reasonable efforts to prevent the issuance of any stop order or to obtain its withdrawal if such a stop order should be issued.

(3) Within the time during which either a Placement Notice is in effect or a prospectus relating to the Shares is required to be delivered by CF&Co under the Act, the Company will comply with all requirements imposed upon it by the Act and by the Rules and Regulations, as from time to time in force, and will file on or before their respective due dates all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14, 15(d) or any other provision of or under the Exchange Act. If during such period any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary to amend or supplement the Registration Statement or Prospectus to comply with the Act, the Company will promptly notify CF&Co to suspend the offering of Shares during such period and the Company will promptly amend or supplement the Registration Statement or Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(4) The Company will use commercially reasonable efforts to cause the Shares to be listed on the New York Stock Exchange and to qualify the Shares for sale under the securities laws of such jurisdictions as CF&Co designates and to continue such qualifications in effect so long as required for the distribution of the Shares; provided that the Company shall not be required in connection therewith to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction.

(5) The Company will furnish to CF&Co (at the expense of the Company) copies of the Registration Statement, the Prospectus and all amendments and supplements to the egistration Statement or Prospectus that are filed with the Commission during the period in which either a Placement Notice is in effect or a prospectus relating to the Shares is required to be delivered under the Act (other than any prospectus supplement relating to the offering of other securities registered under the Registration Statement and other that any documents incorporated by reference therein that are furnished pursuant to Section 7(a)(iv) above), in each case as soon as reasonably practicable and in such quantities as CF&Co may from time to time reasonably request and, at CF&Co's request, will also furnish copies of the Prospectus to each exchange or market on which sales of Shares may be made.

(6) The Company will make generally available to its security holders as soon as practicable, but in any event not later than 15 months after the end of the Company's current fiscal quarter, an earnings statement covering a 12-month period that satisfies the provisions of Section 11(a) of the Act and Rule 158 of the Rules and Regulations.

(7) The Company, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, will pay all expenses incident to the performance of its obligations hereunder, including, but not limited to, expenses relating to (i) the preparation, printing and filing of the Registration Statement and each amendment and supplement thereto, of each Prospectus and of each amendment and supplement thereto, (ii) the preparation, issuance and delivery of the Shares, (iii) the fees and disbursements of the Company's counsel and accountants and the reasonable fees and expenses of CF&Co's counsel in connection with negotiating this agreement and performing its obligations hereunder, (iv) the qualification of the Shares under securities laws in accordance with the provisions of Section 7(d) of this Agreement, including filing fees and any reasonable fees or disbursements of counsel for CF&Co in connection therewith, (v) the printing and delivery to CF&Co of copies of the Prospectus and any amendments or supplements thereto, and of this Agreement, (vi) the fees and expenses incurred in connection with the listing or qualification of the Shares for trading on the New York Stock Exchange, or (vii) filing fees and expenses, if any, of the Commission and the National Association of Securities Dealers, Inc. Corporate Finance Department.

(8) The Company will use the Net Proceeds as described in the Prospectus.

(9) Without (i) the written consent of CF&Co or (ii) suspending activity pursuant to Section 4 hereof, the Company will not, directly or indirectly, offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of any shares of Common Stock (other than the Shares offered pursuant to the provisions of this Agreement) or securities convertible into or exchangeable for Common Stock, warrants or any rights to purchase or acquire, Common Stock during the period beginning on the fifth (5th) Trading Day immediately prior to the date on which any Acceptance of a Placement Notice is delivered to CF&Co hereunder and ending on the fifth (5th) Trading Day immediately following the final Settlement Date with respect to Shares sold pursuant to such Placement Notice; provided, however, that such restriction shall not apply with respect to the Company's issuance or sale of (i) Common Stock, options to purchase shares of

Common Stock or Common Stock issuable upon the exercise of options, pursuant to any employee or director stock option or benefits plan, direct stock purchase plan or dividend einvestment plan (but not shares subject to a waiver to exceed plan limits in its stock purchase plan) of the Company now in effect, and (ii) Common Stock issuable upon conversion of securities or the exercise of warrants, options or other rights in effect or outstanding.

(10) The Company will, at any time during the term of this Agreement, as supplemented from time to time, advise CF&Co promptly after it shall have received notice or obtain knowledge thereof, of any information or fact that would alter or affect any opinion, certificate, letter or other document provided to CF&Co pursuant to this Agreement.

(11) The Company will cooperate with any due diligence review conducted by CF&Co or its agents, including, without limitation, providing information and making available documents and senior corporate officers, as CF&Co may reasonably request; provided, however, that the Company shall be required to make available documents and senior corporate officers only (i) at the Company's principal offices and (ii) during the Company's ordinary business hours.

(12) In connection with sales of Shares made by CF&Co, the Company agrees that on or prior to the date the Rules and Regulations shall require, the Company will, if necessary, (i) file a prospectus supplement with the Commission under the applicable paragraph of Rule 424(b) under the Act (each and every filing under Rule 424(b) a "Filing Date"), which prospectus supplement will set forth, with regard to such sales, the dates of such sales, the amount of Shares sold through CF&Co, the Net Proceeds to the Company and the compensation payable by the Company to CF&Co and (ii) deliver such number of copies of each such prospectus supplement to each exchange or market on which such sales were effected as may be required by the rules or regulations of such exchange or market.

(13) On the date of this Agreement, the Company shall furnish or cause to be furnished to CF&Co a written opinion of Perkins Coie LLP, counsel to the Company ("Company Counsel"), or other counsel satisfactory to CF&Co, dated the date of this Agreement, in form and substance satisfactory to CF&Co and its counsel, in substantially the form attached hereto as Exhibit 8(e)(1), and thereafter, the Company shall furnish or cause to be furnished to CF&Co a written opinion of Company Counsel, or other counsel satisfactory to CF&Co, in form and substance satisfactory to CF&Co and its counsel, in substantially the form attached hereto as Exhibit 8(e)(2) (each a "Current Opinion") at any time selected by the Company on or following the date on which the Registration Statement is amended or the Prospectus supplemented whether by way of any document or filing being incorporated by reference therein, including any proxy and information statements subject to Section 14 of the Exchange Act, Reports on Forms 10-K, Form 10-Q and Form 8-K (but excluding (i) matters reported solely under Item 9 of Form 8-K, (ii) any supplement solely containing information provided by CF&Co pursuant to Section 7(l) hereof, and (iii) any amendment to the Registration Statement or supplement to the Prospectus which directly relates to an offer other than the offer of Placement Shares hereunder) (each such amendment or supplement, an "Opinion Triggering Event"); provided, however, that

if as of the date on which an Acceptance is delivered by the Company, an Opinion Triggering Event has occurred and a Current Opinion has not yet been furnished to CF&Co on, or subsequent to, the date of such Opinion Triggering Event, then a Current Opinion shall be furnished to CF&Co no ater than one Business Day after delivery of the Acceptance; and provided, further, that during the period in which a prospectus relating to the Placement Shares is required to be delivered by CF&Co under the Act, a Current Opinion shall be furnished to CF&Co no later than one Business Day after each Opinion Triggering Event that occurs during such period.

(14) On the date of this Agreement, the Company shall cause its independent accountants, reasonably satisfactory to CF&Co ("Independent Accountants"), forthwith to furnish CF&Co a letter, dated the date of this Agreement, in form and substance satisfactory to CF&Co, (i) confirming that they are independent public accountants within the meaning of the Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission and (ii) stating, as of such date, the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings (the "Initial Comfort Letter"), and thereafter, at any time selected by the Company on or following the date on which the Registration Statement is amended or the Prospectus relating to the Placement Shares is supplemented (as described in Section 7(m)) to include additional or amended financial information (each such amendment or supplement, a "Comfort Letter Triggering Event"), the Company shall cause its Independent Accountants to furnish CF&Co a letter (each an "Additional Comfort Letter"), dated the date of its delivery, in form and substance satisfactory to CF&Co, (x) confirming that they are independent public accountants within the meaning of the Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (y) stating, as of the date of such Additional Comfort Letter, the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings and (z) updating the Initial Comfort Letter with any information which would have been included in the Initial Comfort Letter had it been given on the date of such Additional Comfort Letter and modified as necessary to relate to the Registration Statement and the Prospectus, as amended and supplemented to the date of such Additional Comfort Letter; provided, however, that if as of the date on which an Acceptance is delivered by the Company, an Comfort Letter Triggering Event has occurred and an Additional Comfort Letter has not yet been furnished to CF&Co on, or subsequent to, the date of such Comfort Letter Triggering Event, then an Additional Comfort Letter shall be furnished to CF&Co no later than third Business Day after delivery of the Acceptance; and provided, further, that during the period in which a prospectus relating to the Placement Shares is required to be delivered by CF&Co under the Act, an Additional Comfort Letter shall be furnished to CF&Co no later than three Business Days after each Comfort Letter Triggering Event that occurs during such period.

(15) The Company will not, directly or indirectly, (i) take any action designed to cause or result in, or that constitutes or might reasonably be expected to constitute, the stabilization or

manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares or (ii) sell, bid for, or purchase the Shares, or pay anyone any compensation for soliciting purchases of the Shares other than CF&Co.

(16) The Company acknowledges and agrees that CF&Co has informed the Company that CF&Co may, to the extent permitted under the Act and the Exchange Act, purchase and sell shares of Common Stock for its own account at the same time as Shares are being sold by the Company pursuant to this Agreement, provided that the Company shall not be deemed to have authorized or consented to any such purchases or sales by CF&Co.

8. Conditions to CF&Co's Obligations. The obligations of CF&Co hereunder with respect to a Placement will be subject to the continuing accuracy and completeness of the representations and warranties made by the Company herein, to the due performance by the Company of its obligations hereunder, to the completion by CF&Co of a due diligence review satisfactory to CF&Co in its reasonable judgment, and to the continuing satisfaction (or waiver by CF&Co in its sole discretion) of the following additional conditions:

(1) The Registration Statement shall have become effective covering all Placement Shares, including all Placement Shares contemplated to be issued by the Placement Notice relating to such Placement.

(2) None of the following events shall have occurred: (i) receipt by the Company of any request for additional information from the Commission or any other federal or state governmental authority during the period of effectiveness of the Registration Statement, the response to which would require any amendments or supplements to the Registration Statement or the Prospectus; (ii) the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; (iii) receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and (iv) the occurrence of any event that makes any statement made in the Registration Statement or the Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in the Registration Statement, related prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(3) CF&Co shall not have advised the Company that the Registration Statement or Prospectus, or any amendment or supplement thereto, contains an untrue statement of fact that in CF&Co's opinion is material, or omits to state a fact that in CF&Co's opinion is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(4) Except as contemplated in the Prospectus, or disclosed in the Company's reports filed with the Commission prior to the date of this Agreement, subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall not ave been any material change, on a consolidated basis, in the authorized capital stock of the Company and its Subsidiaries, or any development that has caused, or that may reasonably be expected to cause, a Material Adverse Effect, or a downgrading in or withdrawal of the rating assigned to any of the Company's securities by any rating organization or a public announcement by any rating organization that it has under surveillance or review, with possible negative implications, its rating of any of the Company's securities, the effect of which, in the case of any such action by a rating organization described above, in the sole judgment of CF&Co (without relieving the Company of any obligation or liability it may otherwise have), is so material as to make it impracticable or inadvisable to proceed with the offering of the Shares on the terms and in the manner contemplated in the Prospectus.

(5) CF&Co shall have received the opinions of Company Counsel required to be delivered pursuant Section 7(m) on or before the date on which satisfaction of this condition is determined.

(6) CF&Co shall have received the Comfort Letters required to be delivered pursuant Section 7(n) on or before the date on which satisfaction of this condition is determined.

(7) The Shares shall have been duly listed, subject to notice of issuance, on the New York Stock Exchange, and trading in the Common Stock shall not have been suspended on such exchange.

(8) In connection with each Acceptance, the Company shall furnish to CF&Co such appropriate further information, certificates and documents as CF&Co may reasonably request for purposes of fulfilling its obligations hereunder. All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof. The Company will furnish CF&Co with such conformed copies of such opinions, certificates, letters and other documents as CF&Co shall reasonably request.

(9) There shall not have occurred any event that would permit CF&Co to terminate this Agreement pursuant to Section 11(a).

9. Indemnification and Contribution.

(1) The Company agrees to indemnify and hold harmless CF&Co, the directors, officers, partners, employees and agents of CF&Co and each person, if any, who (x) controls CF&Co within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, or (y) is controlled by or is under common control with CF&Co (a "CF&Co Affiliate") from and against any and all losses, claims, liabilities, expenses and damages (including, but not limited to, any and all investigative, legal and other expenses reasonably incurred in connection with, and any

and all amounts paid in settlement of, any action, suit or proceeding between any of the indemnified parties and any indemnifying parties or between any indemnified party and any third party, or otherwise, or any claim asserted), as incurred, to which CF&Co, or any such person, may become subject under the Act, the Exchange Act or other federal or state statutory law or regulation, at ommon law or otherwise, insofar as such losses, claims, liabilities, expenses or damages arise out of or are based, directly or indirectly, on (i) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment or supplement to the Registration Statement or the Prospectus, or in any document incorporated by reference in the Registration Statement or the Prospectus, or in any application or other document executed by or on behalf of the Company or based on written information furnished by or on behalf of the Company filed in any jurisdiction in order to qualify the Shares under the securities laws thereof or filed with the Commission, (ii) the omission or alleged omission to state in such document a material fact required to be stated in it or necessary to make the statements in it not misleading or (iii) any breach by the Company of any of its representations, warranties and agreements contained in this Agreement; provided that this indemnity agreement shall not apply to the extent that such loss, claim, liability, expense or damage arises from the sale of the Shares pursuant to this Agreement that is caused directly by an untrue statement or omission made in reliance upon, and in conformity with, information furnished in writing to the Company by CF&Co expressly stating that such information is intended for inclusion in any document described in clause (a)(i) above; provided, further, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any CF&Co Affiliate if CF&Co failed to deliver a Prospectus, as then amended and supplemented, to the person asserting any losses, claims, liabilities, expenses or damages caused by any untrue statement or alleged untrue statement of a material fact contained in such preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such material misstatement or omission or alleged material misstatement or omission was cured in the Prospectus, as amended and supplemented, and such Prospectus was required by law to be delivered at or prior to the written confirmation of sale to such person. This indemnity agreement will be in addition to any liability that the Company might otherwise have.

(2) CF&Co agrees to indemnify and hold harmless the Company and its directors and each officer of the Company who signed the Registration Statement, and each person, if any, who (x) controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act or (y) is controlled by or is under common control with Company (a "Company Affiliate") against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendments thereto) or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by CF&Co expressly stating that such information is intended for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(3) Any party that proposes to assert the right to be indemnified under this Section 9 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 9, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers erved, but the omission to so notify such indemnifying party will not relieve the indemnifying party from (i) any liability that it might have to any indemnified party otherwise than under this Section 9 or (ii) any liability that it may have to any indemnified party under the foregoing provision of this Section 9 unless, and only to the extent that, such omission results in the forfeiture of substantive rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and such indemnified party notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in the defense of any such action and, to the extent that it elects, by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel reasonably satisfactory to the indemnified party, and after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (3) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (4) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, beliable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly as they are incurred. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent. No indemnifying party shall, without the prior written consent of each indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated by this Section 9 (whether or not any indemnified party is a party thereto), unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising or that may arise out of such claim, action or proceeding. Notwithstanding any other provision of this Section 9(c), if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel for which it is entitled to reimbursement pursuant to this Section 9(c), such indemnifying

party agrees that it shall be liable for any settlement effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into, and (iii) such indemnifying party shall not have eimbursed such indemnified party in accordance with such request prior to the date of such settlement; provided that an indemnifying party shall not be liable for any such settlement effected without its consent if such indemnifying party, at least five days prior to the date of such settlement, (1) reimburses such indemnified party in accordance with such request for the amount of such fees and expenses of counsel as the indemnifying party believes in good faith to be reasonable and (2) provides written notice to the indemnified party that the indemnifying party disputes in good faith the reasonableness of the unpaid balance of such fees and expenses.

(4) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in the foregoing paragraphs of this Section 9 is applicable in accordance with its terms but for any reason is held to be unavailable from the Company or CF&Co, the Company and CF&Co will contribute to the total losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted) to which the Company and CF&Co may be subject in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and CF&Co on the other hand from the offering of the Shares pursuant to this Agreement. The relative benefits received by the Company on the one hand and CF&Co on the other hand in connection with the offering of the Shares pursuant to this Agreement shall be deemed to be in the same respective proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total compensation (before deducting expenses) received by CF&Co from the sale of Shares on behalf of the Company. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Company, on the one hand, and CF&Co, on the other hand, with respect to the statements or omission which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or CF&Co, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and CF&Co agree that it would not be just and equitable if contributions pursuant to this Section 9(d) were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense, or damage, or action in respect thereof, referred to above in this Section 9(d) shall be deemed to include, for the purpose of this Section 9(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim to the extentconsistent with

Section 9(c) hereof. Notwithstanding the foregoing provisions of this Section 9(d), CF&Co shall not be required to contribute any amount in excess of the commissions received by it under this Agreement and no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 9(d), any person who controls a arty to this Agreement within the meaning of the Act, and any officers, directors, partners, employees or agents of CF&Co, will have the same rights to contribution as that party, and each officer of the Company who signed the Registration Statement will have the same rights to contribution as the Company, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 9(d), will notify any such party or parties from whom contribution may be sought, but the omission to so notify will not relieve that party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 9(d). Except for a settlement entered into pursuant to the last sentence of Section 9(c) hereof, no party will be liable for contribution with respect to any action or claim settled without its written consent if such consent is required pursuant to Section 9(c) hereof.

10. Representations and Agreements to Survive Delivery. All representations and warranties of the Company herein or in certificates delivered pursuant hereto shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of CF&Co, any controlling persons, or the Company (or any of their respective officers, directors or controlling persons), (ii) delivery of the Shares and payment therefor or (iii) any termination of this Agreement.

11. Termination.

(1) CF&Co shall have the right by giving notice as hereinafter specified at any time to terminate this Agreement if (i) any Material Adverse Effect, or any development that has actually occurred and that is reasonably expected to cause a Material Adverse Effect has occurred which, in the reasonable judgment of CF&Co, may materially impair the investment quality of the Shares, (ii) the Company has failed, refused or been unable, at or prior to any Settlement Date, to perform any agreement on its part to be performed hereunder, (iii) any other condition of CF&Co's obligations hereunder is not fulfilled, (iv) any suspension or limitation of trading in the Shares on the New York Stock Exchange, or any setting of minimum prices for trading of the Shares on such exchange, has occurred, (v) any banking moratorium has been declared by federal or New York authorities or (vi) an outbreak or material escalation of major hostilities in which the United States is involved, a declaration of war by Congress or any other substantial national or international calamity or crisis has occurred that, in the reasonable judgment of CF&Co, makes it impractical or inadvisable to proceed with the completion of the sale of and payment for the Shares pursuant to this Agreement. Any such termination shall be without liability of any party to any other party except that the provisions of Section 7(g), Section 9, Section 10, Section 16 and Section 17 hereof shall remain in full force and effect notwithstanding such termination.

If CF&Co elects to terminate this Agreement as provided in this Section, CF&Co shall provide the required notice as specified herein.

(2) This Agreement may be terminated for any reason, at any time by either the Company or the CF&Co, upon giving 30 days' prior written notice of such termination to the other party hereto. Any such termination shall be without liability of any party to any other party xcept that the provisions of Section 7(g), Section 9, Section 10, Section 16 and Section 17 hereof shall remain in full force and effect notwithstanding such termination.

(3) This Agreement shall remain in full force and effect unless terminated pursuant to Section 11(a) or (b) above or otherwise by mutual agreement of the parties; provided that any such termination by mutual agreement shall in all cases be deemed to provide that Section 7(g), Section 9, Section 10, Section 16 and Section 17 shall remain in full force and effect.

(4) Any termination of this Agreement shall be effective on the close of business on the later of the date specified in such notice of termination or that date on which such notice of termination is deemed given; provided that any Shares sold hereunder prior to such termination date which have not settled prior to such termination date shall settle in accordance with the provisions of this Agreement.

12. Notices. All notices or other communications required or permitted to be given by any party to any other party pursuant to the terms of this Agreement shall be in writing and

if sent to CF&Co, shall be delivered to

> CF&Co at Cantor Fitzgerald & Co., 135 East 57th Street, 3rd Floor, New York, New York 10022, fax no. (212) 829-4972, Attention: Marc J. Blazer, Managing Director,
>
> with a copy to General Counsel, Steven Merkel, at the same address,
>
> and with a copy to Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036, fax no. (212) 735-2000, Attention Christopher J. Kell;

or if sent to the Company, shall be delivered to

> Puget Energy, Inc., 411 – 108th Avenue NE, Bellevue, Washington 98004-5515, fax no. (425) 462-3300, Attention: Donald E. Gaines, Vice President Finance & Treasurer,
>
> with a copy to Perkins Coie, LLP, 1201 Third Avenue, Suite 4800, Seattle, Washington 98101-3099, Attention: Andrew Bor.

Each party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose. Each such notice or other communication shall be deemed given (i) when delivered personally or by verifiable facsimile transmission (with an original to follow) on or before 4:30 p.m., eastern time, on a Business Day or, if such day is not a Business Day, on the next succeeding Business Day, (ii) on the next Business Day after timely delivery to a nationally-recognized overnight courier and (iii) on the usiness Day actually received if deposited in the U.S. mail (certified or registered mail, return receipt requested, postage prepaid). For purposes of this Agreement, "Business Day" shall mean any day on which the New York Stock Exchange and commercial banks in the city of New York are open for business.

13. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Company and CF&Co and their respective successors and the affiliates, controlling persons, officers and directors referred to in Section 9 hereof. References to any of the parties contained in this Agreement shall be deemed to include the successors and permitted assigns of such party. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement. Neither party may assign it rights or obligations under this Agreement without the prior written consent of the other party, provided, however, that CF&Co may assign its rights and obligations hereunder to an affiliate of CF&Co without obtaining the Company's consent, provided, further, that the Company may terminate this Agreement at any time following any such assignment by CF&Co.

14. Adjustments for Stock Splits. The parties acknowledge and agree that all share related numbers contained in this Agreement shall be adjusted to take into account any stock split, stock dividend or similar event effected with respect to the Shares.

15. Entire Agreement; Amendment; Severability. This Agreement constitutes the entire agreement and supersedes all other prior and contemporaneous agreements and undertakings, both written and oral, among the parties hereto with regard to the subject matter hereof. Neither this Agreement nor any term hereof may be amended except pursuant to a written instrument executed by the Company and CF&Co. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

16. Applicable Law; Consent to Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the principles of conflicts of laws. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection with any transaction contemplated hereby, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding,

any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof (certified or registered mail, return receipt requested) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient ervice of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

17. Waiver of Jury Trial. The Company and CF&Co each hereby irrevocably waives any right it may have to a trial by jury in respect of any claim based upon or arising out of this agreement or any transaction contemplated hereby.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed Agreement by one party to the other may be made by facsimile transmission.

If the foregoing correctly sets forth the understanding between the Company and CF&Co, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between the Company and CF&Co.

Very truly yours,

PUGET ENERGY, INC.

By: /s/ DONALD E. GAINES

Name: Donald E. Gaines
Title: Vice President Finance
and Treasurer

ACCEPTED as of the date
first-above written:

CANTOR FITZGERALD & CO.

By: /s/ MARC J. BLAZER

Name: Marc J. Blazer
Title: Managing Director &
Head of Investment Banking

By: /s/ STEPHEN MERKEL

Name: Stephen Merkel
Title: Executive Managing Director &
General Counsel

SCHEDULE 1

CANTOR FITZGERALD & CO. 299 Park Avenue New York, New York 10171

Date

Donald E. Gaines Vice President Finance & Treasurer Puget Energy, Inc. 411 108th Ave.
NE Bellevue, WA 8004-5515
VIA FACSIMILE

FORM OF PLACEMENT NOTICE

Dear_____:

This confirms our agreement to sell **[**xxx,xxx**]** shares of Puget Energy, Inc., a Washington corporation (the "Company") common stock, par value $.01 per share pursuant to the **CONTROLLED EQUITY OFFERING**SM Sales Agreement between the Company and Cantor Fitzgerald & Co. ("CF&Co.") dated July 10, 2003 (the "Agreement"). Terms used herein but not defined herein shall have the meanings set forth in the Agreements.

Number of Shares to be Sold: _____

Minimum Price at which Shares may be Sold: _____

Date(s) on which Shares may be Sold: _____

Underwriting Discount/Commission: _____

Manner and capacity in which Shares are to be Sold : _____

By executing this draw down notice, the parties agree to comply with the aforementioned agreements, and to execute the transaction as described herein:

Placements. The terms set forth in this Placement Notice will not be binding on the Company or CF&Co unless and until the Company delivers written notice of its acceptance of all of the terms of such Placement Notice (an "Acceptance"); provided, however, that neither the Company nor CF&Co will be bound by the terms of a Placement Notice unless the Company delivers to CF&Co an Acceptance with respect thereto prior to 4:30 p.m. (New York time) on the Business Day following the Business Day on which such Placement Notice is delivered to the Company. In the event of a conflict between the terms of the Sales Agreements and the terms of a Placement Notice, the terms of this Placement Notice will control.

Sale of Placement Shares by CF&Co. Subject to the terms and conditions of the Agreements, upon the Acceptance of a Placement Notice, and unless the sale of the Placement Shares described therein has been suspended or otherwise terminated in accordance with the terms of the Agreements, CF&Co will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such Placement Shares up to the amount specified, and otherwise in accordance with the terms of such Placement Notice.

CF&Co will provide written confirmation to the Company no later than the opening of the Trading Day next following the Trading Day on which it has made sales of Placement Shares hereunder setting forth the number of Placement Shares sold on such day, the compensation payable by the Company to CF&Co with respect to such sales, and the Net Proceeds (as defined below) payable to the Company.

CF&Co may sell the Placement Shares pursuant to the Plan of Distribution set forth in the Company's Registration Statement on Form S-3 (Reg. No. 333-2940-02), as the same may be amended and supplemented from time-to-time, which covers sales of securities in accordance with the Agreement, except that if a specific method is set forth on the first page of this Placement Notice, in which case CF&Co may sell the Placement Shares only in accordance with that method. The Company acknowledges and agrees that (i) there can be no assurance that CF&Co will be successful in selling Placement Shares, and (ii) CF&Co will incur no liability or obligation to the Company or any other person or entity if it does not sell Placement Shares for any reason other than a failure by CF&Co to use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such Placement Shares. For the purposes hereof, "Trading Day" means any day on which Common Stock is purchased and sold on the New York Stock Exchange.

Suspension of Sales. The Company or CF&Co may, upon notice to the other party in writing or by telephone (confirmed promptly by verifiable facsimile transmission), suspend any sale of Placement Shares; provided, however, that such suspension shall not affect or impair either party's obligations with respect to any Placement Shares sold hereunder prior to the giving of such notice. The Company agrees that no such notice shall be effective against CF&Co unless it is made to one of the individuals named on Schedule 2 to the Agreement, as such Schedule may be amended from time to time.

Settlement of Placement Shares. Unless otherwise specified herein settlement for sales of Placement Shares will occur on the third (3rd) Business Day (or such earlier day as is industry practice for regular-way trading) following the date on which such sales are made (each a "Settlement Date"). The amount of proceeds to be delivered to the Company on a Settlement Date against the receipt of the Placement Shares sold ("Net Proceeds") will be equal to the aggregate sales price at which such Shares were sold, after deduction for CF&Co's commission, discount, or other compensation for such sales payable by the Company.

Delivery of Shares. On or before each Settlement Date, the Company will, or will cause its transfer agent to, electronically transfer the Placement Shares being sold by crediting CF&Co's or its designee's account at The Depository Trust Company through its Deposit Withdrawal Agent Commission System or by such other means of delivery as may be mutually agreed upon by the parties hereto and, upon receipt of such Shares, CF&Co will deliver the related Net Proceeds in same day funds delivered to an account designated by the Company prior to the Settlement Date. If the Company defaults in its obligation to deliver Shares on a Settlement Date, the Company agrees that in addition to and in no way limiting the rights and obligations set forth in Section 9(a) of the Agreements, it will (i) hold CF&Co harmless against any loss, claim, damage, or expense (including reasonable legal fees and expenses), as incurred, arising out of or in connection with such default by the Company and (ii) pay to CF&Co any commission, discount, or other compensation to which it would otherwise have been entitled absent such default.

Very truly yours,

CANTOR FITZGERALD & CO

By:_____
Marc J. Blazer
Managing Director

By executing this Acceptance the undersigned certifies that (i) all of the representations and warranties contained in the Agreement are true and correct on the date hereof as if made on the date hereof, (ii) the Board of Directors (or a duly authorized committee thereof) has approved the terms and conditions of contained in the Placement Notice, (iii) the Company is in full compliance with its obligations under the Agreement and (iv) all of the conditions precedent to the consummations of the sales contemplated by the current Placement Notice have been satisfied. The undersigned undertakes to promptly notify CF&Co in the event that the above certification shall cease to be true and correct during any period in which sales may be made under this Placement Notice.

ACCEPTED as of the date
first-above written:

PUGET ENERGY, INC.

By:_____
Name:
Title:

SCHEDULE 2

	Title
Philip Marber	President and CEO
Marc Blazer	Managing Director
Stephen Merkel	General Counsel
Jeffrey Lumby	Director
Patrice McNicoll	Vice President

Exhibit 8(e)(1)

Matters to be covered by initial Company Counsel Opinion

(i) The Company has been duly incorporated and is validly existing as a corporation under the laws of the State of Washington. Each of Puget Sound Energy, Inc. and InfrastruX Group, Inc. (collectively, the "Subsidiaries") has been duly incorporated and is validly existing as a corporation under the laws of the State of Washington.

(ii) The Company has full corporate power and authority to own its properties and conduct its business as described in the Registration Statement and Prospectus. Each of the Subsidiaries has full corporate power and authority to own its properties and conduct its business as described in the Registration Statement and Prospectus.

(iii) The Company and each Subsidiary is qualified to do business in the states set forth on Schedule A hereto.

(iv) The Sales Agreement has been duly authorized, executed, and delivered by the Company.

(v) The execution and delivery of the Sales Agreement by the Company will not result in the violation by the Company of its Articles of Incorporation or Bylaws, the Articles of Incorporation or Bylaws of any Subsidiary or the Washington Business Corporation Act or any federal or Washington state statute, rule or regulation known to us to be applicable to the Company (other than federal or state securities laws, which are specifically addressed elsewhere herein) or in the breach of or a default under any of the Agreements listed on the Exhibit Index to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and to the best of our knowledge no consent, approval, authorization or order of, or filing with, any federal or Washington state court or governmental agency or body is required for the consummation of the issuance and sale of the Shares by the Company pursuant to the Sales Agreement, except such as have been obtained under the Act and such as may be required under state securities laws.

(vi) The Shares to be issued and sold by the Company pursuant to the Sales Agreement have been duly authorized, and, when issued and delivered to and paid for by the purchasers thereof in accordance with the terms of the Sales Agreement and a Placement Notice approved the Company's Board of Directors (or a duly authorized committee thereof) and accepted by a duly authorized officer of the Company, will be validly issued, fully paid and nonassessable and, to the best of our knowledge, free of preemptive rights.

(vii) The Registration Statement has become effective under the Act and, to our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted by the Commission.

(viii) The Registration Statement, when it became effective, and the Prospectus and any amendment or supplement thereto filed on or before on the date hereof, on the date of filing thereof with the Commission, complied as to form in all material respects with the requirements for registration statements on Form S-3 under the Act and the rules and regulations of the Commission thereunder, and each of the documents incorporated by reference in the Registration Statement or the Prospectus, or any amendment or supplement thereto, in each case, filed on or before the date hereof, on the date of filing thereof with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; it being understood, however, that we express no opinion with respect to the financial statements, schedules or other financial data included or incorporated by reference in, or omitted from, the Registration Statement or the Prospectus or any other document. In passing upon the compliance as to form of the Registration Statement and the Prospectus and any other document, we have assumed that the statements made and incorporated by reference therein are correct and complete.

(ix) The statements set forth in the Prospectus under the captions “Description of Capital Stock” and “Plan of Distribution,” insofar as such statements constitute a summary of legal matters and documents referred to therein, are accurate in all material respects.

(x) To our knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending or threatened to which the Company is a party required to be described in the Prospectus that are not described as required.

(xi) The Company is not an “investment company,” as such term is defined in the Investment Company Act of 1940, as amended.

In addition, we have participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company, and your representatives, at which the contents of the Registration Statement and the Prospectus and related matters were discussed and, although we are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained or incorporated by reference in the Registration Statement and the Prospectus and have not made any independent check or verification thereof, during the course of such participation, no facts came to our attention that caused us to believe that the Registration Statement, at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus (including the Incorporated Documents), as of its date, contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that we express no belief with respect to the financial statements, schedules and other financial and statistical data included or incorporated by reference in the Registration Statement or the Prospectus.

* Note: “Registration Statement” and “Prospectus” will be defined to include documents incorporated by reference therein (“Incorporated Documents”).

Exhibit 8(e)(2)

Matters to be covered by subsequent Company Counsel Opinions

(i) The Registration Statement has become effective under the Act and, to our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted by the Commission.

(ii) The Registration Statement, when it became effective, and the Prospectus and any amendment or supplement thereto, on the date of filing thereof with the Commission, complied as to form in all material respects with the requirements for registration statements on Form S-3 under the Act and the rules and regulations of the Commission thereunder, and each of the documents incorporated by reference in the Registration Statement or the Prospectus, or any amendment or supplement thereto, on the date of filing thereof with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; it being understood, however, that we express no opinion with respect to the financial statements, schedules or other financial data included or incorporated by reference in, or omitted from, the Registration Statement or the Prospectus or any other document. In passing upon the compliance as to form of the Registration Statement and the Prospectus and any other document, we have assumed that the statements made and incorporated by reference therein are correct and complete.

In addition, we have participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company, and your representatives, at which the contents of the Registration Statement and the Prospectus and related matters were discussed and, although we are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained or incorporated by reference in the Registration Statement and the Prospectus and have not made any independent check or verification thereof, during the course of such participation, no facts came to our attention that caused us to believe that the Registration Statement, at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus (including the Incorporated Documents), as of its date, contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that we express no belief with respect to the financial statements, schedules and other financial and statistical data included or incorporated by reference in the Registration Statement or the Prospectus.

* Note: “Registration Statement” and “Prospectus” will be defined to include documents incorporated by reference therein (“Incorporated Documents”).

EXHIBIT 1.6

DISTRIBUTION AGREEMENT

July 10, 2003

Banc One Capital Markets, Inc.
1 Bank One Plaza
21st Floor, Suite 1L1-0491
Chicago, IL 60670
Attention: Sudheer Tegulapalle

Ladies and Gentlemen:

Puget Energy, Inc., a Washington corporation (the "Company"), confirms its agreement with Banc One Capital Markets, Inc., as agent ("you" or the "Agent") with respect to the issuance and sale from time to time by the Company, in the manner and subject to the terms and conditions described below, up to an aggregate of 3,500,000 shares (the "Maximum Number of Shares") of common stock, $0.01 par value per share (the "Common Stock"), of the Company. Such shares are hereinafter collectively referred to as the "Shares." The Shares are described in the Prospectus referred to below.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-82940-02) for the registration of at least the Maximum Number of Shares, under the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Act"), and the offering of the Shares from time to time in accordance with Rule 415 under the Act, and, if necessary, the Company will file such post-effective amendments thereto as may be required prior to any sale of Shares by the Company. Such registration statement has been declared effective by the Commission and is referred to herein (as it may be amended from time to time, if applicable) as the "Registration Statement." The final prospectus and all applicable amendments or supplements thereto, in the form first furnished to the Agent, are collectively referred to herein as the "Prospectus." All references to the "Registration Statement" and the "Prospectus" also shall be deemed to include all documents incorporated therein by reference pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"); provided, that if the Company files a registration statement with the Commission pursuant to Rule 462(b) under the Act (the "Rule 462(b) Registration Statement"), then, after such filing, all references to the "Registration Statement" also shall be deemed to include the Rule 462(b) Registration Statement. A "preliminary prospectus" shall be deemed to refer to any prospectus used before the registration statement became effective and any prospectus furnished by the Company after the registration statement became effective which omitted information to be included in a form of prospectus filed with the Commission pursuant to Rule 424(b) under the Act. For purposes of this Agreement, all references to the Registration Statement, Prospectus or preliminary prospectus or to any amendment or supplement thereto shall be deemed to include any copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

The Company and the Agent agree as follows:

1. Issuance and Sale.

(a) Upon the basis of the representations and warranties and subject to the terms and conditions set forth herein and provided the Company provides the Agent with any due diligence materials and information requested by the Agent necessary for the Agent to satisfy its due diligence obligations, on any Exchange Business Day (as defined below) selected by the Company, (A) with respect to purchases by the Agent as principal, the Company and the Agent shall enter into an agreement regarding the number of Shares to be purchased by the Agent and the manner in which and other the terms upon which such sale is to occur (each such transaction being referred to as a "Principal Transaction"), and (B) with respect to purchases by the Agent as agent, the Company and the Agent shall enter into an agreement regarding the number of Shares to be placed by the Agent and the manner in which and other terms upon which such placement is to occur (each such transaction being referred to as an "Agency Transaction"). As used in this Agreement, (i) the "Term" shall be the period commencing on the date hereof and ending on the earlier of (x) December 31, 2004, (y) the date on which the Maximum Number of Shares have been issued and sold pursuant to the Agreement and (z) the termination of this Agreement pursuant to Section 9 or 10 (the "Termination Date"), (ii) an "Exchange Business Day" means any day during the Term that is a trading day for the Exchange other than a day on which trading on the Exchange is scheduled to close prior to its regular weekday closing time, and (iii) "Exchange" means the New York Stock Exchange, Inc.

(b) Subject to the terms and conditions set forth below, the Company appoints the Agent as Agent in connection with the offer and sale of Shares in any Agency Transactions entered into hereunder. The Agent will use commercially reasonable efforts to sell such Shares in accordance with the terms and conditions hereof and of the applicable Transaction Notice (as defined below). The Company and the Agent agree that any Shares, the placement of which the Agent arranges, shall be placed by such Agent in reliance on the representations, warranties, covenants and agreements of the Company contained herein and shall be subject to the terms and conditions set forth herein and in the applicable Transaction Notice. The Agent shall not have any obligation to enter into an Agency Transaction and shall only be obligated to endeavor, as provided herein and in the applicable Transaction Notice, to place Shares issued by the Company if and when such an Agency Transaction is entered into between the Agent and the Company pursuant to Section 3 below.

(c) Except in the case of an Agency Transaction executed pursuant to Section 1(d) below, following acceptance of a Transaction Notice by the Company, the Agent will communicate to the Company, orally, each offer to purchase Shares solicited by such Agent on an agency basis. The Agent shall have the right, in its sole discretion, reasonably exercised, to reject any proposed purchase of Shares, as a whole or in part, by persons solicited by the Agent and any such rejection shall not be deemed a breach of the Agreement contained herein. The Company may accept

or reject any proposed purchase of the Shares, in whole or in part, and no such rejection shall be deemed a breach of the Company's agreement herein.

(d) The Company and the Agent may agree that the Shares to be placed by the Agent in an Agency Transaction shall be sold in a manner constituting an "at-the-market offering" as defined in Rule 415 promulgated under the Act. In such case, the Agent will confirm in writing to the Company the number of Shares sold on any Exchange Business Day no later than the opening of trading on the immediately following Exchange Business Day.

(e) The Agent shall make reasonable efforts to assist the Company in obtaining performance by each purchaser whose offer to purchase Shares has been solicited by the Agent and accepted by the Company. If the Company shall default on its obligation to deliver Shares to a purchaser whose offer it has accepted, the Company shall (i) hold the Agent harmless against any loss, claim or damage arising from or as a result of such default by the Company and (ii) notwithstanding such default, pay to such Agent any fee to which it would otherwise be entitled in connection with such sale.

2. Purchases as Principal.

(a) Any purchases of Shares to be made by the Agent in a Principal Transaction shall be expressly agreed on by the Company and the Agent. Except to the extent otherwise agreed in writing by the Agent, the Agent's commitment to purchase Shares as principal shall be deemed to have been made on the basis of the representations, warranties and covenants contained herein and shall be subject to the terms and conditions set forth herein and in the applicable Transaction Notice.

(b) For each Principal Transaction, the Company shall sell to the Agent, and the Agent agrees to purchase from the Company, the number of Shares determined in the manner and on the terms set forth below and in the applicable Transaction Notice. The Agent intends to resell the Shares purchased under this Agreement in transactions constituting an "at-the-market offering" as defined in Rule 415 promulgated under the Act or in such other manner as may be provided in the Prospectus and agreed in the applicable Transaction Notice, and may engage in sales of Common Stock, including short sales, in advance of or on the Purchase Date (as defined below) for any Shares deliverable pursuant to a Transaction Notice.

(c) Neither the Company nor the Agent shall have any obligation to enter into a Principal Transaction and shall only be obligated, as provided herein and in the applicable Transaction Notice, to sell Shares to the Agent or purchase Shares from the Company, as applicable, if and when such a Principal Transaction is entered into between the Agent and the Company pursuant to Section 3 below.

3. Transaction Notices.

(a) The Company may, from time to time during the Term, propose to the Agent that they enter into an Agency Transaction or Principal Transaction to be executed on a specified Exchange Business Day. If the Agent agrees to the terms of such proposed Transaction or if the Company and the Agent mutually agree to modified terms for such proposed Transaction, then the Agent shall promptly send to the Company a notice, substantially in the form of Exhibit A hereto (each, a "Transaction Notice"), confirming the agreed terms of such proposed Transaction. If the Company wishes such proposed Transaction to become a binding agreement between it and the Agent, the Company shall promptly indicate its acceptance thereof by countersigning and returning such Transaction Notice to the Agent or sending a written notice to the Agent (by any means permissible under Section 12 hereof) indicating its acceptance; provided that the Agent may specify a time by which such acceptance must be received in order for the Agent to be bound thereby. The terms reflected in a Transaction Notice shall become binding on the Agent and the Company only if accepted by the Company. In the event of a conflict between the terms of this Agreement and the terms of a Transaction Notice, the terms of the Transaction Notice will control. Each Transaction Notice shall specify, among other things:

(i) whether the Transaction is an Agency Transaction or a Principal Transaction;

(ii) the Exchange Business Day on which the Shares subject to such Agency or Principal Transaction are intended to be sold (the "Purchase Date");

(iii) the minimum price, if any, at which Shares may be sold;

(iv) unless otherwise agreed by the parties, the number of Shares that the Company intends to sell (the "Specified Number of Shares") on such Purchase Date, which shall be no more than 25% of the average daily trading volume in the Common Stock on the Exchange for the thirty (30) Exchange Business Days preceding the date of delivery of the Transaction Notice, except as otherwise agreed in writing by the Agent in its sole discretion; and

(v) whether the Company will grant the Agent the right to elect to purchase additional Shares in accordance with subsection (c) below.

A Transaction Notice shall not set forth a Specified Number of Shares that, when added to the aggregate number of Shares previously purchased and to be purchased pursuant to pending Transaction Notices (if any) hereunder, results in a total that exceeds the Maximum Number of Shares. The Company shall have responsibility for maintaining records with respect to the aggregate principal amount of Shares sold, or for otherwise monitoring the availability of Shares for sale under the Registration Statement. The Company may propose only one Transaction and agree to only one Transaction Notice with respect to any Purchase Date. A

Transaction Notice conforming to the foregoing requirements, once accepted by the Company, shall be irrevocable (unless otherwise specified in such Transaction Notice), and the Company shall be obligated to sell the Specified Number of Shares (subject to increase pursuant to paragraph (c) below) and the Agent shall be obligated, subject to the terms of and satisfaction of the conditions set forth in this Agreement and such Transaction Notice, including but not limited to Section 1(e), to (x) in case of an Agency Transaction, use its commercially reasonable efforts to solicit offers for the Shares, and (y) in case of Principal Transactions, purchase such Shares in accordance with the terms and conditions of this Agreement and such Transaction Notice. Notwithstanding the foregoing, if the terms of any Agency or Principal Transaction contemplate that Shares shall be sold on more than one Purchase Date, then the Company and the Agent shall mutually agree to such additional terms and conditions as they deem necessary in respect of such multiple Purchase Dates, and such additional terms and conditions shall be set forth in the relevant Transaction Notice and be binding to the same extent as any other terms contained therein.

(b) Unless otherwise specified in a Transaction Notice, the Purchase Date in respect of the Shares deliverable pursuant to any Transaction Notice shall be the Exchange Business Day next following the date on which such Transaction Notice is accepted if such acceptance occurs by 4:30 p.m. (New York time on such acceptance date); provided that if a Transaction Notice is accepted prior to 8:30 a.m. (New York time) on an Exchange Business Day (or by such later time as the Agent may agree in its sole discretion), the Purchase Date in respect of such Shares shall be such date of acceptance. For Principal Transactions, the price per Share for the sale and purchase of any such Shares pursuant to this Agreement shall be the price per Share agreed upon between the Company and the Agent in the Transaction Notice, which price shall be based on the volume weighted average price of the Shares as reported by Bloomberg LP (the "Gross Sale Price"), less the Agent's commission of 2.25% of the Gross Sale Price for all Shares sold and purchased as principal on such Purchase Date. For Agency Transactions, the commission shall be 2.25% of the Gross Sale Price.

(c) If specified in a Transaction Notice for a Principal Transaction, the Agent will have the option to elect, by notice to the Company delivered not later than 4:30 p.m. (New York time) on the relevant Purchase Date, to increase the number of Shares to be sold by the Company and purchased by the Agent acting as principal on such Purchase Date, provided that such number of Shares to be sold by the Company shall not exceed two times the Specified Number of Shares; and provided further that such number of Shares to be sold by the Company, when added to the aggregate number of Shares previously purchased and to be purchased pursuant to pending Transaction Notices (if any) hereunder, shall not exceed the Maximum Number of Shares. The Specified Number of Shares to be sold by the Company on any Purchase Date, as it may be increased pursuant to this paragraph (c), is hereinafter referred to as the "Purchased Number of Shares" in respect of such Purchase Date.

(d) Unless otherwise specified in a Transaction Notice, if the Purchased Number of Shares for any Purchase Date exceeds 50% of the total number of shares of Common Stock traded on the Exchange during regular trading hours on the Purchase Date, the Purchased Number of Shares shall be reduced to 50% of such total number of shares traded.

(e) Payment of the purchase price for Shares sold by the Company on any Purchase Date pursuant to a Transaction Notice shall be made to the Company by federal funds wire transfer to an account designated by the Company against delivery of such Shares to: (x) the accounts specified in writing by the Agent for sales made by the Agent acting as agent, or (y) the Agent through the facilities of the Depository Trust Company for purchase from the Company by the Agent acting as principal. Such payment and delivery shall be made at or about 10:00 a.m., local time in New York, New York, on the third Exchange Business Day following each Purchase Date (the "Closing Date"). If the Company fails for any reason to make timely delivery of such Shares, the Company shall indemnify the Agent and its successors and assigns and hold them harmless from and against any loss, damage, expense, liability or claim that the Agent may incur as a result of such failure.

4. Representations and Warranties of the Company. The Company represents and warrants to the Agent, on and as of (i) the date hereof, (ii) each date on which the Company delivers a Transaction Notice to the Agent, (iii) each Purchase Date, and (iv) each Closing Date (each such date listed in (i) through (iv), a "Representation Date") that:

(a) the Common Stock is registered pursuant to Section 12(b) of the 1934 Act. The Common Stock is currently listed and quoted on the Exchange under the trading symbol "PSD". The Company (i) meets the requirements for use of Form S-3 under the Act and the rules and regulations thereunder ("Rules and Regulations") for the registration of the transactions contemplated by this Agreement and (ii) has been subject to the requirements of Section 12 of the 1934 Act and has timely filed all the material required to be filed pursuant to Section 13 and 14 of the 1934 Act for a period of more than twelve (12) calendar months and if, during such period, the Company has relied on Rule 12b-25(b) under the 1934 Act ("Rule 12b-25(b)") with respect to a report or a portion of a report, that report or portion of a report has actually been filed within the time period prescribed by Rule 12b-25(b). Any amendment or supplement to the Registration Statement or Prospectus required by this Agreement will be so prepared and filed by the Company, and the Company will use reasonable efforts to cause it to become effective as soon as reasonably practicable. No stop order suspending the effectiveness of the Registration Statement has been issued, and, to the knowledge of the Company, no proceeding for that purpose has been instituted or threatened by the Commission. Copies of all filings made by the Company under the Act which are incorporated by reference (or deemed to be incorporated) into the Prospectus on or prior to date hereof have been delivered to Morrison & Foerster LLP, counsel to the Agent ("Counsel to the Agent");

(b) each part of the Registration Statement, when such part became or becomes effective, and the Prospectus, on the date of filing thereof with the Commission and at each Representation Date, conformed or will conform in all material respects with the requirements of the Act; each part of the Registration Statement, when such part became or becomes effective, did not or will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus, on the date of filing thereof with the Commission and at each Representation Date, did not or will not include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the foregoing shall not apply to statements or omissions in any such document made in reliance on information furnished to the Company by the Agent specifically stating that it is intended for use in the Registration Statement, the Prospectus, or any amendment or supplement thereto;

(c) the documents incorporated by reference in the Registration Statement or the Prospectus, or any amendment or supplement thereto (the "Disclosure Documents"), when they became effective under the Act or were filed with the Commission under the 1934 Act, as the case may be, conformed in all material respects with the requirements of the Act or the 1934 Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the 1934 Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; except that the foregoing will not apply to statements or omissions in any such document made in reliance on information furnished to the Company by the Agent specifically stating that it is intended for use in any such document;

(d) the consolidated financial statements and financial schedules of the Company and its subsidiaries, including Puget Sound Energy, Inc., a Washington corporation wholly-owned by the Company ("PSE"), and its subsidiaries, together with the related notes set forth or incorporated by reference in the Registration Statement and Prospectus, have been and will be prepared in accordance with Regulation S-X under the Act and with generally accepted accounting principles consistently applied at the times and during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present and will fairly present the consolidated financial position of the Company and PSE as of the dates thereof and the results of its operations and cash flows for the periods then ended

(subject, in the case of unaudited statements, to normal year-end adjustments). The selected financial and statistical data included or incorporated by reference in the Registration Statement and the Prospectus present fairly the information shown therein and, to the extent based upon or derived from the financial statements, have been compiled on a basis consistent with the financial statements presented therein. Any pro forma financial statements of the Company and its subsidiaries, in each case including the related notes thereto, included or incorporated by reference in the Registration Statement and the Prospectus, present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the basis described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. No other financial statements are required to be set forth or to be incorporated by reference in the Registration Statement or the Prospectus under the Act;

(e) the Company has been duly incorporated and is validly existing as a corporation under the laws of the state of Washington with full power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and Prospectus; and the Company is duly qualified as a foreign entity to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure, individually or in the aggregate, to be so qualified and be in good standing would not reasonably be expected to have a material adverse effect on (i) the consolidated business, operations, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole, (ii) the transactions contemplated hereby, (iii) the Shares or (iv) the ability of the Company to perform its obligations under this Agreement (collectively, a "Material Adverse Effect"). The Company has full corporate power and authority necessary to own, hold, lease and/or operate its assets and properties, to conduct the business in which it is engaged and as described in the Prospectus and to enter into and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The Company is in compliance in all material respects with the laws, orders, rules, regulations and directives applicable to it. Complete and correct copies of the articles of incorporation and of the bylaws of the Company and all amendments thereto have been delivered to the Counsel to the Agent;

(f) (1) each direct or indirect subsidiary of the Company, including PSE (each a "Subsidiary" and collectively "Subsidiaries"), has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement and Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of

business, except where the failure to be so qualified would not reasonably be expected to have a Material Adverse Effect. Each of the Subsidiaries is in compliance in all material respects with the laws, orders, rules, regulations and directives applicable to it;

(2) the Company has no "significant subsidiaries" (as such term is defined in Rule 1-02 of Regulation S-X promulgated under the Act) as of the date of this Agreement, other than PSE, although the Company anticipates that InfrastruX Group, Inc. ("InfrastruX") will be a "significant subsidiary" in the future (collectively with PSE, the "Material Subsidiaries"). The Material Subsidiaries are the Company's only direct Subsidiaries. Complete and correct copies of the articles of incorporation and of the bylaws of the Material Subsidiaries and all amendments hereto have been delivered to Counsel to the Agent;

(3) all of the outstanding shares of common stock of each of the Material Subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable. All of the outstanding shares of common stock of PSE are wholly owned by the Company, and all of the outstanding shares of capital stock of the Material Subsidiaries owned by the Company are owned free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or other equity or adverse claims (collectively, "Encumbrances"), except such (i) as are described in the Prospectus or (ii) that do not singly or in the aggregate materially affect the value of such capital stock or the Company's ownership interest in such capital stock. No options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligation into shares of common stock of PSE are outstanding;

(g) the Company has an authorized capitalization as set forth in its most recent Annual Report on Form 10-K and will have an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and have been issued in compliance with all applicable federal and state securities laws. Except as disclosed in the Prospectus, no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligation into shares of Common Stock are outstanding;

(h) the Shares have been duly authorized and, when issued, delivered and paid for pursuant to this Agreement, will be validly issued and fully paid and non-assessable, free and clear of all Encumbrances; the capital stock of the Company, including the Shares, conforms in all material respects to the description thereof contained in the Registration Statement and the Shares will conform in all material respects to the description thereof contained in the Prospectus as amended or supplemented. Neither the shareholders of the Company, nor any other person or entity have any preemptive rights or rights of first refusal with respect to the Shares or other rights to purchase or receive any of the Shares, and no person has the right, contractual or otherwise, to cause the Company to issue to it, or register

pursuant to the Act, any shares of capital stock or other securities or assets of the Company upon the issuance or sale of the Shares;

(i) subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (i) neither the Company nor any of its Subsidiaries has incurred any liabilities or obligations, direct or contingent, or entered into any transactions, not in the ordinary course of business, that are material to the Company and its Subsidiaries taken as a whole, and (ii) there has not been any development that has caused a Material Adverse Effect, or any development reasonably likely to cause a Material Adverse Effect;

(j) except as set forth in the Prospectus, there is no claim, litigation or administrative proceeding or inquiry pending, or, to the Company's knowledge, threatened against the Company or any of its Subsidiaries, or, to the Company's knowledge, against any officer, director or employee of the Company or any Subsidiary in connection with such person's employment therewith that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect;

(k) there are no legal or governmental proceedings, contracts or documents of the Company or any of its Subsidiaries that are required to be described in or filed as exhibits to the Registration Statement or any of the documents incorporated by reference therein by the Act or the 1934 Act or by the rules and regulations of the Commission thereunder that have not been so described or filed as required;

(l) subject to approval of each Transaction Notice by the Company's Board of Directors (or duly authorized committee thereof), all necessary action has been duly and validly taken by the Company to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly and validly authorized, executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether applied in a proceeding at law or in equity);

(m) neither the Company nor any of its Subsidiaries is in violation of any provisions of its charter, bylaws or any other governing document as amended and in effect on and as of the date hereof or in default (and no event has occurred which, with notice or lapse of time or both, would constitute a default) under any indenture, mortgage, deed of trust, loan or credit agreement or any provision of any instrument or contract to which it is a party or by which it is bound, except for such violations or defaults that, individually and collectively, would not reasonably be expected to result in a Material Adverse Effect;

(n) executing and delivering this Agreement and the issuance and sale of the Shares and the compliance by the Company with all of the provisions of this Agreement

and the consummation of the transactions contemplated herein will not result in (i) a breach or violation of any of the terms and provisions of, or constitute a default under, any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan or credit agreement or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them is bound or to which any of the property of the Company or any of its Subsidiaries is subject, except for such breaches or violations that would not reasonably be expected to have a Material Adverse Effect, (ii) a violation of the Company's charter or by-laws, or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its Subsidiaries or any of its properties, except for such violations that would not reasonably be expected to have a Material Adverse Effect, or (iii) the creation of any Encumbrance upon any assets of the Company or of any of its Subsidiaries or the triggering of any preemptive or anti-dilution rights or rights of first refusal or first offer, or any similar rights (whether pursuant to a "poison pill" provision or otherwise), on the part of holders of the Company's securities or any other person;

(o) the Company and its Subsidiaries are in compliance with all laws, statutes, ordinances, regulations, rules and orders of any foreign, federal, state or local government and any other governmental department or agency, and any judgment, decision, decree or order of any court or governmental agency, department or authority, except for such violations or noncompliance which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect;

(p) the Company and its Subsidiaries possess such licenses, permits, consents, orders, certificates or authorizations issued by the appropriate federal, state, foreign or local regulatory agencies or bodies necessary to conduct their business as described in the Prospectus except for licenses, permits, consents, orders, certificates, authorizations, approvals, franchises or rights, the absence of which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; the Company and its Subsidiaries have not received any notice of proceedings or investigations relating to the revocation or modification of any such licenses, permits, consents, orders, certificates, authorizations, approvals, franchises or rights which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a Material Adverse Effect. No consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the issue and sale of the Shares and the consummation by the Company of the transactions contemplated by this Agreement, except the filing with the Commission of the Registration Statement (including the Prospectus) and amendments and supplements to the Registration Statement and Prospectus related to the issue and sale of the Shares and such consents, approvals, authorizations, registrations or qualifications as have already been obtained or made or as may be required under state securities or blue sky laws;

(q) except as described in the Prospectus, to the best of the Company's knowledge, the Company carries, or is covered by, insurance in such amounts and covering such risks as is prudent, reasonable and customary for companies engaged in similar businesses in similar industries;

(r) except as described in the Prospectus, the Company and each Subsidiary have obtained all material environmental permits, licenses and other authorizations required by federal, state, foreign and local law in order to conduct their businesses as described in the Prospectus; the Company and each Subsidiary are conducting their businesses in substantial compliance with such permits, licenses and authorizations and with applicable environmental laws, except where the failure to be in compliance would not reasonably be expected to have a Material Adverse Effect; and, except as described in the Prospectus, neither the Company nor any Subsidiary is in violation of any federal, state, foreign or local law or regulation relating to the storage, handling, disposal, release or transportation of hazardous or toxic materials except for such violations or noncompliance which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect;

(s) PricewaterhouseCoopers LLP, which has audited the financial statements of the Company and its Subsidiaries included in the Prospectus, is an independent public accountant as required by the Act;

(t) on each Representation Date, the Company shall be deemed to have confirmed that the Company has complied with all of the agreements to be performed by it hereunder at or prior to such date;

(u) the Company and each Material Subsidiary maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles as applied in the United States and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(v) the form of certificates evidencing the Shares (to the extent such Shares are certificated) is in due and proper form and complies with all applicable legal requirements and, in all material respects, with all applicable requirements of the charter and bylaws of the Company and the requirements of the Exchange;

(w) the Prospectus in paper format delivered to the Agent for use in connection with this offering will be identical in all material respects to the version of the Prospectus created to be transmitted to the Commission for filing via EDGAR, except to the extent permitted by Regulation S-T;

(x) the Company is not and, after giving effect to the offering and sale of the Shares, will not be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(y) except as disclosed in the Prospectus, there are no outstanding (i) securities or obligations of the Company or any of its Subsidiaries convertible into or exchangeable for any capital stock of the Company or any such Subsidiary (other than minority interests in InfrastruX), or (ii) warrants, rights or options to subscribe for or purchase from the Company or any such Subsidiary any such capital stock or any such convertible or exchangeable securities or obligations (other than minority interests in InfrastruX), or (iii) obligations of the Company or any such Subsidiary to issue any shares of capital stock, any such convertible or exchangeable securities or obligation, or any such warrants, rights or options (other than minority interests in InfrastruX);

(z) each of the Company, the Material Subsidiaries, and each of their respective officers, directors and controlling persons has not taken, and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(aa) the Company (i) is not required to register as a "broker" or "dealer" in accordance with the provisions of the 1934 Act or the rules and regulations thereunder, and (ii) directly, or indirectly through one or more intermediaries, does not control any member firm of the National Association of Securities Dealers, Inc. (the "NASD");

(bb) the Company has not relied upon the Agent or legal counsel for the Agent for any legal, tax or accounting advice in connection with the offering and sale of the Shares;

(cc) any certificate signed by any officer of the Company or any Subsidiary delivered to the Agent or to counsel for the Agent pursuant to or in connection with this Agreement shall be deemed a representation and warranty by the Company to the Agent as to the matters covered thereby;

(dd) to the Company's knowledge, all agreements between the Company or any of the Subsidiaries and third parties expressly referenced in the Prospectus are legal, valid and binding obligations of the Company or one or more of the Subsidiaries, enforceable in accordance with their respective terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity;

(ee) no relationship, direct or indirect, exists between or among the Company or any of the Subsidiaries, on the one hand, and the directors, officers, stockholders,

customers or suppliers of the Company or any of the Subsidiaries, on the other hand, which is required by the Act to be described in the Registration Statement and the Prospectus that is not so described;

(ff) with such exceptions as could not reasonably be expected to have a Material Adverse Effect on the Company and the Subsidiaries, taken as a whole, the Company and the Subsidiaries have good and marketable title in fee simple to all real property, if any, and good title to all personal property owned by them, in each case free and clear of all Encumbrances, except such as are disclosed in the Prospectus or such as do not materially and adversely affect the value of such property and do not interfere with the use made or proposed to be made of such property by the Company and the Subsidiaries; and any real property and buildings held under lease by the Company or any Subsidiary are held under valid, existing and enforceable leases, with such exceptions as are disclosed in the Prospectus or are not material and do not interfere with the use made or proposed to be made of such property and buildings by the Company or such Subsidiary;

(gg) each of the Company and the Subsidiaries have filed on a timely basis all material federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof and have paid all taxes shown as due thereon, except such taxes and related tax returns that are being contested in good faith; and, no tax deficiency has been asserted against any such entity, nor does any such entity know of any tax deficiency which is likely to be asserted against any such entity which if, determined adversely to any such entity, could have a Material Adverse Effect; all tax liabilities are adequately provided for on the respective books of such entities;

(hh) neither the Company nor any of the Subsidiaries nor, to the best of the Company's knowledge, any agent, officer or director purporting to act on behalf of the Company or any of the Subsidiaries has at any time; (i) made any contributions to any candidate for political office, or failed to disclose fully any such contributions, in violation of law, or (ii) made any payment to any state, federal or foreign governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or allowed by applicable law, or (iii) received or retained any funds in violation of law or of a character required to be disclosed in the Prospectus;

(ii) in connection with this offering, the Company has not offered and will not offer shares of its Common Stock or any other securities convertible into or exchangeable or exercisable for shares of Common Stock in a manner in violation of the Act; the Company has not distributed and will not distribute any offering material in connection with the offer and sale of the Shares, other than the Prospectus, Registration Statement and other materials permitted by the Act; and

(jj) the Company has not incurred any liability for any finder's fees or similar payments in connection with the transactions herein contemplated.

5. Certain Covenants of the Company. The Company hereby agrees with the Agent:

(a) during any period of time in which either a Transaction Notice is in effect or a Prospectus relating to the Shares is required to be delivered under the Act, to furnish to the Agent a copy of each such proposed amendment or supplement to the Registration Statement or the Prospectus (other than documents deemed to be incorporated by reference in the Registration Statement or Prospectus and prospectus supplements relating to the offering of securities, other than the Shares, registered under the Registration Statement) before filing any such amendment or supplement with the Commission;

(b) during any period of time in which either a Transaction Notice is in effect or a Prospectus relating to the Shares is required to be delivered under the Act, to make no post-effective amendment or supplement to the Registration Statement or the Prospectus (other than documents deemed to be incorporated by reference in the Registration Statement or Prospectus and prospectus supplements relating to the offering of securities, other than the Shares, registered under the Registration Statement) which shall have been reasonably disapproved by the Agent by notice in writing to the Company after notice thereof and reasonable opportunity to review and comment thereon;

(c) during any period of time in which either a Transaction Notice is in effect or a Prospectus relating to the Shares is required to be delivered under the Act, prepare and file with the Commission, promptly upon the Agent's request, any amendments or supplements to the Registration Statement or Prospectus that, in the Agent's opinion, may be necessary or advisable in connection with the distribution of the Shares by the Agent (provided, however, that the failure of the Agent to make such request shall not relieve the Company of any obligation or liability hereunder, or affect the Agent's right to rely on the representations and warranties made by the Company in this Agreement);

(d) to prepare a Prospectus Supplement, with respect to any Shares sold by the Company pursuant to this Agreement in a form previously approved by the Agent and to file such Prospectus Supplement pursuant to, and within the time periods required by, Rule 424(b) under the Act and to provide copies of such Prospectus Supplement to the Agent via e-mail in ".pdf" format on such filing date to an e-mail account designated by the Agent and, at the Agent's request, to also furnish copies of the Prospectus to each exchange or market on which sales were effected as may be required by the rules or regulations of such exchange or market;

(e) during any period of time in which either a Transaction Notice is in effect or a Prospectus relating to the Shares is required to be delivered under the Act, to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act, and during such same period to advise the Agent, promptly after the Company receives notice thereof, of the time when any amendment to the Registration Statement has been filed or has become effective or

any supplement to the Prospectus or any amended Prospectus has been filed with the Commission, or the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus relating to the Shares, or the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amendment or supplementation of the Registration Statement or Prospectus or for additional information; and

(f) in the event of the issuance of any such stop order or of any such order preventing or suspending the use of any Prospectus or suspending any such qualification, to use promptly its commercially reasonable efforts to obtain its withdrawal;

(g) to furnish such information as may be required and otherwise to cooperate in qualifying the Shares for offering and sale under the securities or blue sky laws of such states as the Agent may reasonably designate and to maintain such qualifications in effect so long as required for the distribution of the Shares; provided that the Company shall not be required to qualify as a foreign corporation, become a dealer of securities, or become subject to taxation in, or to consent to the service of process under the laws of any such state (except service of process with respect to the offering and sale of the Shares); and to promptly advise the Agent of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or the initiation of any proceeding for such purpose;

(h) to advise the Agent promptly after it shall have received notice or obtain knowledge thereof, of any information or fact that would alter or affect any opinion, certificate, letter or other document provided to the Agent pursuant to this Agreement;

(i) to make available to the Agent in Chicago, as soon as practicable after the Registration Statement becomes effective, and thereafter from time to time to furnish to the Agent, as many copies of the Prospectus (or of the Prospectus as amended or supplemented if the Company shall have made any amendments or supplements thereto after the effective date of the Registration Statement) as the Agent may reasonably request for the purposes contemplated by the Act; and for so long as this Agreement is in effect, the Company will prepare and file promptly, subject to Section 5(b) hereof, such amendment or amendments to the Registration Statement and the Prospectus as may be necessary to comply with the requirements of Section 10(a)(3) of the Act; and, at the Agent's request, Company will furnish copies of the Prospectus to each exchange or market on which sales of Shares may be made;

(j) to furnish to the Agent during the Term copies of all annual, quarterly and current reports filed with the Commission on Forms

10-K, 10-Q and 8-K, or such other similar form as may be designated by the Commission; and to furnish to the Agent from time to time during the Term such other information as the Agent may reasonably request regarding the Company or the Subsidiaries; provided, however, that the Company shall be required to make available documents and senior corporate officers only (i) at the Company's principal offices and (ii) during the Company's ordinary business hours;

(k) if at any time during any period of time in which a Prospectus relating to the Shares is required to be delivered under the Act, any event shall occur or condition exist as a result of which it is necessary, in the reasonable opinion of counsel for the Agent or counsel for the Company, to further amend or supplement the Prospectus in order that the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein not misleading in light of the circumstances existing at the time the Prospectus is delivered to a purchaser, or if it shall be necessary, in the reasonable opinion of either such counsel, to amend or supplement the Registration Statement or the Prospectus in order to comply with the requirements of the Act, prompt notice shall be given, and confirmed in writing, to the Agent to cease the solicitation of offers to purchase the Shares in the Agent's capacity as agent and to cease sales of any Shares the Agent may then own as principal, and the Company will promptly prepare and file with the Commission such amendment or supplement, whether by filing documents pursuant to the Act, the 1934 Act or otherwise, as may be necessary to correct such untrue statement or omission or to make the Registration Statement and Prospectus comply with such requirements;

(l) to generally make available to its security holders as soon as practicable, but not later than 90 days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Section 11(a) under the Act) covering each twelve-month period beginning, in each case, not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in such Rule 158) of the Registration Statement with respect to each sale of Shares;

(m) to furnish to the Agent two signed copies of the Registration Statement, as initially filed with the Commission, and of all amendments thereto, including all exhibits thereto and all documents incorporated by reference therein;

(n) to apply the net proceeds from the sale of the Shares in the manner set forth under the caption "Use of Proceeds" in the Prospectus;

(o) except as otherwise agreed between the Company and the Agent, to pay all costs, expenses, fees and taxes in connection with (i) the preparation and filing of the Registration Statement, each Preliminary Prospectus, the Prospectus, and any amendments or supplements thereto, and the printing and furnishing of copies of each thereof to the Agent and to dealers (including costs of mailing and shipment), (ii) the registration, issue, sale and delivery of the Shares, (iii) the producing, word

processing and/or printing of this Agreement, any powers of Attorney and any closing documents (including compilations thereof) and the reproduction and/or printing and furnishing of copies of each thereof to the Agent (including costs of mailing and shipment), (iv) the qualification of the Shares for offering and sale under state laws and the determination of their eligibility for investment under state law as aforesaid (including the legal fees and filing fees and other disbursements of counsel for the Agent) and the printing and furnishing of copies of any blue sky surveys or legal investment surveys to the Agent, (v) the listing of the Shares on the Exchange and any registration thereof under the 1934 Act, (vi) any filing for review of the public offering of the Shares by the NASD, including the fees and disbursements of counsel to the Agent in connection therewith, (vii) all other fees and disbursements of counsel to the Company and counsel to the Agent, and (viii) the performance of the Company's other obligations hereunder; provided that the Agent shall be responsible for any transfer taxes on resale of Shares by it;

(p) to use its commercially reasonable efforts to cause the Shares to be listed on the Exchange; and

(q) to use its commercially reasonable efforts to satisfy, or cause to be satisfied, the conditions set forth below in Section 8 on or in respect of each Closing Date hereunder.

6. Execution of Agreement. The Agent's obligation to execute this Agreement shall be subject to the satisfaction of the following conditions in connection with and on the intended date of the execution of this Agreement:

(a) the Company shall have delivered to the Agent:

(i) an officer's certificate signed by an officer of the Company certifying as to the matters set forth in Exhibit B hereto;

(ii) an opinion of Perkins Coie LLP, counsel for the Company, addressed to the Agent and dated the date of this Agreement, in the form of Exhibit C hereto, with only such departures from such form as Morrison & Foerster LLP, counsel for the Agent, shall have approved;

(iii) a letter of PriceWaterhouseCoopers dated the date of this Agreement and addressed to the Agent, in a form reasonably satisfactory to the Agent and its counsel;

(iv) evidence reasonably satisfactory to the Agent and its counsel that the Registration Statement has become effective; and

(v) such other documents as the Agent shall reasonably request; and

(b) The Agent shall have received the favorable opinion of Morrison & Foerster LLP as to the matters set forth in Exhibit D hereto.

7. Additional Covenants of the Company. The Company further covenants and agrees with the Agent as follows:

(a) Each acceptance of a Transaction Notice by the Company shall be deemed to be an affirmation that the representations and warranties of the Company herein contained and contained in any certificate delivered to the Agent pursuant hereto are true and correct at the time of such delivery, and an undertaking that such representations and warranties will be true and correct at the time of the consummation of the purchase by the Agent, and at the time of delivery to the Agent of Shares pursuant to the Transaction Notice, as though made at and as of each such time (it being understood that such representations and warranties shall relate to the Registration Statement and Prospectus as amended and supplemented to the time of such Transaction Notice); on each date during any period of time in which either a Transaction Notice is in effect or a Prospectus relating to the Shares is required to be delivered under the Act, the Company shall be deemed to affirm that the representations and warranties of the Company herein contained and contained in any certificate delivered to the Agent pursuant hereto are true and correct as though made at and as of each such time (it being understood that such representations and warranties shall relate to the Registration Statement and Prospectus as amended and supplemented at and as of such time).

(b) At any time selected by the Company on or following the date on which the Registration Statement or the Prospectus shall be amended or supplemented (including by the filing of any document incorporated by reference therein, but excluding (i) any prospectus supplement relating solely to the offering of Shares pursuant to a Transaction Notice and (ii) any amendment or supplement that relates directly to an offer other than the offer of Shares hereunder) (each such amendment or supplement, a "Certificate Triggering Event"), the Company shall furnish or cause to be furnished to the Agent forthwith a certificate, in form satisfactory to the Agent, to the effect that the statements contained in the certificate referred to in Section 6(a)(i) hereof are true and correct in all material respects as of the date of such certificate, as applicable, as though made at and as of such time (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such time) or, in lieu of such certificate, a certificate of the same tenor as the certificate referred to Section 6(a)(i) hereof, modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such certificate (either such certificate, a "Current Certificate"); provided, however, that if as of the date on which the Company delivers its acceptance of a Transaction Notice, a Certificate Triggering Event has occurred and a Current Certificate has not yet been furnished to the Agent on, or subsequent to, the date of such Certificate Triggering Event, then a Current Certificate shall be furnished to the Agent no later than one Exchange Business Day after delivery of such acceptance of the Transaction Notice; and provided, further, that during the period in which a prospectus relating to the Shares is required to be delivered by the Agent under the Act, a Current Certificate shall be furnished to the Agent no later than one Exchange Business Day after each Certificate Triggering Event that

occurs during such period. Any such certificate shall also include a certification that there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise since the date of the last such certificate previously delivered to the Agent;

(c) At any time selected by the Company on or following the date on which the Registration Statement or the Prospectus shall be amended or supplemented (including by the filing of any document incorporated by reference therein, but excluding (i) any prospectus supplement relating solely to the offering of Shares pursuant to a Transaction Notice and (ii) any amendment or supplement that relates directly to an offer other than the offer of Shares hereunder) (each such amendment or supplement, an "Opinion Triggering Event"), the Company shall furnish or cause to be furnished forthwith to the Agent an opinion of Perkins Coie LLP, or other counsel satisfactory to the Agent, in the form of Exhibit E hereto, with only such departures from such form as Counsel to the Agent shall have approved (each, a "Current Opinion"); provided, however, that if as of the date on which the Company delivers its acceptance of a Transaction Notice, an Opinion Triggering Event has occurred and a Current Opinion has not yet been furnished to the Agent on, or subsequent to, the date of such Opinion Triggering Event, then a Current Opinion shall be furnished to the Agent no later than one Exchange Business Day after delivery of such acceptance of the Transaction Notice; and provided, further, that during the period in which a prospectus relating to the Shares is required to be delivered by the Agent under the Act, a Current Opinion shall be furnished to the Agent no later than one Exchange Business Day after each Opinion Triggering Event that occurs during such period; and

(d) At any time selected by the Company on or following the date on which the Registration Statement or the Prospectus shall be amended or supplemented to include additional financial information (including by the filing of any document incorporated by reference therein) (each such amendment or supplement, a "Comfort Letter Triggering Event"), the Company shall cause PricewaterhouseCoopers to furnish to the Agent a letter of the same tenor as the letter referred to in Section 6(a)(iv) hereof, but modified to relate to the Registration Statement and Prospectus as amended and supplemented to the date of such letter (each, a "Current Comfort Letter"); provided, however, that if as of the date on which the Company delivers its acceptance of a Transaction Notice, a Comfort Letter Triggering Event has occurred and a Current Comfort Letter has not yet been furnished to the Agent on, or subsequent to, the date of such Comfort Letter Triggering Event, then a Current Comfort Letter shall be furnished to the Agent no later than one Exchange Business Day after delivery of such acceptance of the Transaction Notice; and provided, further, that during the period in which a prospectus relating to the Shares is required to be delivered by the Agent under the Act, a Current Comfort Letter shall be furnished to the Agent no later than one Exchange Business Day after each Comfort Letter Triggering Event that occurs during such period.

(e) The aggregate market value of the Shares sold pursuant to this Agreement, together with all shares of Common Stock, subject to Registration Statement, that may be sold by the Company pursuant to the terms of any other "at-the-market offering" (as such term is defined in Rule 415 of the Act), including, without limitation, pursuant to the Controlled Equity Offering℠ Sales Agreement, dated July 10, 2003, between the Company and Cantor Fitzgerald & Co., shall not exceed 10% of the aggregate market value of the Company's outstanding voting stock held by non-affiliates of the Company (calculated as of a date within 60 days prior to the date of the filing of the Registration Statement).

(f) Without the written consent of the Agent, the Company will not, directly or indirectly, offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of any shares of Common Stock (other than the Shares offered pursuant to the provisions of this Agreement) or securities convertible into or exchangeable for Common Stock, warrants or any rights to purchase or acquire, Common Stock during the period beginning on the fifth (5th) Exchange Business Day immediately prior to the Purchase Date and ending on the fifth (5th) Exchange Business Day immediately following the Closing Date with respect to Shares sold pursuant to a Transaction Notice; provided, however, that such restriction shall not apply with respect to the Company's issuance or sale of (i) Common Stock, options to purchase shares of Common Stock or Common Stock issuable upon the exercise of options, pursuant to any employee or director stock option or benefits plan, direct stock purchase plan or dividend reinvestment plan (but not shares subject to a waiver to exceed plan limits in its stock purchase plan) of the Company now in effect, and (ii) Common Stock issuable upon conversion of securities or the exercise of warrants, options or other rights in effect or outstanding.

8. Conditions of Agent's Obligation to Purchase Shares. The Company's right to accept a Transaction Notice and the Agent's obligation to, as the case may be, solicit purchases on an agency basis for, or purchase, the Shares pursuant to a Transaction Notice shall be subject to the satisfaction of the following conditions at the time of acceptance of the Transaction Notice, the time of the commencement of trading on the Exchange on the Purchase Date and at the time of closing on the Closing Date:

(a) the representations and warranties on the part of the Company herein contained or contained in any certificate of an officer or officers of the Company delivered pursuant to the provisions hereof shall be true and correct in all material respects;

(b) the Company shall have performed and observed its covenants and other obligations hereunder in all material respects;

(c) from the date of acceptance of the Transaction Notice until the Closing Date, trading in the Common Stock on the Exchange shall not have been suspended;

(d) the Shares to be issued pursuant to the Transaction Notice shall have been approved for listing on the Exchange, subject only to notice of issuance;

(e) the Company shall furnish evidence reasonably satisfactory to the Agent and its counsel that the Registration Statement has become effective; and

(f) no amendment or supplement to the Registration Statement or Prospectus shall have been filed to which the Agent shall have objected in writing.

9. Termination by Agent. The obligations of the Agent hereunder shall be subject to termination at any time in the sole and absolute discretion of the Agent, (a) if (i) any of the conditions specified in Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, or (ii) there has been since the respective dates as of which information is given in the Registration Statement, any material adverse change, or any development that is reasonably expected to cause a material adverse change, in or affecting the assets, operations, business or condition (financial or otherwise) of the Company, whether or not arising in the ordinary course of business, or (iii) there has since the date hereof occurred an outbreak or escalation of hostilities or other national or international calamity or crisis the effect of which on the financial markets of the United States is such as to make it, in the judgment of the Agent, impracticable to market or deliver the Shares or enforce contracts for the sale of the Shares, or (iv) trading in any securities of the Company has been suspended by the Commission or by the NASD or if trading generally on the Exchange has been suspended (including automatic halt in trading pursuant to market-decline triggers other than those in which solely program trading is temporarily halted), or limitations on prices for trading (other than limitations on hours or numbers of days of trading) have been fixed, or maximum ranges for prices for securities have been required, by such exchange or the NASD or by order of the Commission or any other governmental authority, or (v) a banking moratorium has been declared by federal or New York authorities, and (b) in the case of any of the events specified in clauses (i) through (v), such event, singly or together with any other such events, makes it, in the reasonable judgment of the Agent, impracticable or inadvisable to market or deliver the Shares on the terms and in the manner contemplated in the Prospectus.

If the Agent elects to terminate this Agreement as provided in this Section 9, the Company shall be notified promptly by telephone, promptly confirmed by facsimile. If a Transaction Notice is pending at the time of termination, the Agent may declare such Transaction Notice void or may require the Company to complete the sale of Shares as specified in the Transaction Notice, at the Agent's sole discretion.

If the solicitation of purchases on an agency basis or purchase by the Agent as principal of the Shares, as contemplated by this Agreement, is not carried out by the Agent for any reason permitted under this Agreement or if such sale is not carried out because the Company shall be unable to comply in all material respects with any of the terms of this Agreement, the Company shall not be under any obligation or liability under this Agreement (except to the extent provided in Sections 5(m) and 11 hereof) and the Agent shall be under no obligation or liability to the Company under this Agreement (except to the extent provided in Section 11 hereof) or to one another hereunder.

The Agent may terminate this Agreement for any reason upon giving 30 days' prior notice to the Company. Any such termination shall be without liability of any party to any other

party except that the provisions of Sections 5(m) and 11 hereof shall remain in full force and effect notwithstanding such termination.

10. Termination by Company. The Company may terminate this Agreement for any reason upon giving 30 days' prior notice to the Agent. Any such termination shall be without liability of any party to any other party except that the provisions of Sections 5(m) and 11 hereof shall remain in full force and effect notwithstanding such termination.

11. Indemnity and Contribution.

(a) The Company agrees to indemnify, defend and hold harmless the Agent, its directors and officers and any person who controls the Agent within the meaning of Section 15 of the Act or Section 20 of the 1934 Act, and the successors and assigns of all of the foregoing persons from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, the Agent or any such person may incur under the Act, the 1934 Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or in a Prospectus (the term "Prospectus" for the purpose of this Section 11 being deemed to include any preliminary prospectus, the Prospectus and the Prospectus as it may be amended or supplemented by the Company), or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated in either such Registration Statement or Prospectus or necessary to make the statements made therein not misleading, except insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in and in conformity with information furnished in writing by the Agent to the Company expressly for use with reference to the Agent in such Registration Statement or such Prospectus or arises out of or is based upon any omission or alleged omission to state a material fact by the Agent in connection with such information required to be stated in such Registration Statement or such Prospectus or necessary to make such information not misleading; provided, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of the Agent, its directors and officers or any person who controls the Agent within the meaning of Section 15 of the Act or Section 20 of the 1934 Act, or the successors and assigns of any of the foregoing persons, if the Agent failed to deliver a Prospectus, as then amended and supplemented, to the person asserting any losses, damages, expenses liabilities or claims caused by any untrue statement or alleged untrue statement of a material fact contained in such preliminary prospectus, or caused by an omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such material misstatement or omission or alleged material misstatement or omission was cured in the Prospectus, as amended and supplemented, and such Prospectus was required by law to be delivered at or prior to the written confirmation of sale to such person.

If any action, suit or proceeding (together, a "Proceeding") is brought against the Agent or any such person in respect of which indemnity may be sought against the Company pursuant to the foregoing paragraph, the Agent or such person shall promptly notify the Company in writing of the institution of such Proceeding and the Company shall assume the defense of such Proceeding, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all reasonable fees and expenses; provided, however, that the omission to so notify the Company shall not relieve the Company from any liability which the Company may have to the Agent or any such person or otherwise. The Agent or such person shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Agent or of such person unless the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such Proceeding or the Company shall not have, within a reasonable period of time in light of the circumstances, employed counsel to have charge of the defense of such Proceeding or such indemnified party or parties shall have reasonably concluded based on advice of counsel that there may be defenses available to it or them which are different from, additional to or in conflict with those available to the Company, in which case the Company shall not have the right to direct the defense of such Proceeding on behalf of the indemnified party or parties, in any of which events such reasonable fees and expenses shall be borne by the Company and paid as incurred, it being understood, however, that the Company shall not be liable for the reasonable expenses of more than one separate counsel, in addition to any local counsel, in any one Proceeding or series of related Proceedings in the same jurisdiction representing the indemnified parties who are parties to such Proceeding. The Company shall not be liable for any settlement of any Proceeding effected without its written consent but if settled with the written consent of the Company, the Company agrees to indemnify and hold harmless the Agent and any such person from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this paragraph, then the indemnifying party agrees that it shall be liable for any settlement of any Proceeding effected without its written consent if (i) such settlement is entered into more than 60 Exchange Business Days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall not have reimbursed the indemnifiedparty in accordance with such request before the date of such settlement and (iii) such indemnified party shall have given the indemnifying party at least 30 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened Proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such Proceeding and does not include an admission of fault, culpability or a failure to act, by or on behalf of such indemnified party.

(b) The Agent agrees to indemnify, defend and hold harmless the Company, its directors and officers, and any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the 1934 Act, and the successors and assigns of all of the foregoing persons from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, the Company or any such person may incur under the Act, the 1934 Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in and in conformity with information furnished in writing by the Agent to the Company expressly for use with reference to the Agent in the Registration Statement, as amended by any post-effective amendment thereof by the Company, or in a Prospectus, or arises out of or is based upon any omission or alleged omission to state a material fact in connection with such information required to be stated in such Registration Statement or such Prospectus or necessary to make such information not misleading.

If any Proceeding is brought against the Company or any such person in respect of which indemnity may be sought against the Agent pursuant to the foregoing paragraph, the Company or such person shall promptly notify the Agent in writing of the institution of such Proceeding and the Agent shall assume the defense of such Proceeding, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all fees and expenses; provided, however, that the omission to so notify the Agent shall not relieve the Agent from any liability which the Agent may have to the Company or any such person or otherwise. The Company or such person shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of the Company or such person unless the employment of such counsel shall have been authorized in writing by the Agent in connection with the defense of such Proceeding or the Agent shall not have, within a reasonable period of time in light of the circumstances, employed counsel to have charge of the defense of such Proceeding or such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to or in conflict with those available to such Agent (in which case the Agent shall not have the right to direct the defense of such Proceeding on behalf of the indemnified party or parties, but the Agent may employ counsel and participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of the Agent), in any of which events such reasonable fees and expenses shall be borne by the Agent and paid as incurred (it being understood, however, that the Agent shall not be liable for the reasonable expenses of more than one separate counsel (in addition to any local counsel) in any one Proceeding or series of related Proceedings in the same jurisdiction representing the indemnified parties who are parties to such Proceeding). The Agent shall not be liable for any settlement of any such Proceeding effected without the written consent of the Agent but if settled with the written consent of the Agent, the Agent agrees to indemnify and hold harmless the Company and any such person from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as

contemplated by the second sentence of this paragraph, then the indemnifying party agrees that it shall be liable for any settlement of any Proceeding effected without its written consent if (i) such settlement is entered into more than 60 Exchange Business Days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request before the date of such settlement and (iii) such indemnified party shall have given the indemnifying party at least 30 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened Proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such Proceeding.

(c) If the indemnification provided for in this Section 11 is unavailable to an indemnified party under subsections (a) and (b) of this Section 11 in respect of any losses, damages, expenses, liabilities or claims referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, damages, expenses, liabilities or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Agent on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Agent on the other in connection with the statements or omissions which resulted in such losses, damages, expenses, liabilities or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Agent on the other shall be deemed to be in the same respective proportions as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Agent, bear to the aggregate public offering price of the Shares. The relative fault of the Company on the one hand and of the Agent on the other shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company or by the Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, damages, expenses, liabilities and claims referred to in this subsection shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating, preparing to defend or defending any Proceeding.

(d) The Company and the Agent agree that it would not be just and equitable if contribution pursuant to this Section 11 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable

considerations referred to in subsection (c) above. Notwithstanding the provisions of this Section 11, the Agent shall not be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by such Agent and distributed to the public were offered to the public exceeds the amount of any damage which the Agent has otherwise been required to pay by reason of such untrue statement or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

The indemnity and contribution agreements contained in this Section 11 and the covenants, warranties and representations of the Company contained in this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the Agent, its directors or officers or any person (including each officer or director of such person) who controls the Agent within the meaning of Section 15 of the Act or Section 20 of the 1934 Act, or by or on behalf of the Company, its directors or officers or any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the 1934 Act, and shall survive any termination of this Agreement or the issuance and delivery of the Shares. The Company and the Agent agree promptly to notify each other of the commencement of any Proceeding against it and, against any of their respective officers or directors in connection with the issuance and sale of the Shares, or in connection with the Registration Statement or Prospectus.

12. Notices. All notices hereunder shall be in writing and delivered by hand, overnight courier, mail or facsimile, and if to the Agent, shall be sufficient in all respects if delivered to Banc One Capital Markets, Inc., Chicago, with separate copies to the attention of Sudheer Tegulapalle and Chris Maher, Facsimile No. (312) 732-3331, and if to the Company, shall be sufficient in all respects if delivered or sent to the Company at the offices of the Company at P.O. Box 97034, Bellevue, Washington 98009-9734, Attention: Donald E. Gaines, Vice President Finance & Treasurer, with separate copies to the attention of: Elizabeth Rice, Assistant Treasurer, Facsimile No. (425) 462-3490. Notwithstanding the foregoing, Transaction Notices shall be delivered to the Company by facsimile at (425) 462-3300, Attention: Donald E. Gaines, with separate copies by facsimile at (425) 462-3490, Attention Elizabeth Rice, and receipt confirmed by telephone at (425) 462-3870 and an acceptance of a Transaction Notice shall be delivered to the Agent by facsimile at (312) 732-3331, Attention: Sudheer Tegulapalle and Chris Maher and receipt confirmed by telephone to Sudheer Tegulapalle at (312) 732-4720 and, if he is unavailable, to Chris Maher at (312) 732-4720. Each party to the Agreement may change such address or facsimile number for notices by sending to the parties to the Agreement written notice of a new address for such purpose. Each such notice or other communication shall be deemed given (i) when delivered personally or by verifiable facsimile transmission (with an original to follow) on or before 4:30 p.m., eastern time, on an Exchange Business Day or, if such day is not an Exchange Business Day, on the next succeeding Exchange Business Day, (ii) on the next Exchange Business Day after timely delivery to a nationally-recognized overnight courier or (iii) on the Exchange Business Day actually received if deposited in the U.S. mail (certified or registered mail, return receipt requested, postage prepaid).

13. Governing Law; Construction. This Agreement and any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Agreement ("Claim"), directly or indirectly, shall be governed by, and construed in accordance with, the laws of the State of New York, other than rules governing choice of applicable law. The Section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

14. Submission to Jurisdiction. Except as set forth below, no Claim may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have nonexclusive jurisdiction over the adjudication of such matters, and the Company consents to the jurisdiction of such courts and personal service with respect thereto. The Company hereby consents to personal jurisdiction, service and venue in any court in which any Claim arising out of or in any way relating to this Agreement is brought by any third party against Banc One Capital Markets, Inc. or any indemnified party. Each of Banc One Capital Markets, Inc. and the Company, on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates, waives all right to trial by jury in any action, proceeding or counterclaim, whether based upon contract, tort or otherwise, in any way arising out of or relating to this Agreement. The Company agrees that a final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon the Company and may be enforced in any other courts in the jurisdiction of which the Company is or may be subject, by suit upon such judgment.

15. Parties in Interest. The Agreement herein set forth has been and is made solely for the benefit of the Agent and the Company and to the extent provided in Section 11 hereof the controlling persons, directors and officers referred to in such section, and their respective successors, assigns, heirs, personal representatives and executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from the Agent) shall acquire or have any right under or by virtue of this Agreement.

16. Counterparts. This Agreement may be signed by the parties in one or more counterparts, which together shall constitute one and the same agreement among the parties.

17. Successors and Assigns. This Agreement shall be binding upon the Agent and the Company and their successors and assigns and any successor or assign of any substantial portion of the Company's and the Agent's respective businesses and/or assets.

18. Miscellaneous. Banc One Capital Markets, Inc., an indirect, wholly owned subsidiary of Bank One Corporation, is not a bank and is separate from any affiliated bank, including any U.S. branch or agency of Bank One Corporation. Because Banc One Capital Markets, Inc. is a separately incorporated entity, it is solely responsible for its own contractual obligations and commitments, including obligations with respect to sales and purchases of securities. Securities sold, offered or recommended by Banc One Capital Markets, Inc. are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by a branch or agency of Bank One Corporation, and are not otherwise an obligation or responsibility of a branch or agency of Bank One Corporation.

A lending affiliate of Banc One Capital Markets, Inc. may have lending relationships with issuers of securities underwritten or privately placed by Banc One Capital Markets, Inc. To the extent required under the securities laws, prospectuses and other disclosure documents for securities underwritten or privately placed by Banc One Capital Markets, Inc. will disclose the existence of any such lending relationships and whether the proceeds of the issue will be used to repay debts owed to affiliates of Banc One Capital Markets, Inc.

Banc One Capital Markets, Inc. and one or more of its affiliates may make markets in the Common Stock or other securities of the Company, in connection with which they may buy and sell, as agent or principal, for long or short account, shares of Common Stock or other securities of the Company, at the same time that Banc One Capital Markets, Inc. is acting as Agent pursuant to this Agreement.

If the foregoing correctly sets forth the understanding among the Company and the Agent, please so indicate in the space provided below for the purpose, whereupon this letter and your acceptance shall constitute a binding agreement between the Company and the Agent.

Very truly yours

PUGET ENERGY, INC.

By: /s/ Donald E. Gaines

Name: Donald E. Gaines
Title: Vice President Finance & Treasurer

Accepted and agreed to as of the
date first above written:

BANC ONE CAPITAL MARKETS, INC.

By: /s/ J.D. Cronin

Name: J.D. Cronin
Title: Managing Director

Exhibit A

[BOCM Letterhead]

_____, 200__

Donald E. Gaines
Vice President Finance & Treasurer
Puget Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

VIA FACSIMILE

TRANSACTION NOTICE

Dear Don:

This Notice sets forth the terms of the agreement of Banc One Capital Markets, Inc. ("BOCM") with Puget Energy, Inc., a Washington corporation (the "Company") relating to the issuance of up to shares of the Company's common stock, par value $0.01 per share pursuant to the Distribution Agreement between the Company and BOCM, dated July , 2003 (the "Agreement"). Unless otherwise defined below, capitalized terms defined in the Agreement shall have the same meanings when used herein.

By countersigning or otherwise indicating in writing the Company's acceptance of this Notice (an "Acceptance"), the Company shall have agreed with BOCM to engage in the following transaction:

Type of Transaction:	[Agency or Principal Transaction]
Number of Shares to be Sold:	
Minimum Price at which Shares may be Sold:	
Date(s) on which Shares may be Sold: ("Purchase Date")	
Discount/Commission:	
Manner in which Shares are to be Sold:	[Specify "at-the-market" or other method]
Option to purchase additional Shares pursuant to Section 3(c) of Agreement:	[Applicable or Not Applicable]

The Transaction set forth in this Notice will not be binding on the Company or BOCM unless and until the Company delivers its Acceptance; provided, however, that neither the Company nor BOCM will be bound by the terms of this Notice unless the Company delivers its Acceptance by am/pm (New York time) on [the date hereof/ , 200_].

The Transaction, if it becomes binding on the parties, shall be subject to all of the representations, warranties, covenants and other terms and conditions of the Agreement, except to the extent amended or modified hereby, all of which are expressly incorporated herein by reference.

If the foregoing conforms to your understanding of our agreement, please so indicate by providing your Acceptance in the manner contemplated by the Agreement.

Very truly yours,

BANC ONE CAPITAL MARKETS, INC.

By:_____
Name:
Title:

ACCEPTED as of the date
first above written

PUGET ENERGY, INC.

By:_____
Name:
Title:

[Note: The Company's Acceptance may also be evidenced by a separate written acceptance referencing this Notice and delivered in accordance with the Agreement]

Exhibit B

Officer's Certificate

1. The representations and warranties of the Company in the Distribution Agreement are true and correct in all material respects as of the date hereof as though made on and as of this date;

2. The Company has performed all obligations and satisfied all conditions on its part to be performed or satisfied pursuant to the Distribution Agreement at or prior to the date hereof; and

3. The Company's Registration Statement (File No. 333-82940-02) under the Securities Act of 1933 has become effective; no stop order suspending the effectiveness of such Registration Statement has been issued and, to the best of my knowledge, no proceeding for that purpose has been initiated or threatened by the Securities and Exchange Commission (the "Commission"); and all requests for additional information on the part of the Commission have been complied with.

Exhibit C

Form of Initial Opinion of Perkins Coie LLP

i. The Company has been duly incorporated and is validly existing as a corporation under the laws of the State of Washington. Each of Puget Sound Energy, Inc. and InfrastruX Group, Inc. (collectively, the "Subsidiaries") has been duly incorporated and is validly existing as a corporation under the laws of the State of Washington.

ii. The Company has full corporate power and authority to own its properties and conduct its business as described in the Registration Statement and Prospectus. Each of the Subsidiaries has full corporate power and authority to own its properties and conduct its business as described in the Registration Statement and Prospectus.

iii. The Company and each Subsidiary is qualified to do business in the states set forth on Schedule A hereto.

iv. The Distribution Agreement has been duly authorized, executed, and delivered by the Company.

v. The execution and delivery of the Distribution Agreement by the Company will not result in the violation by the Company of its Articles of Incorporation or Bylaws, the Articles of Incorporation or Bylaws of either of the Subsidiaries or the Washington Business Corporation Act or any federal or Washington state statute, rule or regulation known to us to be applicable to the Company (other than federal or state securities laws, which are specifically addressed elsewhere herein) or in the breach of or a default under any of the agreements listed on the Exhibit Index to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and to the best of our knowledge no consent, approval, authorization or order of, or filing with, any federal or Washington state court or governmental agency or body is required for the consummation of the issuance and sale of the Shares by the Company pursuant to the Distribution Agreement, except such as have been obtained under the Act and such as may be required under state securities laws.

vi. The Shares to be issued and sold by the Company pursuant to the Distribution Agreement have been duly authorized, and, when issued and delivered to and paid for by the purchasers thereof in accordance with the terms of the Distribution Agreement and a Transaction Notice approved by the Company's Board of Directors (or a duly authorized committee thereof) and accepted by a duly authorized officer of the Company, will be validly issued, fully paid and nonassessable and, to the best of our knowledge, free of preemptive rights.

vii. The Registration Statement has become effective under the Act and, to our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted by the Commission.

viii. The Registration Statement, when it became effective, and the Prospectus and any amendment or supplement thereto filed on or before the date hereof (other than any

amendment or supplement which directly relates to an offer other than the offer of Shares pursuant to the Distribution Agreement), on the date of filing thereof with the Commission, complied as to form in all material respects with the requirements for registration statements on Form S-3 under the Act and the rules and regulations of the Commission thereunder, and each of the documents incorporated by reference in the Registration Statement or the Prospectus, or any amendment or supplement thereto, in each case, filed on or before the date hereof, on the date of filing thereof with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; it being understood, however, that we express no opinion with respect to the financial statements, schedules or other financial data included or incorporated by reference in, or omitted from, the Registration Statement or the Prospectus or any other document. In passing upon the compliance as to form of the Registration Statement and the Prospectus and any other document, we have assumed that the statements made and incorporated by reference therein are correct and complete.

ix. The statements set forth in the Prospectus under the captions “Description of Capital Stock” and “Plan of Distribution,” insofar as such statements constitute a summary of legal matters and documents referred to therein, are accurate in all material respects.

x. To our knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending or threatened to which the Company is a party required to be described in the Prospectus that are not described as required.

xi. The Company is not an “investment company,” as such term is defined in the Investment Company Act of 1940, as amended.

In addition, we have participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company, and your representatives, at which the contents of the Registration Statement and the Prospectus and related matters were discussed and, although we are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained or incorporated by reference in the Registration Statement and the Prospectus and have not made any independent check or verification thereof, during the course of such participation, no facts came to our attention that caused us to believe that the Registration Statement, at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, as of its date, contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that we express no belief with respect to the financial statements, schedules and other financial and statistical data included or incorporated by reference in the Registration Statement or the Prospectus.

* Note: “Registration Statement” and “Prospectus” will be defined to include documents incorporated by reference therein (“Incorporated Documents”).

Exhibit D

Form of Opinion of Morrison & Foerster LLP

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

2. The Distribution Agreement has been duly authorized, executed and delivered by the Company.

3. The Shares have been duly authorized and, upon delivery to the Agent against payment therefor in accordance with the terms of the Distribution Agreement, will be validly issued, fully paid and nonassessable; and the issuance of the Shares is not subject to preemptive rights.

4. The Shares have been duly authorized for listing, subject to official notice of issuance, on the New York Stock Exchange.

5. The Registration Statement has become effective under the Act, and we are not aware that any stop order suspending the effectiveness thereof has been issued or any proceedings for that purpose have been instituted or are pending or threatened under the Act.

6. The Shares conform in all material respects to the description thereof contained under the heading “Description of Capital Stock” in the Prospectus.

7. The Registration Statement, as of the effective date thereof, complied as to form in all material respects with the requirements of the Act (except as to the financial statements, supporting schedules, footnotes and other financial and statistical information included therein, as to which we express no opinion).

In addition, we have participated in conferences with your representatives and with representatives of the Company, its counsel and its accountants concerning the Registration Statement and the Prospectus and have considered the matters required to be stated therein and the statements contained therein, although (i) we have not independently verified the accuracy, completeness or fairness of such statements and (ii) with your consent, our inquiries with respect to the matters referred to in this paragraph have been limited in scope, because our review of the Company’s corporate records, documents and instruments has been limited to (A) the documents referred to in clauses (i) through (v) of the second paragraph of this letter, (B) the Company’s filings with the Commission that are incorporated by reference into the Registration Statement,(C) the exhibits to the Registration Statement and (D) the minutes of meetings of the Company’s Board of Directors held since_____, 200_. Based upon and subject to the foregoing, nothing has come to our attention that leads us to believe that the Registration Statement, at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, at the time it was filed with the Commission pursuant to Rule 424(b) under the Act or as of the

date hereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that we have not been requested to and do not make any comment in this paragraph with respect to the financial statements, supporting schedules, footnotes, and other financial and statistical information contained in the Registration Statement or Prospectus).

Exhibit E

Form of Subsequent Opinion of Perkins Coie LLP

(i) The Registration Statement has become effective under the Act and, to our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted by the Commission.

(ii) The Registration Statement, when it became effective, and the Prospectus and any amendment or supplement thereto, on the date of filing thereof with the Commission, complied as to form in all material respects with the requirements for registration statements on Form S-3 under the Act and the rules and regulations of the Commission thereunder, and each of the documents incorporated by reference in the Registration Statement or the Prospectus, or any amendment or supplement thereto, on the date of filing thereof with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; it being understood, however, that we express no opinion with respect to the financial statements, schedules or other financial data included or incorporated by reference in, or omitted from, the Registration Statement or the Prospectus or any other document. In passing upon the compliance as to form of the Registration Statement and the Prospectus and any other document, we have assumed that the statements made and incorporated by reference therein are correct and complete.

In addition, we have participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company, and your representatives, at which the contents of the Registration Statement and the Prospectus and related matters were discussed and, although we are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained or incorporated by reference in the Registration Statement and the Prospectus and have not made any independent check or verification thereof, during the course of such participation, no facts came to our attention that caused us to believe that the Registration Statement, at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus (including the Incorporated Documents), as of its date, contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that we express no belief with respect to the financial statements, schedules and other financial and statistical data included or incorporated by reference in the Registration Statement or the Prospectus.

* Note: “Registration Statement” and “Prospectus” will be defined to include documents incorporated by reference therein (“Incorporated Documents”).

EXHIBIT 4.24

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT, dated as of March 11, 2003, by and between PUGET SOUND ENERGY, INC., a corporation organized and existing under the laws of the State of Washington (hereinafter called the "Company"), and WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION, a national banking association, as trustee (hereinafter called the "Trustee") under an Indenture of Trust dated as of March 1, 2003 (hereinafter called the "Indenture") between the City of Forsyth, Rosebud County, Montana, a political subdivision and municipal corporation organized and existing under the constitution and laws of the State of Montana (hereinafter called the "Issuer"), and the Trustee;

WHEREAS, the Company has created two new series of senior notes, the 5.00% Senior Medium-Term Notes Series C, due March 1, 2031, and the 5.10% Senior Medium-Term Notes Series C, due March 1, 2031 (collectively hereinafter called the "Senior Notes"), to be issued under the Senior Note Indenture, dated as of December 1, 1997, between the Company and U.S. Bank National Association, as trustee (the "Senior Note Trustee"), as supplemented and amended by three supplemental indentures heretofore executed by the Company, including a Third Supplemental Indenture, dated as of October 1, 2000 (said Indenture, as so amended and supplemented, and said Third Supplemental Indenture being hereinafter called the "Senior Note Indenture" and the "Supplemental Indenture," respectively); and

WHEREAS, as contemplated by the Indenture and the Loan Agreement, dated as of March 1, 2003 (hereinafter called the "Loan Agreement") between the Company and the Issuer, the Company proposes to pledge the Senior Notes to the Trustee as collateral security for the obligations of the Company under the Loan Agreement;

NOW, THEREFORE, in consideration of the premises and the foregoing and other good and valuable consideration, the Company and the Trustee do hereby agree, for the benefit of the owners from time to time of the Refunding Bonds (as defined in Section 1.1), as follows:

ARTICLE I — THE PLEDGE

Section 1.1

The Company herewith delivers to and pledges with the Trustee, for the benefit of the owners from time to time of $138,460,000 aggregate principal amount of the Issuer's Pollution Control Revenue Refunding Bonds (Puget Sound Energy Project) Series 2003A and $23,400,000 aggregate principal amount of the Issuer's Pollution Control Revenue Refunding Bonds (Puget Sound Energy Project) Series 2003B (collectively, the "Refunding Bonds"), and the Trustee hereby acknowledges receipt of, the Senior Notes in an aggregate principal amount of $161,860,000. The Senior Notes are registered in the name of the Trustee or its nominee, as collateral security for the obligation of the Company under the Loan Agreement to pay sums sufficient for the payment of the principal of, and premium, if any, and interest

on, the Refunding Bonds. The Senior Notes mature on such date and in such principal amount and contain such redemption provisions that, upon the maturity or redemption of the Refunding Bonds, there shall mature or be redeemable Senior Notes equal in principal amount to the Refunding Bonds then to mature or be redeemable. The Senior Notes bear interest at the same rate borne by the Refunding Bonds.

Section 1.2

Anything herein to the contrary notwithstanding, the Company shall receive a credit against its obligations to make any payment of principal of or premium, if any, or interest on, the Senior Notes, whether at maturity, upon redemption or otherwise, and such obligations shall be fully or partially, as the case may be, satisfied and discharged, in an amount equal to the amount, if any, paid by the Company under the Loan Agreement, or otherwise satisfied or discharged, in respect of the principal of, or premium, if any, or interest on, the Refunding Bonds. The obligations of the Company to make such payment of principal of or premium, if any, or interest on, such Senior Notes shall be deemed to have been reduced by the amount of such credit.

Section 1.3

The Trustee shall have and may exercise, in the manner and upon the terms and conditions set forth herein and in the Indenture, and in the Senior Note Indenture and the Supplemental Indenture, all the rights and remedies provided in the Senior Note Indenture and Supplemental Indenture for holders of senior notes issued thereunder, including, without limitation, the right to receive payments of principal of and premium, if any, and interest on, the Senior Notes.

Section 1.4

The Trustee shall use any moneys received by it with respect to the Senior Notes to make the corresponding payment then due of principal of or premium, if any, or interest on, the Refunding Bonds. Any proceeds of the Senior Notes in excess of the amounts necessary to pay in full the principal of and premium, if any, and interest on, the Refunding Bonds shall be remitted promptly to the Company.

Section 1.5

At the time any Refunding Bond ceases to be Outstanding (as such term is defined in the Indenture), the Trustee shall surrender to the Senior Note Trustee for cancellation Senior Notes equal in aggregate principal amount to the excess, if any, of (i) the aggregate principal amount of the Senior Notes then held by the Trustee, over (ii) the aggregate principal amount of the Refunding Bonds then Outstanding. The Senior Notes so surrendered shall be deemed to be satisfied and discharged and the obligations of the Company thereunder and hereunder in the case where all the Refunding Bonds cease to be Outstanding shall be terminated (except that the provisions of Section 2.1 hereof shall survive).

ARTICLE II — COVENANTS OF THE COMPANY

Section 2.1

The Company will indemnify and hold the Trustee free and harmless from any loss, claim, damage, tax, penalty, liability, disbursement, litigation expenses, attorneys' fees and expenses or court costs incurred by the Trustee, except as a result of its negligence or bad faith, arising out of the execution or performance by the Trustee of this Agreement or the exercise by the Trustee of any right or remedy as the holder of the Senior Notes.

ARTICLE III — COVENANTS OF THE TRUSTEE

Section 3.1

The Trustee covenants that it will not sell, assign or transfer the Senior Notes, except to its nominee or as required to effect transfer to any successor trustee under the Indenture. To effect compliance with this restriction, the Company may take such actions as it shall deem to be desirable, including (a) the placing of a legend on each Senior Note in substantially the following form:

> This note is nontransferable except as required to effect transfer by the Trustee to its nominee or to any successor trustee under the Indenture of Trust dated as of March 1, 2003 between the City of Forsyth, Rosebud County, Montana, and Wells Fargo Bank Northwest, National Association, as Trustee or by the Trustee's nominee to the Trustee under such Indenture of Trust.

and (b) the issuance of stop transfer instructions to the Senior Note Trustee and any other transfer agent under the Senior Note Indenture.

Section 3.2

In the event the Trustee does not timely receive amounts for the payment of principal of, premium, if any, or interest on, the Refunding Bonds from the Company in accordance with the Indenture and the Loan Agreement, or written confirmation from the Company or its agent of such payment by or on behalf of the Company to the owners of the Refunding Bonds, the Trustee shall immediately give telephonic or telegraphic notice thereof to the Company, but the Trustee shall incur no liability for failure to give such notice and such failure shall have no effect on the obligations of the Company under the Indenture, the Senior Note Indenture, the Supplemental Indenture and the Loan Agreement or the rights of the Trustee or the owners of the Refunding Bonds.

ARTICLE IV — MISCELLANEOUS

Section 4.1

All notices, certificates, requests or other communications hereunder shall be given in the manner and addressed to the addresses set forth in Section 12.08 of the Indenture.

Section 4.2

This Agreement shall not be deemed to create any right in, or to be in whole or in part for the benefit of, any person other than the Trustee, the Company, the owners from time to time of the Refunding Bonds, and their successors and assigns. This Agreement is entered into by the Company for the benefit of the owners from time to time of the Refunding Bonds and the Trustee and may be enforced on behalf of the owners of the Refunding Bonds only by the Trustee or any successor trustee under the Indenture.

Section 4.3

This Agreement may be amended in any respect but only by written agreement of the parties hereto. With respect to an amendment or modification of the Senior Note Indenture or the Senior Notes, the Trustee shall exercise its rights as a holder of the Senior Notes only in accordance with the terms of the Indenture and the Senior Note Indenture.

Section 4.4

In the event any obligation created by this Agreement shall be breached by either of the parties, such breach may thereafter be waived by the other party, unless such waiver is prohibited by the Indenture, but any such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 4.5

This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same Agreement.

Section 4.6

If any clause, provision or section of this Agreement be held illegal or invalid by any court, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, provision or sections hereof, and this Agreement shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained herein.

Section 4.7

The laws of the State of Washington shall govern the construction of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Pledge Agreement to be duly executed, effective the day and year first above written.

PUGET SOUND ENERGY, INC.

By /s/ Donald E. Gaines

Donald E. Gaines
Vice President Finance and Treasurer

WELLS FARGO BANK NORTHWEST,
NATIONAL ASSOCIATION,
as Trustee

By /s/ Alice Garrett

Vice President

LOAN AGREEMENT

between

CITY OF FORSYTH, ROSEBUD COUNTY, MONTANA

and

PUGET SOUND ENERGY, INC.

Dated as of March 1, 2003

Relating to

POLLUTION CONTROL REVENUE REFUNDING BONDS
(PUGET SOUND ENERGY PROJECT)
SERIES 2003A AND SERIES 2003B

The amounts payable by Puget Sound Energy, Inc. to the City of Forsyth, Rosebud County, Montana, under Sections 4.04 and 9.01 of this Loan Agreement and the Senior Notes delivered by said Company pursuant to the Loan Agreement together with certain other amounts payable by the Company under this Loan Agreement and certain other rights of said City under this Loan Agreement have been pledged and assigned to Wells Fargo Bank Northwest, National Association, as trustee under the Indenture of Trust, dated as of March 1, 2003, of said City to said Trustee. For the purpose of perfecting the security interest of said Trustee in such amounts payable and such rights assigned to said Trustee, under the Montana Uniform Commercial Code—Secured Transactions or otherwise, the counterpart of this Loan Agreement and the Senior Notes delivered, pledged and assigned to said Trustee shall be deemed the originals thereof.

Table of Contents

(This table of contents is not part of the Loan Agreement, and is for convenience only. The captions herein are of no legal effect and do not vary the meaning or legal effect of any part of the Loan Agreement.)

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of March 1, 2003, between the CITY OF FORSYTH, ROSEBUD COUNTY, MONTANA, a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Montana (the *"Issuer"*), and PUGET SOUND ENERGY, INC., a corporation organized and existing under the laws of the State of Washington (the *"Company"*),

W I T N E S S E T H

WHEREAS, the Issuer is authorized by the provisions of Sections 90-5-101 to 90-5-114, inclusive, Montana Code Annotated, as amended (the *"Act"*), to issue one or more series of its revenue bonds and to loan the proceeds to others for the purpose of defraying the cost of acquiring or improving projects consisting of land, any building or other improvement, and any other real and personal properties deemed necessary in connection therewith, whether or not now in existence, whether located within or without the boundaries of the Issuer, which shall be suitable for, among other things, air and water pollution control facilities and sewage and solid waste disposal facilities;

WHEREAS, the Issuer is authorized by the provisions of the Act to issue one or more series of its revenue refunding bonds to refund any revenue bonds issued under the provisions of the Act;

WHEREAS, the Act provides that payment of principal of and interest on revenue bonds issued thereunder shall be secured by a pledge of the revenues out of which such revenue bonds shall be payable and may be secured by a pledge of an agreement relating to a project and such other security device as may be deemed most advantageous by the Issuer;

WHEREAS, the Issuer has heretofore issued and sold $27,500,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Puget Sound Power & Light Company Colstrip Project), Series 1991A, $23,400,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Puget Sound Power & Light Company Colstrip Project), Series 1991B, $87,500,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Puget Sound Power & Light Company Colstrip Project), Series 1992 and $23,460,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Puget Sound Power & Light Company Colstrip Project), Series 1993, the proceeds of which were disbursed to the Company for the purpose of refunding certain other revenue obligations issued to defray a portion of the Company's share of the costs of acquiring and improving the Facilities (as hereinafter defined) or to refund other revenue obligations the proceeds of which were so used;

Whereas, the Issuer, by resolution adopted pursuant to and in accordance with the Act, has authorized and undertaken to issue its revenue bonds for the purpose of refunding the Prior Bonds;

Whereas, the Company has agreed under this Loan Agreement to make payments sufficient to pay when due (whether at stated maturity, by acceleration or otherwise) the principal of, premium, if any, and interest on the Bonds;

Whereas, the Company has issued and delivered to the Trustee one or more series of the Company's Senior Notes to secure certain of its obligations hereunder; and

Now, Therefore, the parties hereto, intending to be legally bound hereby and in consideration of the premises, do hereby agree as follows:

Article I

Definitions

Section 1.01. Definitions. The terms defined in Article I of the Indenture shall, for all purposes of this Loan Agreement, have the meanings specified therein, unless the context clearly requires otherwise.

Article II

Representationsand Warranties

Section 2.01. Representations and Warranties of the Issuer. The Issuer represents, warrants and agrees that:

(a) The Issuer is a municipal corporation and political subdivision duly organized and existing under the Constitution and laws of the State of Montana.

(b) The Issuer has the power to enter into this Loan Agreement and the Indenture and to perform and observe the agreements and covenants on its part contained herein and therein, including without limitation the power to issue and sell the Bonds as contemplated herein and in the Indenture, and by proper corporate action has duly authorized the execution and delivery hereof and thereof.

(c) The execution and delivery of this Loan Agreement and the Indenture by the Issuer do not, and consummation of the transactions contemplated hereby and thereby and fulfillment of the terms hereof and thereof by the Issuer will not, result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is now a party or by which it is now bound, or any order, rule or regulation applicable to the Issuer of any

court or of any regulatory body or administrative agency or other governmental body having jurisdiction over the Issuer or over any of its properties, or any statute of any jurisdiction applicable to the Issuer.

(d) To the best knowledge of the Issuer, no event has occurred and is continuing which constitutes, or with the lapse of time or the giving of notice, or both, would constitute, an "event of default" as defined in the Prior Indentures or the Prior Agreements.

(e) The Issuer has not assigned and will not assign its interest in this Loan Agreement other than to secure the Bonds.

(f) The 1991A Bonds are now outstanding in the principal amount of $27,500,000, the 1991B Bonds are now outstanding in the principal amount of $23,400,000, the 1992 Bonds are now outstanding in the principal amount of $87,500,000 and the 1993 Bonds are now outstanding in the principal amount of $23,460,000. The 1991A Bonds and the 1991B Bonds have been called for redemption on March 24, 2003, at a price of 101% plus accrued interest, if any, to the redemption date. The 1992 Bonds have been called for redemption on March 24, 2003, at a price of 102% plus accrued interest, if any, to the redemption date. The 1993 Bonds have been called for redemption on April 1, 2003, at a price of 102% plus accrued interest, if any, to the redemption date.

(g) The public hearing and approval requirement of Section 147(f) of the Code has been satisfied.

Section 2.02. Representations and Warranties of the Company. The Company makes the following representations and warranties as the basis for the undertakings on the part of the Issuer contained herein:

(a) The Company is a corporation duly organized and validly existing under the laws of the State of Washington and duly qualified as a foreign corporation in good standing in the State of Montana.

(b) The Company has the corporate power to enter into this Loan Agreement and to perform and observe the agreements and covenants on its part contained herein, including without limitation the power to issue and pledge the Senior Notes as contemplated herein, in the Senior Note Indenture and in the Pledge Agreement, and by proper corporate action has duly authorized the execution and delivery hereof.

(c) The execution and delivery of this Loan Agreement by the Company do not, and consummation of the transactions contemplated hereby and fulfillment of the terms hereof by the Company, including, without limitation, the issuance and pledge of the Senior Notes and the execution and delivery of the Pledge Agreement, will not, result in a breach of any of the terms or provisions of, or constitute a default under, (i) the

Restated Articles of Incorporation, as amended, or the Restated Bylaws of the Company or (ii) any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is a party or by which it is now bound, or any order, rule or regulation applicable to the Company of any court or of any regulatory body or administrative agency or other governmental body having jurisdiction over the Company or over any of its properties, or any statute of any jurisdiction applicable to the Company, except (in the case of clause (ii)) for such breach or defaults that would not reasonably be expected to have, either individually or in the aggregate, a material adverse effect on the business, properties, financial performance or results of operations of the Company.

(d) The Washington Utilities and Transportation Commission has approved all transactions contemplated by this Loan Agreement which require said approval, and no other consent, approval, authorization or other order of any regulatory body or administrative agency or other governmental body is required for the Company's participation therein, except such as may have been obtained or may be required under the securities laws of any jurisdiction.

(e) The information relating to the Facilities (other than estimates) furnished by the Company in writing to Chapman and Cutler, as Bond Counsel, in connection with the issuance by the Issuer of the Prior Bonds and the Bonds, was, at the time furnished, and remains to the best of the Company's knowledge, true and correct.

(f) The Facilities are (i) designed to meet applicable federal, state and local requirements for the control of pollution or the disposal of solid waste, (ii) to be used solely for purposes contemplated by the Act and (iii) located within Rosebud County, Montana.

(g) The Montana Department of Health and Environmental Sciences has certified that the pollution control facilities constituting part of the Facilities, as designed, are in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants, and water pollution, as the case may be.

(h) The Facilities consist of those facilities described in *Exhibit A* hereto, and the Company shall not consent to any changes in the Facilities which would adversely affect the qualification of the Facilities as a "project" under the Act or would adversely affect the exclusion of interest on the Bonds from the gross income of the Owners thereof for federal income tax purposes and therefore would adversely affect exemption of interest on any of the Bonds from federal income taxation.

(i) No construction, reconstruction or acquisition (within the meaning of the Code) of any of the Facilities was commenced with respect to any portion of the Project prior to the taking of official action by the Issuer with respect thereto and the Facilities have been placed in service.

(j) The Company has received an executed counterpart of the Indenture and hereby consents to and approves the provisions thereof.

(k) To the best knowledge of the Company, the Prior Agreements and the Prior Indentures are in full force and effect without amendment or supplement thereto.

(l) To the best knowledge of the Company, no event has occurred and is continuing under the provisions of the Prior Agreements which event now constitutes, or with the lapse of time or the giving of notice, or both, would constitute, an event of default under the Prior Agreements.

(m) The 1991A Bonds are now outstanding in the principal amount of $27,500,000, the 1991B Bonds are now outstanding in the principal amount of $23,400,000, the 1992 Bonds are now outstanding in the principal amount of $87,500,000 and the 1993 Bonds are now outstanding in the principal amount of $23,460,000. The 1991A Bonds, the 1991B Bonds and the 1992 Bonds have been called for redemption on March 24, 2003. The 1991A Bonds and the 1991B Bonds will be redeemed at a price of 101%, plus accrued interest, if any, and the 1992 Bonds will be redeemed at a price of 102%, plus accrued interest, if any. The 1993 Bonds have been called for redemption on April 1, 2003 at a price of 102%, plus accrued interest, if any.

ARTICLE III

THE FACILITIES

Section 3.01. Maintenance of Facilities. The Company shall at all times exercise all of its rights, powers, elections and options under the Inter-Company Agreements to cause the Facilities, and every element and unit thereof, to be maintained in good repair, working order and condition; *provided, however,* that the Company may cause the discontinuance of the operation or a reduction in the capacity of the Facilities, or any element or unit thereof, if, in the judgment of the Company, it is no longer economic to operate the same or to operate the same at its former capacity, or if the Company intends to sell and dispose of its interest in the same and within a reasonable time shall endeavor to effectuate such sale or disposition.

The Company may at its own expense exercise any of its rights, powers, elections and options under the Inter-Company Agreements to cause the Facilities to be remodeled or cause such substitutions, modifications and improvements to be made to the Facilities from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Loan Agreement as part of the Facilities; *provided, however,* that the Company shall not exercise any such right, power, election or option if the proposed remodeling, substitution, modification or improvement would adversely affect the exclusion of interest on the Bonds from the gross income of Owners thereof for federal income tax purposes.

Section 3.02. Facilities Insurance. The Company shall exercise all its rights and powers and will perform all of its duties under the Inter-Company Agreements to cause insurance to be taken out and continuously maintained in effect with respect to the Facilities against such risks and to such extent as is required by the Inter-Company Agreements. All proceeds of such insurance shall be for the account of the Company to the extent of its interest therein.

Section 3.03. Condemnation. The Company shall be entitled to the proceeds of any condemnation award or portion thereof made for damage to or taking of the Facilities or other property of the Company, to the extent of the interest of the Company in the Facilities or such other property, as the case may be.

Section 3.04. Termination of Operation. Anything in this Loan Agreement to the contrary notwithstanding, the Company shall have the right at any time to cause the operation of the Facilities to be terminated if the Company shall have determined that the continued operation of the Project or the Facilities is uneconomical for any reason.

ARTICLE IV

ISSUANCEOFTHE BONDS; THE LOAN; DISPOSITION OF PROCEEDSOFTHE BONDS; LOAN PAYMENTS

Section 4.01. Issuance of the Bonds. The Issuer shall issue the Bonds under and in accordance with the Indenture, subject to the provisions of the bond purchase agreement among the Issuer, the Company and the initial purchaser of the Bonds. The Company hereby approves the issuance of the Bonds and all terms and conditions thereof.

Section 4.02. Issuance of Other Obligations. The Issuer and the Company expressly reserve the right to enter into, to the extent permitted by law, an agreement or agreements other than this Loan Agreement with respect to the issuance by the Issuer under an indenture or indentures other than the Indenture, of obligations to provide additional funds to defray any additional costs of construction of the Facilities or to refund all or any principal amount of the Bonds.

Section 4.03. The Loan; Disposition of Bond Proceeds; Refunding of Prior Bonds. (a) The Issuer shall lend to the Company the proceeds of the issuance and sale of the Bonds, other than accrued interest, if any, paid by the initial purchaser thereof, for the purposes specified in this Loan Agreement, such proceeds to be applied as provided hereinafter and in the Indenture.

(b) The Issuer and the Company shall cause $27,500,000 of the proceeds of the 2003A Bonds to be deposited with the 1991 Trustee in a repayment account in the Bond Fund under the 1991 Indenture to be used to pay the principal of the 1991A Bonds upon redemption thereof. Such proceeds may be invested in direct obligations of the United States Government, obligations the principal of and interest on which are guaranteed by the United States Government, or obligations of any agency or instrumentality of the United States Government in

accordance with the provisions of Section 90-5-107(4), Montana Code Annotated, as amended. Because such Bond proceeds will not be sufficient to provide for the payment of the accrued interest and premium on the 1991A Bonds upon the redemption thereof, the Company shall, on or before the redemption date of the 1991A Bonds, at its own expense and without any right of reimbursement in respect thereof, pay to the 1991 Trustee for deposit into such repayment account in the Bond Fund under the 1991 Indenture, all amounts necessary to effect the redemption of the 1991A Bonds.

(c) The Issuer and the Company shall cause $87,500,000 of the proceeds of the 2003A Bonds to be deposited with the 1992 Trustee in a repayment account in the Bond Fund under the 1992 Indenture to be used to pay the principal of the 1992 Bonds upon redemption thereof. Such proceeds may be invested in direct obligations of the United States Government, obligations the principal of and interest on which are guaranteed by the United States Government, or obligations of any agency or instrumentality of the United States Government in accordance with the provisions of Section 90-5-107(4), Montana Code Annotated, as amended. Because such Bond proceeds will not be sufficient to provide for the payment of the accrued interest and premium on the 1992 Bonds upon the redemption thereof, the Company shall, on or before the redemption date of the 1991A Bonds, at its own expense and without any right of reimbursement in respect thereof, pay to the 1992 Trustee for deposit into such repayment account in the Bond Fund under the 1992 Indenture, all amounts necessary to effect the redemption of the 1992 Bonds.

(d) The Issuer and the Company shall cause $23,460,000 of the proceeds of the 2003A Bonds to be deposited with the 1993 Trustee in a repayment account in the Bond Fund under the 1993 Indenture to be used to pay the principal of the 1993 Bonds upon redemption thereof. Such proceeds may be invested in direct obligations of the United States Government, obligations the principal of and interest on which are guaranteed by the United States Government, or obligations of any agency or instrumentality of the United States Government in accordance with the provisions of Section 90-5-107(4), Montana Code Annotated, as amended. Because such Bond proceeds will not be sufficient to provide for the payment of the accrued interest and premium on the 1993 Bonds upon the redemption thereof, the Company shall, on or before the redemption date of the 1991A Bonds, at its own expense and without any right of reimbursement in respect thereof, pay to the 1993 Trustee for deposit into such repayment account in the Bond Fund under the 1993 Indenture, all amounts necessary to effect the redemption of the 1993 Bonds.

(e) The Issuer and the Company shall cause the proceeds of the 2003B Bonds, other than accrued interest, if any, paid by the initial purchaser thereof, to be deposited with the 1991 Trustee in a repayment account in the Bond Fund under the 1991 Indenture to be used to pay the principal of the 1991B Bonds upon redemption thereof. Such proceeds may be invested in direct obligations of the United States Government, obligations the principal of and interest on which are guaranteed by the United States Government, or obligations of any agency or instrumentality of the United States Government in accordance with the provisions of Section 90-5-107(4), Montana Code Annotated, as amended. Because such Bond proceeds will not be sufficient to

provide for the payment of the accrued interest and premium on the 1991B Bonds upon the redemption thereof, the Company shall, on or before the redemption date of the 1991A Bonds, at its own expense and without any right of reimbursement in respect thereof, pay to the 1991 Trustee for deposit into such repayment account in the Bond Fund under the 1991 Indenture, all amounts necessary to effect the redemption of the 1991B Bonds.

(f) The Issuer shall establish the Bond Fund with the Trustee in accordance with Section 4.01 of the Indenture. The proceeds of the issuance and sale of the Bonds constituting accrued interest, if any, paid by the initial purchaser thereof shall be deposited into the Bond Fund.

Section 4.04. Loan Repayments. (a) As and for repayment of the Loan made to the Company by the Issuer pursuant to Section 4.03 hereof, the Company shall pay to the Trustee for the account of the Issuer an amount equal to the aggregate principal amount of, and the premium, if any, on the Bonds from time to time Outstanding and, as interest on its obligation to pay such amount, an amount equal to interest on the Bonds such amounts to be paid in installments of immediately available funds due on the dates, in the amounts and in the manner provided in the Indenture for the payment of the principal of, premium, if any, and interest on the Bonds whether at maturity, upon redemption or otherwise; *provided, however*, that the obligation of the Company to make any such payment hereunder shall be reduced by the amount of any reduction under the Indenture of the amount of the corresponding payment required to be made by the Issuer thereunder.

(b) In the event the Company shall fail to make any payment required by Section 4.04(a) with respect to the principal of, premium, if any, and interest on any Bond, the payment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid and the Company will pay interest on any overdue amount with respect to principal of such Bond and, to the extent permitted by law, on any overdue amount with respect to premium, if any, and interest on such Bond, at the interest rate borne by such Bond until paid.

ARTICLE V

THE SENIOR NOTES; OTHER OBLIGATIONS

Section 5.01. Issuance, Delivery and Surrender of Senior Notes. (a) The obligation of the Company pursuant to Section 4.04 hereof to repay the loans made to it by the Issuer pursuant to Section 4.03 hereof shall be secured by the Senior Notes. Concurrently with the issuance and delivery by the Issuer of each series of Bonds, the Company shall issue and deliver to the Trustee a series of Senior Notes as provided in the Pledge Agreement (i) maturing on the same date and in the same principal amount as the Bonds of such series, (ii) bearing interest at the same rate, payable at the same times, as the Bonds of such series, (iii) containing redemption provisions correlative to the provisions of Section 3.01 of the Indenture, and (iv) subject to the provisions of Section 5.01(b) hereof, requiring payments of the principal thereof and premium, if any, and

interest thereon to be made to the Trustee for the account of the Issuer. The Senior Notes shall be delivered to and registered in the name of the Trustee for the account of the Issuer and the benefit of the Owners from time to time of the Bonds and shall be held, voted, transferred and surrendered by the Trustee subject to and in accordance with the respective provisions of this Loan Agreement, the Indenture and the Pledge Agreement.

Any moneys received by the Trustee with respect to either series of Senior Notes shall be used to make the corresponding payment then due of principal of or premium, if any, or interest on the related series of Bonds in accordance with the terms of such Bonds and the Indenture. Any proceeds of the Senior Notes in excess of the amounts necessary to pay in full the principal of or premium, if any, or interest on the Bonds shall be remitted to the Company.

(b) The Company shall receive a credit against its obligations to make any payment of principal of, premium, if any, or interest on each series of the Senior Notes issued pursuant to Section 5.01(a) (whether at maturity, upon redemption or otherwise) and such obligations shall be fully or partially, as the case may be, satisfied and discharged, in an amount equal to the amount, if any, paid by the Company under Section 4.04 hereof, or otherwise satisfied or discharged, in respect of the principal of, premium, if any, or interest on the Bonds of the related series. The obligations of the Company to make such payment of principal of, premium, if any, or interest on each series of the Senior Notes shall be deemed to have been reduced by the amount of such credit.

(c) In view of the pledge and assignment of the Senior Notes pursuant to Section 5.02 hereof, the Issuer agrees that (i) the Senior Notes shall be issued and delivered to, registered in the name of and held by, the Trustee for the benefit of the Owners from time to time of the Bonds, and the Company shall make all payments of principal of, premium, if any, and interest on the Senior Notes to the Trustee as the registered owner thereof; (ii) the Indenture shall provide that the Trustee shall not sell, assign or transfer the Senior Notes except to a successor trustee under the Indenture, and shall surrender Senior Notes to the Senior Note Indenture Trustee in accordance with the provisions of subsection (d) of this Section 5.01; and (iii) the Company may take such actions as it shall deem to be desirable to effect compliance with such restrictions on transfer, including the placing of an appropriate legend on each Senior Note and the issuance of stop-transfer instructions to the Senior Note Indenture Trustee or any other transfer agent under the Senior Note Indenture. Any action taken by the Trustee in accordance with the provisions of Section 6.12 of the Indenture shall be binding upon the Company.

(d) At the time any Bonds of any series cease to be Outstanding (other than by reason of the payment or redemption of Senior Notes of the corresponding series and other than those in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered), the Issuer shall cause the Trustee to surrender to the Senior Note Indenture Trustee a corresponding principal amount of Senior Notes, of the series corresponding to such series of Bonds, bearing interest at the same rate and maturing on the same date as such Bonds.

(e) For the purpose of determining whether or not any payment of the principal of or interest on the Senior Notes shall have been made in full, any moneys paid by the Company in respect of the Senior Notes which shall have been withdrawn by the Trustee from the Bond Fund pursuant to Section 9.04 of the Indenture shall be deemed to have been paid by the Company to the Trustee pursuant to Section 5.03 hereof and not to have been paid by the Company in respect of the Senior Notes.

Section 5.02. Payments Assigned; Obligation Absolute. It is understood and agreed that all payments to be made by the Company hereunder (except for payments made pursuant to Sections 5.03, 5.04, 6.04 and 8.05 hereof) and on the Senior Notes are, by the Indenture, pledged and assigned by the Issuer to the Trustee, and that all rights and interest of the Issuer hereunder (except for the Issuer's rights under Sections 5.03, 5.04, 6.04 and 8.05 hereof and any rights of the Issuer to receive notices, certificates, requests, requisitions, directions and other communications hereunder), including rights under the Pledge Agreement with respect to the Senior Notes, are, by the Indenture, pledged and assigned to the Trustee. The Company assents to such pledge and assignment. The obligation of the Company to make the payments hereunder and on the Senior Notes shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement, or to any defense other than payment or to any right of set-off, counterclaim or recoupment arising out of any breach under this Loan Agreement, the Indenture or otherwise by the Issuer or the Trustee or any other party, or out of any obligation or liability at any time owing to the Company by the Issuer, the Trustee or any other party, and, further, the payments hereunder and on the Senior Notes and the other payments due hereunder shall continue to be payable at the times and in the amounts therein and herein specified, whether or not the Facilities or the Project, or any portion thereof, shall have been destroyed by fire or other casualty, or title thereto, or the use thereof, shall have been taken by the exercise of the power of eminent domain, and, further, there shall be no abatement of or diminution in any such payments by reason thereof, whether or not the Facilities or the Project shall be used or useful, whether or not any applicable laws, regulations or standards shall prevent or prohibit the use of the Facilities or the Project, or for any other reason.

Section 5.03. Payment of Expenses. The Company shall pay all of the Administration Expenses of the Issuer, the Trustee, the Paying Agent and the Registrar under the Indenture to be made directly to each such entity.

Section 5.04. Indemnification. The Company agrees that the Issuer and its elected or appointed officials, officers, agents, legal counsel, servants and employees, and the Trustee and its directors, officers and employees (collectively, the *"Indemnified Parties"*), shall not be liable for, and that the Company will at all times indemnify and hold harmless, the Indemnified Parties from and against any loss or liability, and pay all expenses of the Indemnified Parties relating to any lawsuit, proceeding or claim arising out of, or in any way relating to, the execution, delivery or performance of this Loan Agreement or the Indenture or any action taken or omitted to be taken hereunder or thereunder, the acceptance or administration by the Trustee of its trusts under the Indenture, the issuance or sale of the Bonds, or any cause whatsoever relating to the Facilities, except, in any case, as a result of the negligence or willful misconduct of the

Indemnified Party seeking indemnification. In case any action shall be brought against any Indemnified Party in respect of which indemnity may be sought hereunder against the Company, such Indemnified Party shall promptly notify the Company in writing and the Company shall assume the defense thereof, including the employment of counsel and the payment of all expenses. Failure by such Indemnified Party to notify the Company shall not relieve the Company from any liability which it may have to such Indemnified Party otherwise than under this Section 5.04. Such Indemnified Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party unless the employment of such counsel has been authorized by the Company. The Company shall not be liable for any settlement of any such action without its consent, but if any such action is settled with the consent of the Company or if there be final judgment for the plaintiff in any such action, the Company shall indemnify and hold harmless such Indemnified Party from and against any loss or liability by reason of such settlement or judgment.

Section 5.05. Payment of Taxes; Discharge of Liens. The Company shall: (a) pay, or make provision for payment of, all lawful taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any federal, state or municipal government or political body upon its interest in the Facilities or any part thereof or upon any amounts payable hereunder or on the Senior Notes when the same shall become due; and (b) pay or cause to be satisfied and discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same shall accrue, any lien or charge upon any amounts payable hereunder or on the Senior Notes and all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien thereon; *provided*, that, the Company may, at its expense, and in its own name and behalf or in the name and behalf of the Issuer, in good faith contest any such taxes, assessments and other charges, and in such event may permit the taxes, assessments and other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, provided during such period enforcement of such contested item is effectively stayed unless by nonpayment of any such items the lien of the Indenture as to the amounts payable hereunder or on the Senior Notes will be materially endangered, in which event the Company shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Issuer shall cooperate fully with the Company in any such contest. In the event that the Company shall fail to pay any of the foregoing items required by this Section to be paid by the Company, either the Issuer or the Trustee may, in its uncontrolled discretion and without notice to the Owners of the Bonds, make advances to effect payment of such items on behalf of the Company, but neither the Issuer nor the Trustee shall have any obligation to do so; any and all such advances may bear interest at a rate per annum equal to two (2) percentage points above the prime lending rate of the Trustee; but no such advance shall operate to relieve the Company from any default hereunder.

Section 5.06. Company Compliance with Prior Agreements. The Company hereby confirms its obligations under Sections 4.04 and 9.01 of each of the Prior Agreements to furnish any moneys required by the Prior Indentures to be deposited with the Prior Trustee in connection with the redemption of the Prior Bonds, to the extent that the moneys on deposit under the Prior Indentures are less than the amount required to pay principal of and interest on the Prior Bonds on the date fixed for redemption of the Prior Bonds pursuant to the notice to be given by the Company under Section 9.01 of each of the Prior Agreements.

ARTICLE VI

SPECIAL COVENANTS

Section 6.01. Maintenance of Existence. Except as permitted in this Section 6.01, the Company shall maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge with or into another corporation. The Company may consolidate with or merge with or into another corporation incorporated under the laws of the United States of America, any state thereof or the District of Columbia, or sell, transfer or otherwise dispose of all or substantially all of its assets to any other entity if (a) no Event of Default under this Loan Agreement shall have occurred and be continuing, and (b) the surviving, resulting or transferee corporation (if other than the Company), as the case may be, prior to or simultaneously with such merger, consolidation, sale, transfer or disposition, assumes, by delivery to the Trustee of an instrument in writing satisfactory in form to the Trustee, all the obligations of the Company hereunder including without limitation the obligations of the Company on the Senior Notes; and *provided further* that in the case of a merger or consolidation where the Company is not the surviving or resulting entity or in the case of such a sale, transfer or disposition, the Company shall deliver to the Trustee an opinion of counsel to the Company that such consolidation, merger, sale, transfer or disposition complies with the provisions of this Section 6.01.

If consolidation, merger or sale or other transfer is made as permitted by this Section 6.01, the provisions of this Section 6.01 shall continue in full force and effect and no further consolidation, merger or sale or other transfer shall be made except in compliance with the provisions of this Section 6.01.

Section 6.02. Permits or Licenses. In the event that it may be necessary for the proper performance of this Loan Agreement on the part of the Company or the Issuer that any application or applications for any permit or license to do or to perform certain things be made to any governmental or other agency by the Company or the Issuer, the Company and the Issuer each shall, upon the request of the other, execute such application or applications.

Section 6.03. Issuer's Access to Facilities. The Issuer shall have the right, subject to such limitations, restrictions and requirements as the Company may reasonably prescribe in order to preserve secret processes and formulae, upon appropriate prior notice to the Company, to have

reasonable access to the Facilities during normal business hours for the purpose of making examinations and inspections of the same.

Section 6.04. Arbitrage and Tax Exemption Certifications and Covenants. The Company covenants for the benefit of the Issuer and the Owners from time to time of the Bonds that, so long as any of the Bonds remain Outstanding, it will not take any action, or permit to be taken any action, and that moneys on deposit in any fund or account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, will not be used or invested in a manner, which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or which will otherwise cause interest on the Bonds to be includable in the gross income of the Owners thereof for purposes of federal income taxation. To such end, the Company has entered into the Tax Certificate. The Company covenants and agrees that it will comply with the Tax Certificate, as the same may be amended from time to time, in accordance with its terms. Pursuant to such covenant the Company obligates itself to comply with the requirements of Section 148 of the Code, so long as any of the Bonds are Outstanding. The Company shall not be deemed to have violated this covenant by virtue of the fact that interest on any of the Bonds becomes includable (a) in gross income of a person who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 103(b) of the 1954 Code, or (b) in the computation of the alternative minimum tax imposed by Section 55 of the Code, the environmental tax imposed by Section 59A of the Code or the branch profits tax on foreign corporations imposed by Section 884 of the Code.

Section 6.05. Use of Facilities. So long as the Company owns an interest in the Facilities, the Company shall exercise all its rights, powers, elections and options under the Inter-Company Agreements to cause the Facilities to be used for purposes contemplated by the Act.

Nothing contained in this Loan Agreement shall be construed to require or authorize the Issuer to operate the Facilities or conduct any business enterprise therewith.

Section 6.06. Financing Statements. The Company shall file and record, refile and re-record, or cause to be filed and recorded, refiled and re-recorded, all documents or notices, including financing statements and continuation statements, to perfect, or maintain the perfection of, the lien of the Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the State of Montana, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture.

Section 6.07. Insurance Policy. (a) Concurrently with the initial authentication and delivery of the Bonds, the Company shall cause the Insurance Policy to be delivered to the Trustee. Under the Insurance Policy the Insurer shall guarantee the payment of the principal of the Bonds upon the stated maturity thereof and the payment of the interest on the Bonds on the regular interest payment dates therefor. The Issuer shall, in the Indenture, require the Trustee to take action under the Insurance Policy, in accordance with the terms and subject to the coverage thereof, to the extent necessary to cause amounts in respect of the principal of and interest on the Bonds to be paid to the Owners thereof.

(b) The Company agrees that (i) it will permit the Insurer to discuss the affairs, finances and accounts of the Company or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Company, (ii) it will file a copy of its annual report with the Insurer when the same shall be available and (iii) it will furnish such other information to the Insurer as the Insurer may reasonably request.

ARTICLE VII

ASSIGNMENT

Section 7.01. Conditions. The Company's interest in this Agreement may be assigned as a whole or in part by the Company to another entity, subject, however, to the condition that no assignment shall cause the interest payable on the Bonds (other than Bonds held by a "substantial user" or "related person" within the meaning of Section 103(b)(13) of the 1954 Code) to be subject to federal income taxation nor relieve (other than as described in Section 6.01 hereof) the Company from primary liability for its obligations on the Senior Notes or to make payments to the Trustee under Section 4.04 hereof or for any other of its obligations hereunder; and subject further to the condition that the Company shall have delivered to the Trustee an opinion of counsel to the Company that such assignment complies with the provisions of this Section 7.01.

Anything herein to the contrary notwithstanding, the Company shall not make any assignment as provided in the preceding paragraph unless it shall have furnished to the Trustee an opinion of Bond Counsel to the effect that the proposed assignment will not impair the validity under the act of the Bonds or the exemption from federal income taxation of the interest thereon.

Section 7.02. Instruments Furnished to Trustee. The Company shall, within fifteen (15) days after the delivery thereof, furnish to the Issuer and the Trustee a true and complete copy of the agreements or other documents effectuating any such assignment.

Section 7.03. Limitation. This Loan Agreement shall not be assigned nor shall the Facilities be leased or sold, in whole or in part, except as provided in this Article VII or in Section 6.01.

ARTICLE VIII

EVENTSOF DEFAULTAND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute and is referred to in this Loan Agreement as an "Event of Default":

(a) a failure by the Company to pay when due any amounts required to be paid under Section 4.04(a) hereof or otherwise on the Senior Notes, which failure results in (i) a default in the payment of the interest on the Bonds and a continuance of such default for a period of thirty (30) days, or (ii) a default in the payment of the principal of or premium, if any, on the Bonds when due and a continuance of such default for a period of five (5) days; or

(b) an "Event of Default" under Section 8.01 of the Senior Note Indenture; or

(c) a failure by the Company to pay when due any amount required to be paid under this Loan Agreement or to observe and perform any covenant, condition or agreement on its part to be observed or performed (other than a failure referred to in subsection (a) above), which failure shall continue for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Company by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such period prior to its expiration; *provided, however*, that the Issuer and the Trustee shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued; or

(d) the dissolution or liquidation of the Company; or the filing by the Company of a voluntary petition in bankruptcy; or failure by the Company promptly to lift or bond any execution, garnishment or attachment of such consequence as will impair its ability to make any payments under this Loan Agreement or on the Senior Notes; or the filing of a petition or answer proposing the entry of an order for relief by a court of competent jurisdiction against the Company under Title 11 of the United States Code, as the same may from time to time be hereafter amended, or proposing the reorganization, arrangement or debt readjustment of the Company under the provisions of any bankruptcy act or under any similar act which may be hereafter enacted and the failure of said petition or answer to be discharged or denied within 90 days after the filing thereof; or the entry of an order for relief by a court of competent jurisdiction in any proceeding for its liquidation or reorganization under the provisions of any bankruptcy act or under any similar act which may be hereafter enacted; or an assignment by the Company for the benefit of its creditors; or the entry by the Company into an agreement of composition with its creditors (the term *"dissolution or liquidation of the Company,"* as used in this subsection (d), shall not be construed to include the cessation of the corporate existence of the Company resulting either from a merger or consolidation of the Company into or

with another corporation or a dissolution or liquidation of the Company following a transfer of all or substantially all its assets as an entirety, under the conditions permitting such actions contained in Section 6.01 hereof); or

(e) an "Event of Default" under the Indenture.

Section 8.02. Force Majeure. The provisions of Section 8.01(b) hereof are subject to the following limitations: If by reason of acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the Government of the United States or of the State of Montana or Washington or any department, agency, political subdivision, court or official of any of them, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes, volcanoes; fires, hurricanes; tornados; storms, floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery; partial or entire failure of utilities; or any cause or event not reasonably within the control of the Company, the Company is unable in whole or in part to carry out any one or more of its agreements or obligations contained herein, other than its obligations under Sections 4.04, 5.01, 5.03, 5.04, 5.05, and 6.01 hereof and on the Senior Notes, the Company shall not be deemed in default by reason of not carrying out said agreement or agreements or performing said obligation or obligations during the continuance of such inability. The Company shall make reasonable effort to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; *provided*, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Company, and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Company unfavorable to the Company.

Section 8.03. Remedies. (a) Upon the occurrence and continuance of any Event of Default described in clause (b) of Section 8.01 hereof, the Trustee, as the holder of the Senior Notes, shall, subject to the provisions of the Indenture, have the rights provided in the Senior Note Indenture. Any waiver of any "default" or "event of default" under the Senior Note Indenture and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event or Events of Default under this Loan Agreement and a rescission and annulment of the consequences thereof.

(b) Any waiver of any "event of default" under the Indenture and a rescission and annulment of its consequences shall constitute a waiver of any corresponding Event of Default under this Loan Agreement and a rescission and annulment of the consequences thereof.

(c) Upon the occurrence and continuance of any Event of Default, the Trustee, as assignee of the Issuer may take, or cause to be taken, any action at law or in equity as may appear necessary or desirable to collect any payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company hereunder and under the Pledge Agreement and the Senior Notes.

(d) Any amounts collected from the Company pursuant to this Section 8.03 shall be applied in accordance with the Indenture. No action taken pursuant to this Section 8.03 shall relieve the Company from the Company's obligations pursuant to Section 4.04 hereof.

Section 8.04. No Remedy Exclusive. No remedy conferred upon or reserved to the Issuer hereby is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Issuer hereunder shall also extend to the Trustee, then the Trustee and the Bondholders, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 8.05. Reimbursement of Attorneys' Fees. If the Company shall default under any of the provisions hereof and the Issuer or the Trustee shall employ attorneys or incur other reasonable and proper expenses for the collection of payments due hereunder or on the Senior Notes or for the enforcement of performance or observance of any obligation or agreement on the part of the Company contained herein or therein, the Company will on demand therefor reimburse the Issuer or the Trustee, as the case may be, for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 8.06. Waiver of Breach. In the event any obligation created hereby shall be breached by either of the parties hereto and such breach shall thereafter be waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of certain of the Issuer's rights and interests hereunder to the Trustee, the Issuer shall have no power to waive any default hereunder by the Company in respect of such rights and interests without the consent of the Trustee and the Trustee may exercise any of the rights of the Issuer hereunder.

Section 8.07. No Liability of Issuer. The Bonds are issued under and pursuant to the Act and shall be limited obligations of the Issuer payable solely out of the Receipts and Revenues under this Loan Agreement. No holder of any Bond issued under the Act has the right to compel any exercise of the taxing power of the Issuer to pay the Bonds or the interest or premium, if any, thereon, and the Bonds shall not constitute an indebtedness of the Issuer or a loan of credit thereof within the meaning of any constitutional or statutory provisions.

ARTICLE IX

REDEMPTIONOF BONDS

Section 9.01. Redemption of Bonds. The Issuer shall take, or cause to be taken, the actions required by the Indenture to discharge the lien thereof through the redemption, or provision for payment or redemption, of all Bonds of any series then Outstanding, or to effect the redemption, or provision for payment or redemption, of less than all the Bonds of any series then Outstanding, upon receipt by the Issuer and the Trustee from the Company of a notice designating the principal amounts, series and maturities of the Bonds to be redeemed, or for the payment or redemption of which provision is to be made, and, in the case of redemption of Bonds, or provision therefor, specifying the date of redemption, which shall not be less than 30 days from the date such notice is given, the applicable redemption provision of the Indenture and that all conditions precedent to the Company's right to direct the redemption of the Bonds contained in the Indenture have been complied with. Except in the case of a redemption pursuant to Section 3.01(c) of the Indenture, such notice (unless otherwise stated therein) shall be revocable by the Company at any time prior to the time at which the Bonds to be redeemed, or for the payment or redemption of which provision is to be made, are first deemed to be paid in accordance with Article VII of the Indenture. The Company shall furnish any moneys required by the Indenture to be deposited with the Trustee or otherwise paid by the Issuer in connection with any of the foregoing purposes including moneys for payment of any premium on the Bonds which is not otherwise provided for.

Section 9.02. Compliance with the Indenture. Anything in this Loan Agreement to the contrary notwithstanding, the Issuer and the Company shall take all actions required by this Loan Agreement and the Indenture in order to comply with Section 3.01(c) of the Indenture.

ARTICLE X

MISCELLANEOUS

Section 10.01. Term of Agreement. This Loan Agreement shall remain in full force and effect from the date hereof until the right, title and interest of the Trustee in and to the Trust Estate (as defined in the Indenture) shall have ceased, terminated and become void in accordance with Article VII of the Indenture and until all payments required under this Loan Agreement shall have been made.

Section 10.02. Notices. Except as otherwise provided in this Loan Agreement, all notices, certificates, requests, requisitions and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: if to the Issuer, at City Hall, Forsyth, Montana 59327, Attention: Mayor; if to the Company, at 411 108th Avenue N.E., Bellevue, Washington 98004-5515, Attention: Treasurer; and if to the Trustee at such address as shall be designated by it in the

Indenture. A copy of each notice, certificate, request or other communication given hereunder to the Issuer, the Company and the Trustee shall also be given to the others. Any of the foregoing may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 10.03. Parties in Interest. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, and no other person, firm or corporation shall have any right, remedy or claim under or by reason of this Agreement; *provided, however*, that neither the Issuer, the State of Montana, or any political subdivision thereof shall in any event be liable for the payment of the principal of or premium, if any, or interest on the Bonds or for the performance of any pledge, mortgage, obligation or agreement created by or arising out of the Loan Agreement or the issuance of the Bonds; and *provided, further*, that neither the Bonds nor any obligation of the Issuer created by or arising under this Agreement shall constitute an indebtedness or loan of credit of the Issuer, the State of Montana or any political subdivision thereof within the meaning of any constitutional or statutory provisions whatsoever, but shall be limited obligations of the Issuer payable solely out of the revenues derived from this Loan Agreement, or from the sale of the Bonds, or income earned on invested funds as provided herein and in the Indenture.

Section 10.04. Amendments. This Agreement may be amended only by written agreement of the parties hereto, subject to the limitations set forth herein and in the Indenture.

Section 10.05. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same Agreement.

Section 10.06. Severability. If any clause, provision or section of this Agreement shall, for any reason, be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof, and this Agreement shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained herein. In case any agreement or obligation contained in this Agreement be held in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Issuer or the Company, as the case may be, to the full extent permitted by law.

Section 10.07. Governing Law. The laws of the State of Montana shall govern the construction and enforcement of this Agreement.

In Witness Whereof, the parties hereto have caused this Loan Agreement to be duly executed as of the day and year first above written.

City of Forsyth, Montana

By: /s/ Dennis Kopitzke

Mayor

Attest:

/s/ Doris Pinkerton

City Clerk

Puget Sound Energy, Inc.

By: /s/ Donald E. Gaines

Vice President Finance and Treasurer

EXHIBIT A

PROJECT DESCRIPTION

Description of Facilities – 1973 Bonds

The Facilities generally consist of the following property or other property functionally related and subordinate to such property. The following describes the Facilities originally financed by certain Pollution Control Revenue Bonds (Puget Sound Power & Light Company Project) Series 1973, issued by the County of Rosebud, Montana on June 27, 1973.

1. Venturi Scrubber System

The function of the Venturi Scrubbing System is to remove fly ash and sulfur dioxide (SO_2) from the flue gas by washing with a recycled liquor.

This system, together with a related monitoring device, is composed of three scrubber trains each at Units 1 and 2, each containing a venturi throat, counter-current sprays, mist eliminators, recycle tank, recycle pumps, steam coil-type reheater, soot blowers, induced draft ("ID") fan, effluent liquor pumps and lines, and pond return pumps. Flue gas first passes down through the venturi throat section and is thoroughly mixed with the liquor. The liquor drops out into the integral recycle tank with the absorbed ash and some absorbed SO_2. Gas then passes upward through sprays and demisters where downward flowing liquor finishes the SO_2 absorption job. The liquor drops out into the recycle tank. The gas passes on through a reheater before entering the ID fans and exiting out the stack. Spent liquor is pumped to an ash disposal pond by effluent liquor pumps and clear water is returned to the cycle by the pond return pumps.

The ash pond is divided into two sections each of which is used on alternate years. One section is to be left to dry and the deposited ash will be disposed of as required while the other section is in use. Ash mixed with water enters the active pond and moves slowly toward the outlet. Before reaching the outlet, most of the ash has settled out and decanted water is returned to the cycle for reuse. The pond will also have adequate capacity for disposal of the smaller amounts of ash from the ash disposal system (see Ash Disposal System below).

2. Nitrogen Oxides Control System

The function of the Nitrogen Oxides Control System is to reduce the amount of nitrogen oxides (NO_x) produced during the combustion of pulverized coal in the boiler.

This system consists of four overfire air compartments each at Units 1 and 2 with associated ducting, air dampers, and combustion controls. In operation, this system functions to decrease combustion temperatures and NO_x production by increasing the volume of the fireball region in which combustion takes place. This is accomplished by installation and control of overfire air compartments that spread the supply of combustion air over a larger volume.

3. Ash Disposal System

The function of the Ash Disposal System is to dispose of bottom ash, economizer ash, and pyrites produced in the operation of the plants.

This system is composed of hoppers, storage tanks, clinker grinders, ash conveying pumps, conveying lines, water supply lines, pond return lines, and ash ponds. Economizer ash is conveyed pneumatically from the economizer hoppers to the pyrites and economizer storage tank. The pyrites, which are rejected by the coal pulverizers, are also sluiced to this storage tank. The storage tank is emptied periodically by sluicing the contents to the ash pond. Ash and clinkers falling into the bottom ash hopper are put through the clinker grinder and sluiced to the ash pond.

Description of Facilities – 1977 Bonds

The Facilities generally consist of the following property or other property functionally related and subordinate to such property. The following describes the Facilities originally financed by certain Pollution Control Revenue Bonds (Puget Sound Power & Light Company Project) Series 1977, issued by the County on June 22, 1997.

1. Sulfur Dioxide and Particulate Removal System

The Sulfur Dioxide and Particulate Removal System is composed of a SO2 scrubber and a fly ash slurry disposal system as described below.

A. Venturi Scrubber System

The function of the Venturi Scrubber System is to remove fly ash and SO_2 from the flue gas washing with a recycled liquor.

The scrubbers were designed and installed by Combustion Equipment Associates and Inc. Particulate loading in the scrubber gases shall be equal to or less than 0.18 grains per actual cubic foot measured at the reheater outlet condition (equivalent to 0.02 grains per actual cubic foot in the stack). SO_2 in the scrubber gases are equal to or less than one pound of SO_2 per million BTU of heat released in the furnace. The design conditions are for a flue gas flow of 1,430,000 cubic feet per minute per generating unit at 291°F. This system, together with a related monitoring device, is composed of three scrubber trains each at Units 1 and 2, each containing a venturi throat, counter-current sprays, mist eliminators, recycle tank, recycle pumps, steam coil-type reheater, soot blowers, ID fan, effluent liquor pumps and lines, and pond return pumps. Flue gas first passes down through the venturi throat section and is thoroughly mixed with the liquor. The liquor drops out into the integral recycle tank with the absorbed ash and some absorbed SO_2. Gas then passes upward through sprays and demisters where downward flowing liquor completes the SO_2 absorption process. The liquor again drops out into the recycle tank. The gas passes on through a reheater before entering the ID fans and exiting out the stack. Spent liquor is pumped to a fly ash slurry disposal pond by effluent liquor pumps and clear water is returned to the recycle tank by the pond return pumps.

The Venturi Scrubber System is composed of scrubber vessels, venturi throats, recycle tanks, agitators, recycle pumps, counter-current sprays, wash trays, wash tray recycle tank, wash tray recycle pumps, wash tray pond, mist eliminators and cleaning sprays, steam coil

reheaters, soot blowers, ID fans, isolation dampers, effluent tank, effluent pumps, fly ash pond, pond return pumps, lime (alkali) system, valves, pipelines, wiring, electric services, electric motors, valve actuators, motor controls, automatic analog control system, related measuring instruments and monitoring devices and all other related auxiliary electric, mechanical, and civil equipment.

B. Ash Disposal System

The Ash Disposal System serves to dredge and pump fly ash slurry from the fly ash slurry disposal pond, mentioned above, to the evaporation pond and return reclaimed water to the fly ash slurry pond. Eventually the evaporation pond will fill with slurry. A new pond will then be started and the slurry in the old pond will be left to evaporate to a more solid material.

The system included a barge mounted dredge, booster pumps, a 16” diameter slurry pipeline, evaporation pond, a barge mounted return line pump, emergency drain pumps, sump pumps, seal water pumps, all electrical services, valves, miscellaneous piping, and all other necessary equipment.

3. Nitrogen Control System

The Nitrogen Control System serves to reduce the concentration of NO_x in the flue gas.

The system consists of four overfire air compartments per generating unit and associated ducting, air dampers, and combustion controls. In operation, the system functions to decrease combustion temperatures and NO_x production by increasing the volume of the fireball region in which combustion takes place. This is accomplished by the installation and control of overfire air compartments that spread the supply of combustion air over a larger volume.

Description of Facilities – 1981 Bonds

The Facilities generally consist of the following property or other property functionally related and subordinate to such property. The following describes the Facilities originally financed by the Issuer's $100,000,000 aggregate principal amount 8 3/4% Pollution Control Revenue Bonds, Series 1981, issued on June 3, 1981.

1. Scrubber System

The function of the Scrubber System is to remove fly ash and sulfur dioxide (SO_2) from the flue gas by washing with a recycled liquor. Eight scrubber vessels are installed each at Unit 3 and 4 into which boiler combustion gases are ducted. At full load it requires that seven scrubbers operational to achieve sufficient SO_2 and particulate removal to comply with environmental regulations. Since it was expected that at any given time at least one scrubber train will be down for maintenance, it was necessary to install eight scrubber trains in order to assure reliable plant operation in compliance with the law.

The flue gas enters the top of each scrubber vessel in the venturi section where the gas is contacted with finely atomized scrubber slurry. The flue gas is adiabatically cooled and saturated by the evaporation of water from the scrubber slurry. In the venturi, fly ash particulates are removed by the slurry droplets during collisions caused by the sudden changes in gas velocity. The proper gas pressure drop across the venturi to achieve these changes in velocity is maintained by raising or lowering a plumb bob located in the throat of the venturi.

SO_2 is also absorbed and removed by the slurry in the venturi. After the flue gas leaves the venturi, it passes upward through an absorption spray zone where the gas is sprayed with more scrubber slurry. These sprays remove additional SO_2. Then the flue gas passes through a wash tray where it is bubbled through a stream of wash tray slurry. The main purpose of the wash tray is to remove and dilute the slurry droplets entrained in the flue gas from the venturi and absorption sprays. The wash tray also removes small amounts of fly ash and SO_2. A spray keeps the wash tray from plugging and also maintains the proper water balance in the scrubber. When the flue gas bubbles through the wash tray it produces a mist of water droplets containing some dissolved and suspended solids. This mist is removed by a mist eliminator. The mist eliminator is made up of a series of zigzag parallel plates. The mist droplets strikes these plates, cling to them, and then fall back onto the wash tray. The flue gas then leaves the scrubber vessel. At this point the flue gas has been cooled to a temperature of about 120°F and is saturated as a result of water introduced in the scrubbing process. Approximately 95% of the SO_2 and over 90% of the fly ash particulates are removed.

Because of the action of the scrubber in cooling and saturating the flue gas, the pressure drop across the scrubber and the moisture contents adverse conditions for the continued flow of gases to and up the stack. It is therefore necessary to reheat the gases to about 170°F and, thereafter, to restore the gas flow with ID fans. The reheater is another heat exchanger device that utilizes steam from the turbine or boiler. The heat in the reheater vaporizes any water droplets in the gas stream and at the same time raises the temperature of the gas to achieve a relative humidity below the saturation point. This improves the plum rise from the stack, reduces ground level concentrations of the emissions, and prevents the formation of acid mist that would cause corrosion and failure of equipment downstream of the scrubber. Upon leaving the reheater the flue gas enters an ID fan that serves to maintain the gas flow through the scrubber and reheater and forces it through the duct and up the stack. Units 3 and 4 are designed as balanced draft units that require forced draft fans at the furnace inlet and ID fans at the scrubber outlet. The flue gas temperature is increased to about 190°F by the compression in the fan.

Each scrubber vessel is provided with one reheater and one ID fan. When the flue gas leaves the fan it enters a series of ducts where the flue gas from all of the scrubbers are combined and routed to the bottom of the stack. Each of Units 3 and 4 has its own stack that discharges the cleaned gases to the atmosphere at an elevation of 692 feet above the ground.

The slurry used for the venturi and absorption sprays are taken from the recycle tank located directly below each scrubber vessel. There are two pumps for the venturi; one operates as a spare. One-half of the slurry to the venturi is injected on the tangential shelf above the venturi and the other half is sprayed on top of the plump bob. There are also two pumps per scrubber vessel for the absorption sprays. Each pump supplies slurry to one set of sprays. The sets of sprays are located one above the other. Each set of sprays is operated independently of the other. Only one set of sprays are operated so long as the outlet SO_2 emissions are below the level determined by the permits. The capability to operate two sets of sprays at once is necessary to insure that the outlet SO_2 concentration will never exceed the limit permitted. The spent slurry from the venturi and absorption sprays falls to the vessel bottom and is returned to the recycle tank through downcomer pipes.

The removal of fly ash and SO2 causes the buildup of suspended solid particles in the recycle tank. An agitator is used to keep these solids suspended and to promote mixing. The concentration of these suspended solids is controlled by taking a slurry bleed stream to the disposal pond where the solids settle out producing a sludge. The clear water is then returned to the recycle tank. Slurry from each recycle tank is bled to an effluent holding tank. There is

one effluent holding tank for each four-scrubber vessels (two per unit). All of the effluent holding tanks discharge to one large effluent holding tank common to both units, which then discharges to the disposal pond.

The alkali used for SO_2 removal is a mixture of hydrated high calcium lime and hydrated dolomitic lime (as further described in Item 3 below). This lime is added to the regenerator as a slurry. There is one regenerator per recycle tank. There is one regenerations tank feed pump per recycle tank that takes a stream of recycle slurry to the regenerator. The regenerator has an overflow line that returns regenerated slurry to the recycle tank. The purpose of the regenerators is to maintain a chemical environment different from the recycle tanks, which is more favorable to the chemical reactions necessary to regenerate the spent slurry after SO_2 removal.

There is a separate wash tray recycle tank from which slurry is pumped to the wash tray and the wash tray undersprays. There is one wash tray recycle tank for each two-scrubber vessels (four wash tray recycle tanks per unit). A bleed stream is taken from each wash tray recycle pump in order to remove the suspended solids collected by the wash tray. This bleed stream goes to the wash tray bleed tank (one wash tray bleed tank per unit). The wash tray bleed tank discharges to the wash tray pond. All wash tray recycle tanks and wash tray bleed tanks are equipped with agitators to prevent the suspended solids from settling out. The wash tray bleed tank is discharged to the wash tray pond where the suspended solids are allowed to settle out forming a sludge at the bottom of the pond. The clear water is then returned to the wash tray recycle tanks.

The bottom of the mist eliminator is intermittently sprayed with blowdown water from the Plant's cooling tower. This is dome to clean the mist eliminator and is also the major source of makeup water for the scrubber system. The top of each mist eliminator is also sprayed once per day for 1-1/2 minutes with river water.

2. Scrubber Sludge Disposal System

Effluent slurry is carried from the Plant to the sludge disposal pond by a 16" pipe. The suspended solids settle to the pond bottom and the clear water is pumped back to the Plant by two 3,020 gallon per minute pumps. One pump acts as a spare. The pond return pipe is 18" in diameter.

The sludge disposal pond (called Areas 5 and 6) is approximately three miles southeast of the Plant. There was a two phases in the development of this pond. Phase 1 required the construction of one dam 70' high and 400' in length.

The capacity of Phase 1 is 8,000 acre-feet and it lasted approximately 13 1/2 years.

The development of Phase 2 required that the original dam be raised to 130’ in height and increased to a length of 3,000 feet. A saddle dam was also added. The saddle dam varies in height, with a maximum height of 50’ and a total length of 3,300 feet. The capacity of Phase 2 is an additional 8,900 acre-feet and it will last approximately 14 1/2 years, for a total life of 28 years.

The sludge disposal pond design took into account a permit requirement for minimum seepage, by providing low permeability soil blankets where exploration defined porous outcrops or high permeability soils.

3. Scrubber Lime System

The sole purpose of the Scrubber Lime System is to supply the lime slurry as needed by the scrubber regenerators. There is one lime system that serves the 16 scrubbers for Units 3 and 4 at the Plant.

The hydrated high calcium lime (calcium hydroxide) is produced from calcined high calcium lime (calcium oxide). Calcined high calcium lime is brought from an outside source and delivered to the Plant by truck or rail. The trucks or rail cars are pneumatically unloaded to large storage silos. From there the calcined high calcium lime is transferred to the slakers. There are four slakers. In the slakers, calcined high calcium lime is reacted with water to produce a slurry of hydrated high calcium lime. The slakers are equipped with screw conveyors for grit removal. The high calcium lime slurry from the slakers is fed to the slurry transfer tanks where it is diluted with water and mixed with hydrated dolomitic lime slurry (a mixture of calcium hydroxide and magnesium hydroxide). The lime slurry from the slurry transfer tanks is then pumped to the slurry feed storage tanks where it is distributed to the regenerators as needed. There is one feed storage tank for each four regenerators (two slurry feed storage tanks per unit).

The hydrated dolomitic lime is produced from calcined dolomitic lime (a mixture of calcium oxide and magnesium oxide). Calcined dolomitic lime is bought from an outside source and delivered to the Plant by rail car. The rail cars are pneumatically unloaded to large storage silos. From there the calcined dolomitic lime is transferred to the hydrator. In the hydrator calcined dolomitic lime is mixed with water and converted to hydrated dolomitic lime under pressure. The hydrator product is dry material. It is then mixed with water to form a slurry. Hydrated dolomitic lime slurry is fed to the slurry transfer tanks where it is mixed with hydrated high calcium lime and water to form the lime slurry. All tanks in the Scrubber Lime System are equipped with agitators.

The Scrubber Lime System is functionally related and subordinate to the scrubber systems and is not used in conjunction with any other part of the generating units.

4. Solid Waste Disposal System

The Solid Waste Disposal System is designed to collect and dispose of approximately 46% of the maximum total ash generated at Units 3 and 4. This represents a nominal 19 tons per hour of bottom ash, 6.9 tons per hour of fly ash, and 2.7 tons per hour of mill pyrites. The collection system for Units 3 and 4 comprise s three sets of fly ash hoppers (economizer, air heater, and flue gas duct hoppers), pyrite hoppers and the bottom ash hopper. Ash is conveyed from these hoppers to an 18,000-gallon transfer tank using jet pulsion pump and a hydroconveyor exhauster. Two two-stage material handling pump installations with a total capacity of 3,130 gallons per minute then convey this ash and water through abrasion-resistant piping. The pipe leaves the building and runs to a settling pond approximately 2,800 feet southeast of the Plant. The water used for the raw-water makeup required to offset evaporation losses. Pump-supplied return lines from the settling pond return supernatant water to an intermediate clear water pond, which than gravity-flows back through the building walls to the suction side of the ash water pumps to complete the closed loop.

The disposal pond design takes into account a permit requirement for minimum seepage by providing low-permeability soil blankets where exploration defined porous outcrops or high permeability soils.

The Solid Waste Disposal System covered by the financing includes only so much of the system as is external to the Plant building and includes piping from the building to the settling pond, the pond itself, return water pumps and lines, clear water pond, and piping back to the Plant building.

Description of Facilities – 1982 Bonds

The Facilities generally consist of the following property or other property functionally related and subordinate to such property. The following describes the Facilities originally financed by the Issuer's $115,000, 000 aggregate principal amount Floating Rate Monthly Demand Pollution Control Revenue Bonds (Puget Sound Power & Light Company Colstrip Project) Series 1982, issued on July 21, 1982.

1. Scrubber System

The function of the Scrubber System is to remove fly ash and sulfur dioxide (SO_2) from the flue gas by washing with a recycled liquor. Eight scrubber vessels are installed each at Unit 3 and 4 into which boiler combustion gases are ducted. At full load it requires that seven scrubbers operational to achieve sufficient SO2 and particulate removal to comply with environmental regulations. Since it was expected that at any given time at least one scrubber train will be down for maintenance, it was necessary to install eight scrubber trains in order to assure reliable plant operation in compliance with the law.

The flue gas enters the top of each scrubber vessel in the venturi section where the gas is contacted with finely atomized scrubber slurry. The flue gas is adiabatically cooled and saturated by the evaporation of water from the scrubber slurry. In the venturi, fly ash particulates are removed by the slurry droplets during collisions caused by the sudden changes in gas velocity. The proper gas pressure drop across the venturi to achieve these changes in velocity is maintained by raising or lowering a plumb bob located in the throat of the venturi.

SO_2 is also absorbed and removed by the slurry in the venturi. After the flue gas leaves the venturi, it passes upward through an absorption spray zone where the gas is sprayed with more scrubber slurry. These sprays remove additional SO_2. Then the flue gas passes through a wash tray where it is bubbled through a stream of wash tray slurry. The main purpose of the wash tray is to remove and dilute the slurry droplets entrained in the flue gas from the venturi and absorption sprays. The wash tray also removes small amounts of fly ash and SO_2. A spray keeps the wash tray from plugging and also maintains the proper water balance in the scrubber. When the flue gas bubbles through the wash tray it produces a mist of water droplets containing some dissolved and suspended solids. This mist is removed by a mist eliminator. The mist eliminator is made up of a series of zigzag parallel plates. The mist droplets strikes these plates, cling to them, and then fall back onto the wash tray. The flue gas then leaves the scrubber vessel. At this point the flue gas has been cooled to a temperature of about 120^{o}F and is saturated as a result of water

introduced in the scrubbing process. Approximately 95% of the SO_2 and over 90% of the fly ash particulates are removed.

Because of the action of the scrubber in cooling and saturating the flue gas, the pressure drop across the scrubber and the moisture contents adverse conditions for the continued flow of gases to and up the stack. It is therefore necessary to reheat the gases to about 170°F and, thereafter, to restore the gas flow with ID fans. The reheater is another heat exchanger device that utilizes steam from the turbine or boiler. The heat in the reheater vaporizes any water droplets in the gas stream and at the same time raises the temperature of the gas to achieve a relative humidity below the saturation point. This improves the plum rise from the stack, reduces ground level concentrations of the emissions, and prevents the formation of acid mist that would cause corrosion and failure of equipment downstream of the scrubber. Upon leaving the reheater the flue gas enters an ID fan that serves to maintain the gas flow through the scrubber and reheater and forces it through the duct and up the stack. Units 3 and 4 are designed as balanced draft units that require forced draft fans at the furnace inlet and ID fans at the scrubber outlet. The flue gas temperature is increased to about 190°F by the compression in the fan.

Each scrubber vessel is provided with one reheater and one ID fan. When the flue gas leaves the fan it enters a series of ducts where the flue gas from all of the scrubbers are combined and routed to the bottom of the stack. Each of Units 3 and 4 has its own stack that discharges the cleaned gases to the atmosphere at an elevation of 692 feet above the ground.

The slurry used for the venturi and absorption sprays are taken from the recycle tank located directly below each scrubber vessel. There are two pumps for the venturi; one operates as a spare. One-half of the slurry to the venturi is injected on the tangential shelf above the venturi and the other half is sprayed on top of the plump bob. There are also two pumps per scrubber vessel for the absorption sprays. Each pump supplies slurry to one set of sprays. The sets of sprays are located one above the other. Each set of sprays is operated independently of the other. Only one set of sprays are operated so long as the outlet SO_2 emissions are below the level determined by the permits. The capability to operate two sets of sprays at once is necessary to insure that the outlet SO_2 concentration will never exceed the limit permitted. The spent slurry from the venturi and absorption sprays falls to the vessel bottom and is returned to the recycle tank through downcomer pipes.

The removal of fly ash and SO2 causes the buildup of suspended solid particles in the recycle tank. An agitator is used to keep these solids suspended and to promote mixing. The concentration of these suspended solids is controlled by taking a slurry bleed stream to the disposal pond where the solids

settle out producing a sludge. The clear water is then returned to the recycle tank. Slurry from each recycle tank is bled to an effluent holding tank. There is one effluent holding tank for each four-scrubber vessels (two per unit). All of the effluent holding tanks discharge to one large effluent holding tank common to both units, which then discharges to the disposal pond.

The alkali used for SO_2 removal is a mixture of hydrated high calcium lime and hydrated dolomitic lime (as further described in Item 3 below). This lime is added to the regenerator as a slurry. There is one regenerator per recycle tank. There is one regenerations tank feed pump per recycle tank that takes a stream of recycle slurry to the regenerator. The regenerator has an overflow line that returns regenerated slurry to the recycle tank. The purpose of the regenerators is to maintain a chemical environment different from the recycle tanks, which is more favorable to the chemical reactions necessary to regenerate the spent slurry after SO_2 removal.

There is a separate wash tray recycle tank from which slurry is pumped to the wash tray and the wash tray undersprays. There is one wash tray recycle tank for each two scrubber vessels (four wash tray recycle tanks per unit). A bleed stream is taken from each wash tray recycle pump in order to remove the suspended solids collected by the wash tray. This bleed stream goes to the wash tray bleed tank (one wash tray bleed tank per unit). The wash tray bleed tank discharges to the wash tray pond. All wash tray recycle tanks and wash tray bleed tanks are equipped with agitators to prevent the suspended solids from settling out. The wash tray bleed tank is discharged to the wash tray pond where the suspended solids are allowed to settle out forming a sludge at the bottom of the pond. The clear water is then returned to the wash tray recycle tanks.

The bottom of the mist eliminator is intermittently sprayed with blowdown water from the Plant's cooling tower. This is dome to clean the mist eliminator and is also the major source of makeup water for the scrubber system. The top of each mist eliminator is also sprayed once per day for 1-1/2 minutes with river water.

2. Scrubber Sludge Disposal System

Effluent slurry is carried from the Plant to the sludge disposal pond by a 16" pipe. The suspended solids settle to the pond bottom and the clear water is pumped back to the Plant by two 3,020 gallon per minute pumps. One pump acts as a spare. The pond return pipe is 18" in diameter.

The sludge disposal pond (called Areas 5 and 6) is approximately three miles southeast of the Plant. There was a two phases in the development of this

pond. Phase 1 required the construction of one dam 70’ high and 400’ in length. The capacity of Phase 1 is 8,000 acre-feet and it lasted approximately 13 1/2 years.

The development of Phase 2 required that the original dam be raised to 130’ in height and increased to a length of 3,000 feet. A saddle dam was also added. The saddle dam varies in height, with a maximum height of 50’ and a total length of 3,300 feet. The capacity of Phase 2 is an additional 8,900 acre-feet and it will last approximately 14 1/2 years, for a total life of 28 years.

The sludge disposal pond design took into account a permit requirement for minimum seepage, by providing low permeability soil blankets where exploration defined porous outcrops or high permeability soils.

3. Scrubber Lime System

The sole purpose of the Scrubber Lime System is to supply the lime slurry as needed by the scrubber regenerators. There is one lime system that serves the 16 scrubbers for Units 3 and 4 at the Plant.

The hydrated high calcium lime (calcium hydroxide) is produced from calcined high calcium lime (calcium oxide). Calcined high calcium lime is brought from an outside source and delivered to the Plant by truck or rail. The trucks or rail cars are pneumatically unloaded to large storage silos. From there the calcined high calcium lime is transferred to the slakers. There are four slakers. In the slakers, calcined high calcium lime is reacted with water to produce a slurry of hydrated high calcium lime. The slakers are equipped with screw conveyors for grit removal. The high calcium lime slurry from the slakers is fed to the slurry transfer tanks where it is diluted with water and mixed with hydrated dolomitic lime slurry (a mixture of calcium hydroxide and magnesium hydroxide). The lime slurry from the slurry transfer tanks is then pumped to the slurry feed storage tanks where it is distributed to the regenerators as needed. There is one feed storage tank for each four regenerators (two slurry feed storage tanks per unit).

The hydrated dolomitic lime is produced from calcined dolomitic lime (a mixture of calcium oxide and magnesium oxide). Calcined dolomitic lime is bought from an outside source and delivered to the Plant by rail car. The rail cars are pneumatically unloaded to large storage silos. From there the calcined dolomitic lime is transferred to the hydrator. In the hydrator calcined dolomitic lime is mixed with water and converted to hydrated dolomitic lime under pressure. The hydrator product is dry material. It is then mixed with water to form a slurry. Hydrated dolomitic lime slurry is fed to the slurry transfer tanks

where it is mixed with hydrated high calcium lime and water to form the lime slurry. All tanks in the Scrubber Lime System are equipped with agitators.

The Scrubber Lime System is functionally related and subordinate to the scrubber systems and is not used in conjunction with any other part of the generating units.

4. Solid Waste Disposal System

The Solid Waste Disposal System is designed to collect and dispose of approximately 46% of the maximum total ash generated at Units 3 and 4. This represents a nominal 19 tons per hour of bottom ash, 6.9 tons per hour of fly ash, and 2.7 tons per hour of mill pyrites. The collection system for Units 3 and 4 comprises three sets of fly ash hoppers (economizer, air heater, and flue gas duct hoppers), pyrite hoppers and the bottom ash hopper. Ash is conveyed from these hoppers to an 18,000-gallon transfer tank using jet propulsion pump and a hydroconveyor exhauster. Two two-stage material handling pump installations with a total capacity of 3,130 gallons per minute then convey this ash and water through abrasion-resistant piping. The pipe leaves the building and runs to a settling pond approximately 2,800 feet southeast of the Plant. The water used for the raw-water makeup required to offset evaporation losses. Pump-supplied return lines from the settling pond return supernatant water to an intermediate clear water pond, which than gravity-flows back through the building walls to the suction side of the ash water pumps to complete the closed loop.

The disposal pond design takes into account a permit requirement for minimum seepage by providing low-permeability soil blankets where exploration defined porous outcrops or high permeability soils.

The Solid Waste Disposal System covered by the financing includes only so much of the system as is external to the Plant building and includes piping from the building to the settling pond, the pond itself, return water pumps and lines, clear water pond, and piping back to the Plant building

Description of Facilities – 1986 Notes

The Facilities generally consist of the following property or other property functionally related and subordinate to such property. The following describes the Facilities originally financed by the Issuer's $23,400,000 aggregate principal amount Promissory Notes (Puget Sound Power & Light Company Colstrip Project) Series 1986, issued on December 30, 1986.

1. Air Pollution Control Facility

The air pollution control facility installed as part of Units 3 & 4 include a series of wet lime slurry based scrubbers and related equipment to remove sulfur dioxide and fly ash from the flue gases prior to discharge through stacks to the atmosphere as required by applicable environmental regulations. The lime slurry comes in contact with flue gas in order to absorb the sulfur dioxide and fly ash through a chemical reaction. After contact, the lime slurry drains into the recycle tank where it can be reintroduced back into the sulfur dioxide and fly ash removal process. A bleed stream controls the buildup of suspended solids in the recycle tank by continuously removing the solids and transferring it to lined disposal ponds. In the disposal ponds, the solids settle out and form a sludge. The supernatant water in the ponds is returned to the scrubbers for reuse.

The major components that are included in this facility are: scrubber lime system, scrubber vessels, mist eliminators, reheaters, draft fans, ductwork, stack, disposal ponds, piping and drains and associated electrical and mechanical equipment.

2. Coal Dust Control System

The coal dust control system collects, stores, and treats coal dust resulting from normal Station operations. Fine particles of coal (coal dust) are generated from mining, crushing, handling and storing coal and must be controlled in accordance with applicable environmental regulations. The coal dust control system includes filtration equipment and associated enclosures to control and capture dust at the live coal pile and coal conveyor system. The recovered coal dust as fuel for the furnaces.

The major components comprising the coal dust control system are: vacuum removal ducts, vacuum removal blowers, dust removal filters, live coal pile enclosure, lowering well enclosure/filtration and associated mechanical, electrical, civil, controls, and instrumentation.

3. Cooling Tower Drift Contaminant Control

Operation of the cooling towers produces exhaust air emissions containing circulating water, particulates and other pollutants generally known as drift. To control the release of these air pollutants, the cooling towers are equipped with high efficiency drift eliminators. The eliminators are located at the top of the cooling towers and remove drift from the cooling tower exhaust air.

4. Water Pollution Control Facilities

The Water Pollution Control Facilities include the chemical and oily waste system, wastewater runoff system, and cooling tower blowdown system all of which are described below.

A. Chemical and Oily Waste System

The Chemical and Oily Waste System collects, stores, treats, and disposes of waste chemicals and oily waste resulting from normal operations of Units 3 & 4. This system includes a network of drains and sewers that trap and remove waste oil and chemicals.

The major components and equipment that comprise the Chemical and Oily Waste System include: drains and pipes, oil separators, chemical waste sumps, chemical waste neutralizing tanks, neutralizing chemical storage tanks, chemical injection equipment and associated mechanical, electrical and control equipment.

B. Wastewater Runoff System

The Wastewater Runoff System collects, stores and treats contact storm water runoff from the yard area during normal operations.

The system includes piping, culverts, yard drains, manholes and special yard gratings and two settling/storage ponds. After collection, all wastewater runoff is stored and treated in the settling ponds. The ponds are lined with a hypalon liner to control seepage. The major components of the wastewater runoff system are: yard piping, concrete culverts, berms, manholes, north plant settling pond with liner, grading, and associated mechanical, electrical, civil and controls and instrumentation.

C. Cooling Tower Blowdown System

The Cooling Tower Blowdown System discharges circulating cooling water from the cooling tower basins to the waste disposal pond.

This wastewater is treated and disposed of by settling and evaporation in the waste disposal pond.

The components of the cooling tower blowdown system are limited to the pipeline from the cooling tower basin to the waste disposal pond.

Exhibit 12.1

PUGET SOUND ENERGY
STATEMENT SETTING FORTH COMPUTATIONS OF RATIOS OF EARNINGS TO FIXED CHARGES
(Dollars in Thousands)

	12 Months Ending March 31, 2003	12 Months Ending March 31, 2002	Years Ended December 31, 2002	2001	2000	1999	1998
EARNINGS AVAILABLE FOR FIXED CHARGES							
Pre-tax income:							
Income from continuing operations	$ 131,518	$ 57,202	$ 108,948	$ 119,130	$ 193,831	$ 185,567	$ 169,612
Income taxes	66,977	40,916	52,836	76,915	129,823	109,164	105,814
Income taxes charged to other income—net	1,718	5,793	2,082	4,590	1,411	2,909	3,986
Capitalized interest	(1,507)	(1,100)	(1,397)	(883)	(1,264)	(3,692)	(1,782)
Undistributed (earnings) or losses of less-than-fifty-percent-owned entities	—	—	—	—	—	—	—
Total	$ 198,706	$ 102,811	$ 162,469	$ 199,752	$ 323,801	$ 293,948	$ 277,630
Fixed charges:							
Interest expense	$ 190,032	$ 193,572	$ 192,829	$ 190,849	$ 184,405	$ 160,966	$ 146,248
Other interest	1,507	1,100	1,397	883	1,264	3,692	1,782
Portion of rentals representative of the interest factor	5,129	4,943	5,394	5,633	5,002	4,575	2,878
Total	$ 196,668	$ 199,615	$ 199,620	$ 197,365	$ 190,671	$ 169,233	$ 150,908
Earnings available for combined fixed charges	$ 395,374	$ 302,426	$ 362,089	$ 397,117	$ 514,472	$ 463,181	$ 428,538
RATIO OF EARNINGS TO FIXED CHARGES	2.01x	1.52x	1.81x	2.01x	2.69x	2.74x	2.84x

PUGET SOUND ENERGY
STATEMENT SETTING FORTH COMPUTATIONS OF RATIOS OF
EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Dollars in Thousands)

	12 Months Ending March 31, 2003	12 Months Ending March 31, 2002	Years Ended December 31, 2002	2001	2000	1999	1998
EARNINGS AVAILABLE FOR COMBINED FIXED CHARGES AND PREFERRED DIVIDEND REQUIREMENTS							
Pre-tax income:							
Income from continuing operations	$ 131,518	$ 57,202	$ 108,948	$ 119,130	$ 193,831	$ 185,567	$ 169,612
Income taxes	66,977	40,916	52,836	76,915	129,823	109,164	105,814
Income taxes charged to other income—net	1,718	5,793	2,082	4,590	1,411	2,909	3,986
Subtotal	200,213	103,911	163,866	200,635	325,065	297,640	279,412
Capitalized interest	(1,507)	(1,100)	(1,397)	(883)	(1,264)	(3,692)	(1,782)
Undistributed (earnings) or losses of less-than-fifty-percent-owned entities	—	—	—	—	—	—	—
Total	$ 198,706	$ 102,811	$ 162,469	$ 199,752	$ 323,801	$ 293,948	$ 277,630
Fixed charges:							
Interest expense	$ 190,032	$ 193,572	$ 192,829	$ 190,849	$ 184,405	$ 160,966	$ 146,248
Other interest	1,507	1,100	1,397	883	1,264	3,692	1,782
Portion of rentals representative of the interest factor	5,129	4,943	5,394	5,633	5,002	4,575	2,878
Total	$ 196,668	$ 199,615	$ 199,620	$ 197,365	$ 190,671	$ 169,233	$ 150,908
Earnings available for combined fixed charges and preferred dividend requirements	$ 395,374	$ 302,426	$ 362,089	$ 397,117	$ 514,472	$ 463,181	$ 428,538
DIVIDEND REQUIREMENT							
Fixed charges above	196,668	199,615	199,620	197,365	190,671	169,233	150,908
Preferred dividend requirements below	11,700	15,018	11,779	14,169	15,084	17,747	21,421
Total	$ 208,368	$ 214,633	$ 211,399	$ 211,534	$ 205,755	$ 186,980	$ 172,329

	12 Months Ending March 31, 2003	12 Months Ending March 31, 2002	Years Ended December 31,				
			2002	2001	2000	1999	1998
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDEND REQUIREMENTS	1.90x	1.41x	1.71x	1.88x	2.50x	2.48x	2.49x
COMPUTATION OF PREFERRED DIVIDEND REQUIREMENTS:							
(a) Pre-tax income	$ 200,213	$ 103,911	$ 163,866	$ 200,635	$ 325,065	$ 297,640	$ 279,412
(b) Income from continuing operations	$ 131,518	$ 57,202	$ 108,948	$ 119,130	$ 193,831	$ 185,567	$ 169,612
(c) Ratio of (a) to (b)	1.5223	1.8166	1.5041	1.6842	1.6771	1.6039	1.6474
(d) Preferred dividends	$ 7,686	$ 8,267	$ 7,831	$ 8,413	$ 8,994	$ 11,065	$ 13,003
Preferred dividend requirements [(d) multiplied by (c)]	$ 11,700	$ 15,018	$ 11,779	$ 14,169	$ 15,084	$ 17,747	$ 21,421

Exhibit 23.3

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated February 12, 2003 relating to the financial statements and financial statement schedule, which appears in Puget Energy, Inc.'s and Puget Sound Energy Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002. We also consent to the references to us under the headings "Experts" in such Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP

Seattle, Washington
July 7, 2003

EXHIBIT 25.1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
Under
The Trust Indenture Act Of 1939 Of A
Corporation Designated To Act As Trustee
Check if an Application to Determine Eligibility of
a Trustee Pursuant to Section 305(b)(2)

U.S. BANK NATIONAL ASSOCIATION
(Exact name of Trustee as specified in its charter)

31-0841368
I.R.S. Employer Identification No.

180 East Fifth Street
St. Paul, Minnesota **55101**
(Address of principal executive offices) **(Zip Code)**

Ward A. Spooner
U.S. Bank National Association
100 Wall Street
New York, New York 10005
(212) 361-6175
(Name, address and telephone number of agent for service)

Puget Sound Energy, Inc.
(Issuer with respect to the Securities)

Washington **91-0374630**
(State or other jurisdiction of incorporation or organization) **(I.R.S. Employer Identification No.)**

10885 NE 4th Street
Bellevue, WA **98004**
(Address of Principal Executive Offices) **(Zip Code)**

Senior Debt Securities
(Title of the Indenture Securities)

FORM T-1

Item 1. GENERAL INFORMATION. Furnish the following information as to the Trustee.

a) *Name and address of each examining or supervising authority to which it is subject.*

Comptroller of the Currency
Washington, D.C.

b) *Whether it is authorized to exercise corporate trust powers.*

Yes

Item 2. AFFILIATIONS WITH OBLIGOR. *If the obligor is an affiliate of the Trustee, describe each such affiliation.*
None

Items 3-15 *Items 3-15 are not applicable because to the best of the Trustee's knowledge, the obligor is not in default under any Indenture for which the Trustee acts as Trustee.*

Item 16. LIST OF EXHIBITS: *List below all exhibits filed as a part of this statement of eligibility and qualification.*

1. A copy of the Articles of Association of the Trustee.*

2. A copy of the certificate of authority of the Trustee to commence business.*

3. A copy of the certificate of authority of the Trustee to exercise corporate trust powers.*

4. A copy of the existing bylaws of the Trustee.*

5. A copy of each Indenture referred to in Item 4. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Trust Indenture Act of 1939, attached as Exhibit 6.

7. Report of Condition of the Trustee as of December 31, 2002, published pursuant to law or the requirements of its supervising or examining authority, attached as Exhibit 7.

* Incorporated by reference to Registration Number 333-67188.

NOTE

The answers to this statement insofar as such answers relate to what persons have been underwriters for any securities of the obligors within three years prior to the date of filing this statement, or what persons are owners of 10% or more of the voting securities of the obligors, or affiliates, are based upon information furnished to the Trustee by the obligors. While the Trustee has no reason to doubt the accuracy of any such information, it cannot accept any responsibility therefor.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the Trustee, U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York, State of New York on the 9th day of July, 2003.

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Ward A. Spooner

Vice President

Exhibit 6

CONSENT

In accordance with Section 321(b) of the Trust Indenture Act of 1939, the undersigned, U.S. BANK NATIONAL ASSOCIATION hereby consents that reports of examination of the undersigned by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Dated: July 9, 2003

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Ward A. Spooner

Vice President

Exhibit 7

U.S. Bank Trust National Association
Statement of Financial Condition
As of 3/31/2003

($000's)

	3/31/2003
Assets	
Cash and Due From Depository Institutions	$ 348,346
Fixed Assets	1,448
Intangible Assets	123,934
Other Assets	45,296
Total Assets	**$ 519,024**
Liabilities	
Other Liabilities	$ 13,827
Total Liabilities	**$ 13,827**
Equity	
Common and Preferred Stock	$ 1,000
Surplus	505,932
Undivided Profits	(1,735)
Total Equity Capital	**$ 505,197**
Total Liabilities and Equity Capital	**$ 519,024**

To the best of the undersigned's determination, as of this date the above financial information is true and correct.

U.S. Bank Trust National Association

By: /s/ Ward A. Spooner
Vice President

Date: July 9, 2003