

IMPORTANT NOTICE FOR PUGET SOUND ENERGY CUSTOMERS ABOUT PROPOSED RATE CHANGES

Puget Sound Energy on Oct. 1 filed three separate requests with the Utilities and Transportation Commission (UTC) to change natural gas and electric rates. The proposed changes are described below.

Natural Gas—Purchased Gas Adjustment (PGA)—PSE has requested an increase in natural gas bills under the PGA rate-setting mechanism, which allows for periodic increases or decreases in PSE natural gas bills to reflect fluctuations in the price of natural gas in the wholesale market. The PGA is made up of two parts—one is a projection of the average cost of natural gas supplies over the next year, the other is a true-up of the difference between prior years' projected cost and the actual cost of the supplies. The current true-up component is a credit which has reduced the overall cost of natural gas to customers. The requested change reduces the credit from an average of 7.5 cents per therm to an average of 2.0 cents per therm, which results in an increase on customer bills. While abundant supplies of natural gas and reduced demand have kept wholesale natural gas prices low, the projection of lower costs for the next year offsets only a portion of the increase caused by the reduced credit. PSE proposes to pass through these costs, which will increase natural gas rates by an overall average of 1.9 percent, effective Nov. 1, 2010. This cost is shown on your bill as "Cost of Gas". PSE is not allowed to profit on the natural gas it purchases for customers. If approved by the UTC, a typical monthly household natural gas bill, based on a 12-month average of 68 therms, would increase by 1.9 percent, or \$1.56 per month, to \$82.91.* The overall average change for natural gas customers is as follows:

Type of Service	Schedules	Percent Increase
Residential	23	1.9
Residential Gas Lights	16	1.6
Commercial & Industrial	31	2.0
Large Volume	41	0.9
Interruptible.....	85	1.8
Limited Interruptible.....	86	1.6
Non-exclusive Interruptible.....	87	1.9

Electric—Residential and Small Farm Energy Exchange Credit—A reduction in the benefits PSE customers receive under the Bonneville Power Administration's (BPA) Residential Exchange Program has resulted in a filing to decrease the monthly bill credit passed through to PSE's residential and small-farm customers. The Residential Exchange Program provides a share of the benefits of the federal Columbia River power system to the customers of the six investor-owned utilities in the Pacific Northwest. If approved by the UTC, the lowering of the Energy Exchange Credit listed on PSE bills would increase residential and small farm bills an overall average of 1 percent. A typical monthly household bill, based on a 12-month average of 1,000 kilowatt hours, would increase 98 cents per month, to \$100.66*, effective Nov. 1, 2010. Since the credit is a direct pass-through to customers, PSE does not retain any of the Residential Exchange Program benefits.

Natural Gas—Distribution Charges—To recover increased costs in the past year of owning, maintaining and improving the natural gas distribution system for safety and reliability, PSE has requested an overall increase of 2.3 percent in natural gas rates, effective Nov. 1, 2010. However, PSE expects the UTC will conduct a thorough review of this proposal with approved new rates to go into effect Feb. 1, 2011. On a residential bill, distribution charges are shown as "Delivery Charge" and "Basic Charge." If approved by the UTC, a typical monthly household natural gas bill, based on a 12-month average of 68 therms, would increase by 2.6 percent, or \$2.08 per month, to \$83.43.* The overall average change for natural gas customers is as follows:

Type of Service	Schedules	Percent Increase
Residential	16, 23, 53	2.5
Commercial & Industrial	31, 61	2.2
Large Volume	41, 41T	1.6
Interruptible.....	85, 85T	2.6
Limited Interruptible.....	86, 86T	1.4
Non-exclusive Interruptible.....	87, 87T	1.3
Rentals.....	71, 72, 74	2.9
Contracts	2.5

* Total monthly household bill is based on rates expected to be in effect Oct. 1, 2010, plus the proposed rates.

The UTC will review each of these filings, and has the authority to set final rates that may vary from PSE's requests, either higher or lower or structured differently, depending on the results of its analysis. PSE bills all natural gas customers and most electric customers every month but some electric customers are billed every other month.

Comments or Questions on All Proposals—PSE customers may submit comments to the UTC on these proposed filings by using the online comment form, at www.utc.wa.gov/comment; e-mailing at comments@utc.wa.gov; faxing at 360-664-4291; or mailing your comments to UTC at P.O. Box 47250, Olympia, WA, 98504-7250. If you write, include name and mailing address, and the name of the company (PSE) and Advice Nos. 2010-23 and 2010-24 for the purchased gas adjustment, Advice No. 2010-25 for the distribution charge increase, or Advice No. 2010-22 for the Energy Exchange Credit. You may also ask questions of the UTC and request that the UTC notify you of the open meeting at which these proposals will be considered by the Commission.

The public, including residential and small business customers, is represented by the Public Counsel Section of the Washington Attorney General's Office. You can reach the Public Counsel Section by writing to: Public Counsel, Assistant Attorney General, 800 5th Avenue, Suite 2000, Seattle, WA 98104-3188, or by e-mail at utility@atg.wa.gov.

If you have questions or comments for PSE about these proposals, you may submit them by writing to Puget Sound Energy, ATTN: Customer Service, P.O. Box 90868, Bellevue, WA 98009-0868; by e-mail at customer@pse.com; or by telephone at 1-888-225-5773. Additional information about the filings is available at PSE.com.