

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

// TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

| | | |
|---------------------------|--|--|
| Commission File Number | Exact name of registrant as specified in its charter, state of incorporation, address of principal executive offices, zip code telephone number | I.R.S. Employer Identification Number |
|---------------------------|--|--|



| | | |
|---------|---|------------|
| 1-16305 | PUGET ENERGY, INC. A Washington Corporation 10885 NE 4 th Street, Suite 1200 Bellevue, Washington 98004-5591 (425) 454-6363 | 91-1969407 |
|---------|---|------------|



| | | |
|--------|---|------------|
| 1-4393 | PUGET SOUND ENERGY, INC. A Washington Corporation 10885 NE 4 th Street, Suite 1200 Bellevue, Washington 98004-5591 (425) 454-6363 | 91-0374630 |
|--------|---|------------|

Securities registered pursuant to Section 12(b) of the Act:

| | TITLE OF EACH CLASS | NAME OF EACH EXCHANGE ON WHICH LISTED |
|---------------------------|---------------------------------|---------------------------------------|
| Puget Energy, Inc. | Common Stock, \$0.01 par value | NYSE |
| | Preferred Share Purchase Rights | NYSE |

Securities registered pursuant to Section 12(g) of the Act:

| | TITLE OF EACH CLASS |
|---------------------------------|---|
| Puget Sound Energy, Inc. | Preferred Stock (cumulative, \$100 par value) |

Puget Sound Energy, Inc. meets the conditions set forth in General Instructions I (1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format.

SUMMARY COMPENSATION TABLE

The following information is furnished for the year ended December 31, 2007 with respect to the "Named Executive Officers" during 2007. The positions and offices below are at Puget Energy and PSE, except that Mr. Valdman, Ms. Harris and Ms. McLain are officers of PSE only. Salary compensation includes amounts deferred at the officer's election.

| Name and Principal Position | Year | Salary | Bonus | Stock Awards ¹ | Option Awards ¹ | Non-Equity Incentive Plan Compensation ² | Change in Pension Value and Above Market DCP ³ | All Other Compensation ⁴ | Total |
|---|------|-----------|-------|---------------------------|----------------------------|---|---|-------------------------------------|-------------|
| Stephen P. Reynolds Chairman, President and Chief Executive Officer | 2007 | \$794,896 | \$ -- | \$2,949,696 | \$ -- | \$722,160 | \$ 20,328 | \$330,647 | \$4,817,727 |
| | 2006 | 769,901 | -- | 1,757,969 | 99,793 | 614,672 | 28,882 | 277,221 | 3,548,438 |
| Bertrand A. Valdman Executive Vice President and Chief Operating Officer | 2007 | \$372,754 | \$ -- | \$ 747,622 | \$ -- | \$238,950 | \$107,558 | \$ 48,111 | \$1,514,995 |
| | 2006 | 361,142 | -- | 327,578 | -- | 230,958 | 100,208 | 50,225 | 1,070,111 |
| Eric M. Markell Executive Vice President and Chief Financial Officer | 2007 | \$288,154 | \$ -- | \$ 447,382 | \$ -- | \$175,230 | \$175,460 | \$ 31,968 | \$1,118,194 |
| | 2006 | 266,264 | -- | 178,994 | -- | 127,534 | 160,913 | 32,906 | 766,611 |
| Susan McLain Senior Vice President Operations | 2007 | \$274,592 | \$ -- | \$ 454,672 | \$ -- | \$131,423 | \$ 85,929 | \$ 28,517 | \$ 975,133 |
| | 2006 | 271,367 | -- | 182,559 | -- | 129,914 | 189,127 | 30,309 | 803,276 |
| Jennifer L. O'Connor Senior Vice President and General Counsel, Chief Ethics and Compliance Officer | 2007 | \$297,754 | \$ -- | \$ 348,608 | \$ -- | \$143,370 | \$125,354 | \$ 29,002 | \$ 944,088 |
| | 2006 | 287,163 | -- | 166,226 | -- | 137,528 | 122,079 | 32,192 | 745,188 |
| Kimberly J. Harris Executive Vice President and Chief Resource Officer | 2007 | \$288,604 | \$ -- | \$ 315,034 | \$ -- | \$175,230 | \$ 74,582 | \$ 22,876 | \$ 876,326 |
| | 2006 | 262,346 | -- | 142,777 | -- | 126,107 | 102,350 | 21,521 | 655,101 |

¹ Reflects accounting expense recognized during the year for all outstanding stock awards, in accordance with SFAS No. 123R. This includes amounts recognized for grants of performance-based LTIP awards made in and prior to the year. The actual payment of the LTIP grants depends on Company performance and requires a threshold performance before any payment is made. Assumptions used in the calculation of these amounts are included in footnote 16 to the Company's audited financial statements for the fiscal year ended December 31, 2007 included in the Company's Form 10-K filed with the SEC on February 29, 2008 (the "2007 Form 10-K"). A description of the LTIP grants appears in the "Compensation Discussion and Analysis" section and the estimated threshold, target and maximum amounts that might be paid for the 2007 LTIP grants is set forth in the "2007 Grants of Plan-Based Awards" table. For Mr. Reynolds in 2006, \$99,793 represents accounting expense related to his stock options that were fully vested in 2006.

² Reflects annual cash incentive compensation paid under the 2007 Goals & Incentive Plan. These amounts are based on performance in 2007, but were determined by the Compensation and Leadership Development Committee in February 2008 and paid shortly thereafter or deferred at the officer's election. The 2007 Goals & Incentive Plan is described in further detail under "Compensation Discussion and Analysis". The threshold, target and maximum amounts of annual cash incentive compensation that might have been paid for 2007 performance is set forth in the "2007 Grants of Plan-Based Awards" table.

³ Reflects the aggregate increase in the actuarial present value of the officer's accumulated benefit under all pension plans during the year. The amounts are determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements and includes amounts which the officer may not currently be entitled to receive because such amounts are not vested. Information regarding these pension plans is set forth in further detail under "2007 Pension Benefits". Mr. Reynolds does not participate in the SERP, and his accumulated benefit shown is only from the qualified pension plan. Also included in this column are the portion of Deferred Compensation Plan earnings that are considered above market. These amounts for 2007 are: Mr. Reynolds \$420, Ms. O'Connor, \$544; Ms. McLain, \$315; and Mr. Markell \$252. These amounts for 2006 are: Mr. Reynolds, \$423; Ms. O'Connor, \$567; Ms. McLain, \$226; and Mr. Markell, \$244. See the "2007 Non-Qualified Deferred Compensation" table for all Deferred Compensation Plan earnings.

⁴ All Other Compensation is shown in detail on the table below.

Detail of All Other Compensation

| Name | Perquisites and Other Personal Benefits ¹ | Tax Reimbursements | Discounted Securities Purchases | Payments/Accruals on Termination Plans | Registrant Contributions to Defined Contribution Plans ² | Insurance Premiums | Other ³ |
|----------------------|--|--------------------|---------------------------------|--|---|--------------------|--------------------|
| Stephen P. Reynolds | \$6,418 | \$ -- | \$ -- | \$ -- | \$321,391 | \$ -- | \$2,838 |
| Bertrand A. Valdman | 9,367 | -- | -- | -- | 37,636 | -- | 1,108 |
| Eric M. Markell | 3,597 | -- | -- | -- | 27,141 | -- | 1,230 |
| Susan McLain | -- | -- | -- | -- | 26,241 | -- | 2,276 |
| Jennifer L. O'Connor | 2,000 | -- | -- | -- | 26,317 | -- | 685 |
| Kimberly J. Harris | 6,332 | -- | -- | -- | 15,536 | -- | 1,007 |

¹ Annual reimbursement for financial planning, tax planning, and/or legal planning, up to a maximum of \$5,000 for Mr. Reynolds and Mr. Valdman, \$2,500 for other Named Executive Officers. During an executive's initial year, the reimbursement for financial, tax, and legal planning is higher, recognizing the cost of the initial plans. None of the Named Executive Officers received benefits for the initial plan, but if they had, the maximum reimbursement would have been \$9,500 financial planning and \$5,000 legal (Mr. Reynolds and Mr. Valdman); \$5,000 financial planning and \$2,500 legal (other executives). Club use is primarily for business purposes, but Company club expense is included where the executive is also able to use the club for personal use. Expenses for personal club use are directly paid by the executive, not PSE.

² Includes Company contributions during 2007 to PSE's Investment Plan (a tax qualified 401k plan) and the Deferred Compensation Plan. For Mr. Reynolds, this includes the Company contribution to the Performance-Based Retirement Equivalent Stock Account, which is described in more detail in the "2007 Nonqualified Deferred Compensation" section.

³ Other column includes:

| | |
|----------------------|--|
| Stephen P. Reynolds | \$2,838 imputed income of life insurance |
| Bertrand A. Valdman | \$1,108 imputed income on life insurance |
| Eric M. Markell | \$1,230 imputed income on life insurance |
| Susan McLain | \$2,276 imputed income on life insurance |
| Jennifer L. O'Connor | \$685 imputed income on life insurance |
| Kimberly J. Harris | \$1,007 imputed income on life insurance |