

PUGET ENERGY INC /WA
Form 8-K
July 20, 2001

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

July 19, 2001

(Date of earliest event reported)

PUGET ENERGY, INC.

(Exact name of registrant as specified in its charter)

Commission File Number 1-16305

Washington
(State or other jurisdiction of
incorporation or organization)

91-19
(IRS Empl
Identification No.)

411 - 108th Avenue N.E., Bellevue, Washington 980/04-5515

(Address of principal executive offices)

(425) 454-6363

(Registrant's telephone number, including area code)

ITEM 5. Other Events

Puget Energy reports second-quarter 2001 results

Bellevue, Wash. (July 17, 2001) Puget Energy (NYSE: PSD) today reported 2001 second-quarter income for common stock of \$22.9 million, or 26 cents per diluted share compared to income for common stock for the second quarter of 2000 of \$25.1 million, or 29 cents per diluted share.

Income for common stock for the twelve months ended June 30, 2001 was \$176.8 million, or \$2.05 per diluted share, compared to income of \$180.6 million, or \$2.12 per diluted share for the same period one year ago.

Despite continuing poor hydro conditions in the Northwest and unscheduled outages at certain of our generating facilities, our company delivered expected financial results through the first half of 2001, said William S. Weaver, chairman, president and CEO of Puget Energy. Our focus on efficiency and service in the utility distribution business, coupled with success in energy supply initiatives, again served us well.

Looking toward the remainder of the year, Weaver added, The recent, hastily thought-out Federal Energy and Regulatory Commission implementation of price caps in 11 western states, including Washington, late in the second quarter, creates challenges for load-serving utilities like Puget Sound Energy. The extremely low level of the price caps, coupled with implementation discretion vested with the California Independent System Operator, produce an environment which is discouraging construction of new generation and working to the disadvantage of customers of the load-serving utilities that have planned adequately for their customers' needs. We and others will be working to remedy the shortcomings of the FERC price-cap order.

FACTORS IN SECOND-QUARTER RESULTS

Operating revenues for the three-month period were \$935.4 million, up from \$538.8 million for the same period in 2000. Increased revenues reflect increased wholesale and other market-priced electric sales prices and increased natural gas revenues. Increased costs of purchased electricity, fuel for electric generation and purchased natural gas contributed to higher total operating expenses of \$863.8 million, up from \$475.7 million a year ago.

Earnings for the second quarter of 2001 were adversely impacted by a severe regional drought affecting hydropower and unscheduled outages at company-owned generating facilities, both of which contributed to increases in fuel and purchased power costs.

Utility operations and maintenance expenses of \$65.4 million, compared to \$58.4 million in 2000, increased primarily due to costs related to the Personal Energy Management energy-efficiency program, expenses associated with maintenance and repairs for the company's combustion turbines and budgeted increases in non-production operations and maintenance costs.

FACTORS IN 12-MONTH RESULTS

Operating revenues for the 12-month period were \$4.3 billion, up from \$2.2 billion for the same period in 2000. Twelve-month revenues and costs for 2001 were affected by the same factors as the quarter, as well as increased volumes of wholesale electric sales.

OTHER

With the adoption of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), which became effective January 1, 2001, Puget Energy is required to mark to market certain of its electric and natural gas sales and purchase contracts (those contracts which have been determined to be derivative financial instruments because of their terms). Derivative contracts that have been classified as cash-flow hedges are marked to market through other comprehensive income (in terms of value, a substantial portion

of the company's contracts affected by SFAS No. 133 meets those criteria). Derivative contracts that do not qualify as cash-flow hedges are required to be marked to market though the income statement.

The financial statements for the twelve months ended 2001 reflect the charge (and related reserve) for adoption of SFAS No. 133 as of January 1, 2001. The second quarter and twelve months ended 2001 financial statements also reflect the impact of changes since January 1, 2001 in the market value of derivatives outstanding at June 30, 2001. Substantially all of the underlying contracts giving rise to the income statement charges will be fulfilled in 2001 and the reserves established under SFAS No. 133 reversed. In the second quarter, the company's non-regulated utility-services subsidiary, InfrastruX Group, obtained a \$150 million credit facility from a group of banks which will facilitate its business plan of acquiring construction and maintenance companies to serve the utility industry. During the second quarter, InfrastruX acquired three companies serving the Mid-Atlantic region, bringing the total number of acquisitions to six. With these acquisitions, InfrastruX expects annualized revenues of nearly \$200 million.

SECOND-QUARTER EARNINGS ANALYST TELECONFERENCE

A conference call for analysts to discuss the second- quarter results with management is scheduled at 7:00 a.m. PDT, (10 a.m. EDT) Thursday, July 19, 2001. The call will be broadcast live through a Web cast at www.pse.com in the Investors Web page. The Web cast will be archived and available for replay following the live call.

PUGET ENERGY -- SUMMARY INCOME STATEMENT

(In thousands, except per-share amounts)

	3 months ended 6/30 (1)	
	2001	2000
Operating revenues		
Electric	\$ 719,694	\$ 437,491
Gas	163,013	98,017
Other	52,712	3,293
Total operating revenues	935,419	538,801
Operating expenses		
Purchased electricity	535,277	238,105
Purchased gas	104,184	46,184
Electric generation fuel	63,134	29,904
Residential exchange	(10,304)	(9,073)
Utility operations & maintenance	65,414	58,395
Other operations & maintenance	41,470	4,045
Depreciation & amortization	52,935	49,316
Conservation amortization	1,603	1,380
FAS-133 unrealized (gain)/loss	(50,000)	---
Other taxes	45,306	43,914
Federal income taxes	14,822	13,512
Total operating expenses	863,841	475,682
Operating income	71,578	63,119
Other income	1,568	6,878
18,061		
Income before interest charges	73,146	69,997
Interest charges	48,174	42,628

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Net income before cumulative effect of accounting change	24,972	27,369
FAS-133 transition adjustment loss (net of tax)	---	---
Net Income	24,972	27,369
Less preferred stock dividend accruals	2,085	2,229
Income for common stock	\$ 22,887	\$ 25,140
Common shares outstanding	86,303	85,295
Basic earnings per common share before cumulative effect of accounting change	\$ 0.27	\$ 0.29
Cumulative effect of accounting change	---	---
Basic earnings per common share	\$ 0.27	\$ 0.29
Diluted earnings per common share before cumulative effect of accounting change	\$ 0.26	\$ 0.29
Cumulative effect of accounting change	---	---
Diluted earnings per common share (3)	\$ 0.26	\$ 0.29

(1) Partial-year results may not accurately predict full-year performance, as earnings are significantly affected by weather.

(2) Certain amounts previously reported have been reclassified to conform with current year presentations with no effect on net income.

(3) Diluted earning per common share include the dilutive effect of securities related to employee compensation plans.

PUGET SOUND ENERGY (1) -- UTILITY OPERATING DATA

	3 months ended 6/30		12 mo
	2001	2000	2001
Energy sales revenues (\$ in thousands)			
Electricity			
Residential	\$ 138,321	\$ 138,225	\$ 601
Commercial	128,373	106,645	524
Industrial	105,439	45,710	458
Other (2)	(30,113)	11,275	30
Subtotal, retail sales	342,020	301,855	1,614
Sales to other utilities	377,674	135,636	1,766
Total electricity sales	719,694	437,491	3,380
Gas			
Residential	92,808	54,833	469
Commercial	52,469	30,592	238
Industrial	12,602	6,885	45
Transportation	2,597	2,838	11
Other	2,537	2,869	10
Total gas sales	163,013	98,017	776
Total energy sales revenues	\$ 882,707	\$ 535,508	\$ 4,156

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Energy sales volumes

Electricity (in mWh)

Residential	2,224,645	2,217,910	9,734
Commercial	1,963,621	1,744,088	7,980
Industrial	713,987	942,744	3,553
Other (2)	(226,024)	(35,278)	(101)
Subtotal, retail sales	4,676,229	4,869,464	21,166
Sales to other utilities	2,024,045	2,820,296	13,760
Total mWh	6,700,274	7,689,760	34,927

Gas (in 000's of therms)

Residential	87,913	80,125	513
Commercial	58,856	59,680	298
Industrial	13,886	14,782	60
Transportation	44,181	49,475	189
Total gas volumes	204,836	204,062	1,062

Customers served (3)

Electricity			
Residential	825,223	810,243	818
Commercial	99,576	99,198	99
Industrial	4,024	4,112	4
Other	1,754	1,531	1
Total electricity customers	930,577	915,084	923

Gas

Residential	548,247	531,614	540
Commercial	46,831	45,535	46
Industrial	2,836	3,015	2
Transportation	112	95	
Total gas customers	598,026	580,259	590

Weather

Actual heating degree days	1,034	910	5
Normal heating degree days	925	925	4

(1) Puget Sound Energy is the electric and gas utility subsidiary of Puget Energy.

(2) Includes change in unbilled revenues, Conservation Trust collection, Encogen non-energy sales, sales of no-core gas supply to generators and the customers refunded portion of Centralia gain.

(3) Quarterly data represents average served during June; 12-month data represents average for the 12 months ended.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PUGET ENERGY, INC.

Date: July 19, 2001

James W. Eldredge

James W. Eldredge

Corporate Secretary and
Chief Accounting Officer