



Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

December 13, 2005

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Via email & regular mail

RE: Docket No.: UE-021577 - Project Status Related to FERC Part 12 Studies

Dear Ms. Washburn:

On December 26, 2002, under Docket Number UE-021577, the Washington Utilities and Transportation Commission ("the Commission") granted Puget Sound Energy's ("the Company") Accounting Petition related to the accounting treatment of costs incurred by the Company for certain studies required by the Federal Energy Regulatory Commission ("FERC") under the FERC Code of Federal Regulations, Part 12 ("FERC Part 12"), Safety of Water Power Projects and Project Works, to maintain the Company's licenses for hydroelectric plants.

In the Commission's Order, the Company was authorized to defer up to \$1.7 million of costs in connection with the studies. Upon notification that FERC would require no further action as a result of the studies, these costs would then be amortized over five years. Additionally, the Company is required to report the status of the studies and the level of costs incurred. Attachment A is a memo prepared in accordance with the Commission's Order.

From April 2003 through the current date, the Company has deferred \$657,000 related to studies on the Baker River Project. The Company submitted a project report with FERC in late 2004 and is expecting FERC's response by spring 2006 at the earliest. The costs have been deferred in FERC account 183. Upon notification from FERC that no further action is required, the Company will transfer the costs to FERC Account 182.3 and begin amortization over five years.

If you have any questions regarding this filing, please feel free to contact me at (425) 462-3885.

Sincerely,

A handwritten signature in black ink, appearing to read "John Story", is written over a horizontal line.

John Story
Director, Cost & Regulation

Attachment

cc: Simon J. ffitc

Attachment A



**PUGET
SOUND
ENERGY**

MEMO

December 7, 2005

To: Ed Schild

From: Wayne Porter, Lloyd Pernelle *WP LNP*

RE: FERC 2150 Baker River Project:
INSPECTION BY INDEPENDENT CONSULTANT 18 CFR Part 12 Subpart D
SEISMIC STUDIES – Deferred Account 18300121, \$657,310.27 –

Summary

The Federal Energy Regulatory Commission (FERC) has responsibility for dam safety under the Federal Power Act. In addition to their annual safety inspections of individual hydroelectric projects, every five-years an independent engineering safety inspection is conducted. Based on these inspections, FERC's Division of Dam Safety issues directives. Jurisdictional entities like PSE are mandated to provide a schedule for implementing directives and verify completion of these directives.

An important component of the independent safety inspection that is conducted every five-years is to review the ability of the water containment structures to with stand a critical earthquake for the project location.

The FERC in 2002 directed PSE to perform an update to a 1984 seismic analysis of the Baker Dams and West Pass Dike; this was a result of the FERC's review of PSE's submitted 1999 Independent Consultants Safety Inspection Report.

PSE's structural consultant, Montgomery Watson Harza, in 2004, concluded that both Baker dams and West Pass dike met or exceeded FERC's seismic design standards.

PSE's geotechnical consultant, Shannon and Wilson, in 2004, concluded that Baker embankments and abutments were considered sufficiently stable for seismic conditions.

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SUMMARY OF FERC STUDIES

In 2001-2 the FERC responded to PSE's submitted 1999 Part 12 Periodic Safety Inspection Report. They requested that PSE perform an update to our previous seismic studies performed in 1984.

Accordingly, in 2002 PSE begin an aggressive program to respond to specific FERC correspondence dated August 7, 2002; August 14, 2002; May 7, 2003; November 21, 2003; and July 19, 2004.

Five separate draft-reports were prepared from 2002 to 2004 that addressed seismicity and structural stability at Baker Project. In April 2004, at FERC's "Potential Failure Mode Analysis" conducted at Baker these reports were reviewed by FERC and PSE's independent board of consultants. They concluded the seismic failure was not significant. The five reports were submitted to FERC on October 29, 2004 as attachments to PSE's overall Part 12 Periodic Safety Inspection Report.

The submitted studies were:

1. "Seismic Ground Motion Hazard Assessment for the Baker River Project, Final Report". Shannon and Wilson, June 30, 2004.

Summary: Updated the 1984 study with recent seismic events and provided hybrid criteria for structural evaluation of our water retaining structures. The update considered intra-plate and random crustal earthquakes. Peak ground accelerations and bracketed time durations were provided for the both concrete and embankment structures to be used for the stability analysis.

2. "Depression Lake Dike Geotechnical Stability Study, Baker River Project." Shannon and Wilson, July 23, 2004.

Summary: Based upon the updated seismic ground motions the embankment is stable for static conditions and is considered sufficiently stable for seismic conditions. Stability improvement measures are not suggested due to a greater embankment freeboard than the estimated settlements under seismic loading.

3. "Rock Abutment Stability Assessment - Lower Baker Dam". Shannon and Wilson, August 20, 2004.

Summary: The 1984 seismic study indicated the abutments had adequate factors of safety for potential rock wedge failures. However, since 1984 seepage has increased. New studies considered additional geological mapping and updated seismic ground motion. Bedding plane orientation is favorable for restraining the dam. The traditional approach for analysis was considered to have limitations so structure performance based upon observation and long-term monitoring was considered. Based upon performance, the stability of the abutments is not likely to diminish due to increases in seepage.

4. "Baker River Dams Project - West Pass Dike: Seismic Analysis". MWH, September 2004.

Summary: Based upon the updated seismic ground motions the embankment is stable for all conditions. The results indicate that the minimum theoretical post-earthquake factor of safety against slope instability exceed FERC criteria.

5. "Baker River Dams Project - Lower and Upper Dams: Seismic Analysis". MWH, September 2004.

Summary: Based upon the updated seismic ground motions both concrete dam structures meet the latest FERC criteria for all loading conditions. The 2004 updated study provided similar conclusions and confirmation to the 1984 study.

All studies are still under review by the FERC. They have provided some response to the overall Part 12 Report, but they have not provided approval nor comment concerning the five listed studies. FERC has implied informally that their earliest response to the studies would be spring 2006.