



Puget Sound Energy, Inc.  
P.O. Box 90868  
Bellevue, WA 98009-0868

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WASH. UT. & TP. COMM

Alan R.  
DAVE L.  
Patti J.  
Rec. Ctr

January 31, 2007

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

Attn: Alan Rathbun, Pipeline Safety Director

**Subject: Need to Review and Improve Record Keeping Process**

Dear Mr. Rathbun:

Per your communication with Sue McLain regarding the status of the Pilchuck leak record keeping investigation, I am providing additional details of actions taken by PSE. Attached is a copy of a letter dated August 31, 2006, to Mr. David Nelson, president, Pilchuck Contractors, Inc. In this letter, we outline our high expectations regarding pipeline safety compliance. In addition to this formal communication, Jerry Lehenbauer, Director, Construction Management, and/or myself met with Pilchuck's senior leadership on three occasions to review the findings of the investigation and further express our expectations regarding compliance with pipeline safety requirements.

We believe that our actions continue to demonstrate the importance we place on the integrity of our records.

Please contact me at 425-462-3974 if you have any questions.

Sincerely,

Duane A. Henderson, P.E.  
Director, Engineering and Operations Services

Attached

cc: Sue McLain - PSE  
Jerry Lehenbauer - PSE



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August 31, 2006

Mr. David A. Nelson, President  
Pilchuck Contractors, Inc.  
6725 116 Ave NE, Suite 200  
Kirkland, WA 98033

**Subject: WUTC Review of Record Keeping Practices**

Dear Mr. Nelson:

As you are aware, PSE received a letter from the Washington Utilities and Transportation Commission (WUTC) on August 16, 2006 outlining their investigation of Pilchuck record keeping practices. In particular, they cited two specific instances (and indicated that there are additional examples) where pipeline safety documents were altered.

PSE maintains very high expectations concerning compliance so we take this matter very seriously. It is absolutely imperative that Pilchuck uphold the standards that PSE has worked hard to establish. To that end, we want to make sure that this matter is properly investigated, any corrective action is implemented, and standards are upheld or implemented to minimize the chance of any re-occurrence.

While Pilchuck is an independent contractor, it is also one of the faces our customers and regulators see in the service provided by PSE. That means that whether work undertaken on behalf of PSE is in the field or in the offices, it is all held to the same standard PSE is held to.

The WUTC has asked for a response by September 18, 2006. PSE intends to provide this response but solicits the specific steps taken by Pilchuck to investigate and remediate this situation so that our response to the WUTC has the benefit of Pilchuck's analysis as well. To that end, PSE requests your response by September 10, 2006 so we have ample opportunity to analyze it and incorporate any appropriate information into the response PSE will prepare for the WUTC.

Upon receipt of Pilchuck's response, PSE will also provide its assessment of the steps Pilchuck has taken regarding this incident, together with any further measures we feel are warranted above and beyond recommendations that Pilchuck submits.

If there are any questions regarding PSE's expectations, please direct them to Duane Henderson. Otherwise, we look forward to your response and recommendations in a timely manner.

Thank you in advance for your assistance and efforts we are confident you are undertaking to address this situation.

Sincerely,

A handwritten signature in cursive script that reads 'Jerry Lehenbauer'. The signature is written in black ink and is positioned above the printed name and title.

Jerry Lehenbauer  
Director, Construction Management

cc: Sue McLain  
Duane Henderson