



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

February 3, 2009

Mr. David Danner, Secretary and Executive Director
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

RE: Docket Nos.: UE-021577 and UE-070074 – December 31, 2008
Project Status Report Related to FERC Part 12 Studies
(Filed via WUTC website portal and regular mail)

Dear Mr. Danner:

On December 26, 2002, under Docket Number UE-021577 and on May 28, 2007, under Docket Number UE-070074, the Washington Utilities and Transportation Commission ("the Commission") granted Puget Sound Energy, Inc.'s ("PSE or "the Company") Accounting Petitions 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 2002 Order, PSE was authorized to defer up to \$1.7 million of costs in connection with the studies while in the Commission's 2007 Order, PSE was authorized to defer up to \$2.3 million of costs. 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, PSE is required to report the status of the studies and the level of costs incurred.

From April 2003 through December 31, 2008, the Company has deferred \$657,000 related to studies on the Baker River Project under the 2002 Order (no increase from earlier status reports). From January 8, 2007, through December 31, 2008, the Company has deferred \$1,016,000. The costs have been deferred in FERC account 183. Upon notification from FERC that no further action is required for certain items, the Company will transfer the costs to FERC Account 182.3 and begin amortization over five years. To date, none of the studies for which costs have been incurred have been completely resolved with FERC. The Company submitted several project reports related to the 2007 Order with FERC in 2008 and expects to submit additional reports in the first half of 2009. The Company expects to resolve many of the potential issues during the course of Potential Failure Mode Session and FERC review of reports during 2009. The 2007 Order allows for costs incurred through December 31, 2010, to receive deferred treatment.

If you have any questions regarding this filing, please feel free to contact me at (425) 462-2797.

Sincerely,

A handwritten signature in black ink, appearing to read "Karl Karzmar", written over a horizontal line.

Karl Karzmar
Director, Regulatory Relations

cc: Simon J. ffitich