



PUGET SOUND ENERGY

The Energy To Do Great Things

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PSE.com

January 29, 2010

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

Via WUTC Web-Portal & Regular Mail

RE: Docket Nos.: UE-021577 and UE-070074 - Project Status Related to FERC Part 12 Studies

Dear Ms. Washburn:

On December 26, 2002, under Docket No. UE-021577 and on May 28, 2007, under Docket No. 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 PSE's licenses for hydroelectric plants.

In the Commission's 2002 Order, the Company was authorized to defer up to \$1.7 million of costs in connection with the studies, while in the Commission's 2007 Order, the Company 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, the Company 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 \$657,200 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, 2009, the Company has deferred \$1,487,400. 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. We also anticipate that certain studies may lead to construction and will request capital cost treatment consistent with the original orders. To date, one of the studies

(Depression Lake Investigations) for which costs have been incurred has been resolved with FERC. A letter requesting that \$94,798.49 associated with this investigation requesting that this cost be amortized over five years in FERC Account 182.3 is forthcoming.

PSE submitted several project reports related to the 2007 Order with FERC in 2008 and 2009. Additionally, in September 2009, the project was again inspected by the FERC approved Consultant and the Part 12D report identified further actions to be completed by the Company prior to the 2014 Part 12D inspection.

FERC has made preliminary remarks regarding some of the reports and raised additional questions. Acceptance by FERC of the Baker Probable Maximum Flood, in 2009 while a positive step, does not fully resolve outstanding structural or geotechnical issues. The Company expects to resolve many of the remaining issues during the course of additional FERC review of the reports during 2010, however there is still the possibility that resolution could extend into 2011. The 2007 Order allows for costs incurred through December 31, 2010, to receive deferred treatment. Additional studies required by FERC may exceed the remaining amount of \$155,423 remaining in the amount authorized by Commission. Should that be the case, PSE will petition for the treatment of costs associated with such studies in separate correspondence and possibly a modification to the schedule associated with the costs. If you have any questions regarding this filing, please feel free to contact me at (425) 462-2797.

Sincerely,



Karl Karzmar
Director Regulatory Relations

cc: Simon J. ffitch