



PUGET SOUND ENERGY

The Energy To Do Great Things

Puget Sound Energy
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PSE.com

December 28, 2011

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 – Final Project Status Report Related to FERC Part 12 Studies

Dear Mr. Danner,

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 was required to report the status of the studies and the level of costs incurred.

From April 2003 through December 31, 2008, the Company 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, 2010, the Company deferred \$1,539,700. In accordance with the Orders, a total of \$2,290,700 of costs have been deferred in FERC account 183, pending notification from FERC that no further action would be required of the Company. The Company has continued to work with FERC,

and their consultants, and as of December 2011, the Company believes that it has reasonable assurance that FERC will require no further studies.

From these efforts, PSE identified only one capital project, which accordingly, resulted in \$870,107 of the regulatory study costs to be transferred to capital. Consistent, with the Commission's Order, the remaining deferred study costs, of \$1,420,600, will be transferred to FERC account 182.2, Unrecovered Plant and Regulatory Study Costs, and amortized (through account 407) over five years, commencing January 1, 2012.

This letter constitutes the Company's final report related to FERC Code of Federal Regulations Part 12 Studies, with reference to Docket Nos. UE-021577 and UE-070074. If you have any questions regarding this filing, please feel free to contact me at (425) 456-2797.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karl Karzmar', followed by a long horizontal line extending to the right.

Karl Karzmar
Director Regulatory Relations

cc: Simon J. ffitc