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February 7, 2008

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

Attn: Kuang Chu, Engineer Industry Expert

**RE: Wrapped Steel Services Assessment Program Risk Model Results (Docket PG-041624)**

Dear Mr. Lykken,

In a letter dated September 14, 2007, PSE provided the results of the 2007 Wrapped Steel Services Assessment Program risk model run. Subsequent to this letter, PSE and Staff met to discuss the data provided and answer questions Staff had regarding the change in the number of services in the priority replacement category. This letter documents the information that was shared with Staff through these conversations.

In early December of 2006, PSE ran the risk model and identified approximately 500 services in the priority replacement category. PSE's objective was to replace all priority services in 2007. In order to meet this objective, PSE used the list of services from this early model run to begin the replacement process. PSE successfully completed the replacement of these priority services by December 31, 2007 with the exception of 5 services that were not replaced due to customer and/or permitting issues.

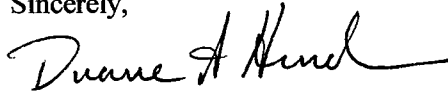
In late December of 2006, our consultant provided a revised model that was calibrated to more accurately reflect actual operational experience. This new model also resulted in approximately 500 services in the priority replacement category.

In accordance with the settlement agreement, PSE ran the risk model again in 2007 to determine the services in each mitigation category and plan service replacement work for 2008. This model run identified 216 services that were in the priority replacement category that had not been identified as priority replacements to be completed in 2007. PSE reviewed the risk model to determine what had caused these additional services to move into the priority replacement category. Based on its review, PSE concluded that these 216 services were identified as priority replacements after the model had been calibrated but had not been identified as priority replacements prior to the model calibration. Since the service replacements for 2007 were based on the list generated in early December 2006 before the model had been calibrated, these services were not included in the 2007 priority replacement effort.

PSE has reviewed these 216 services and determined that approximately 150 have already been addressed through WSSAP or other system improvement activities. PSE expects to replace the remaining priority replacement services in the first quarter of 2008 unless customer or permitting issues prevent this from occurring. In addition, PSE's service provider is currently replacing an average of 35 services per week which puts us on track to replace over 1,000 services from the scheduled replacement category in 2008.

Additional information on these activities will be provided to Staff in a status report before April 1, 2008. If Staff has any additional questions prior to this status report, please feel free to contact me at 425-462-3974.

Sincerely,

A handwritten signature in black ink, appearing to read "Duane A. Henderson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Duane A. Henderson, P.E.  
Director – Operations Services

cc: Mike Hobbs  
Erik Markell  
Bert Valdman  
Karl Karzmar  
Dave Lykken - WUTC