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September 30, 2008

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

Attn: Anne F. Soiza, Pipeline Safety Director

**RE: Wrapped Steel Service Assessment Program 2008 Risk Model Results
(Dockets PG-041624)**

Dear Ms. Soiza,

PSE appreciates the opportunity to meet with Kuang Chu and David Lykken of your staff on September 22, 2008, to review the results of the 2008 Wrapped Steel Service Assessment Program Risk Model. Staff provided several key comments regarding the structure of the report and possible methods to evaluate the results. As spelled out in the settlement agreement to docket PG-041624, PSE is to provide the results of each year's risk model run by September 15 of each year. In anticipation of this filing, PSE and Staff agreed to meet in person prior to submitting the results to review key findings and discuss the format of the submittal. Unfortunately, due to previously scheduled commitments, we were unable to meet until September 22. I trust that you will find this effort still satisfies the intent of the settlement agreement. Attached are the results of the 2008 risk model run for PSE's Wrapped Steel Service Assessment Program. Provided below is a brief discussion of some of the major drivers to the changes in the number of services reported.

Overall we have seen a decrease of nearly 5,000 services of this vintage and type (pre-1972 wrapped and cathodically protected steel). This decrease has been achieved both by replacement, either directly a result of the WSSAP effort or other activities (such as our bare steel replacement effort), as well as through more detailed review of available records.

Priority Replacement

A total of 212 services have been identified for priority replacement and will be included in the 2009 replacement effort. Of these services, 10 remain from last year's priority category. Due to the overlap in construction year and the running of the next year's risk model, we expect to see situations like this occur. These services are scheduled for replacement by the end of December 2008. The remaining priority replacement services are the result of active leakage discovered in 2008 or exposed pipe condition reports

standard mitigation (98). In addition, through our quality control activities, we were able to identify 85 services that had not previously been categorized in the risk model, 7 of which are now categorized for priority replacement.

Scheduled Replacement

As we have begun to focus our attention on the scheduled replacement category (to be completed by December 2010) we have been able to realize a significant reduction in the number of services to be replaced. The primary reasons for the reduction in this category can be attributed to the following: correction of data errors through our ongoing quality control activities, replacement due to WSSAP (approximately 1,100 for 2008), replacement due to other activities, and new information gathered through routine construction and maintenance activities.

Increased Leak Survey

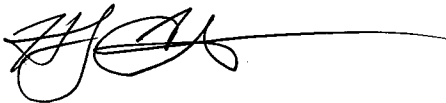
This category has seen a slight decrease in the number services, primarily due to the method used to define this category (top 25% of the remaining services). Staff has suggested an approach to analyze the services in this category to determine if there is a more appropriate method based on probability of failure. PSE will perform this analysis and report on its findings as part of the 2008 status report due in April 2009.

Electrical Surveys

PSE continues to make progress in completing the electrical surveys of 1,000 services by December 2010. We are in the process of augmenting our internal resources with contract resources to insure that we are able to achieve our target for 2008. We will continue to notify Staff when any confirming excavations are being performed. To date, we have seen a high degree of correlation between the electrical survey indications and the direct examination findings.

Again, PSE appreciates the opportunity to review this information with Staff. Should you have any additional questions, please call me at (425) 462-3967.

Sincerely,



Helge Ferchert
Manger, Gas Compliance and Regulatory Audits

cc: Eric Markell
Karl Karzmar
Duane Henderson
Mike Hobbs
Bert Valdman
Harry Shapiro
Sue McLain

2008 WSSAP Model Results

Mitigation Category	2006 Model Results	2007 Model Results	Total Mitigated (prior to running 2008 model)	Remaining in Category	2008 Model Results
Priority	516	216	200	16	212
Scheduled Replacement	8,470	8,092	2,887	5,205	4,682
Increased Leak Survey	23,100	23,258	964	22,294	22,913
Standard Mitigation	69,281	69,742	875	68,867	68,660
Subtotal	101,367	101,308	4,926	96,382	96,467