



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

Sue McLain
Senior Vice President
Operations

Lex V
Patti J
Alan
Dave L
Sandra W
Rebecca

September 15, 2006

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

Attn: Alan Rathbun, Pipeline Safety Director

Subject: Need to Review and Improve Record Keeping Process

Dear Mr. Rathbun:

This letter is in response to your letter dated August 16, 2006, in which certain issues were raised with regards to record keeping practices of one of our service providers, Pilchuck Contractors Inc. (PCI). I personally take these issues seriously and want to assure you that PSE continues to devote the resources required to deliver on our commitments concerning pipeline safety compliance and we expect our service providers to follow our lead.

Results of internal investigation

Upon first being notified by commission staff in May, 2006, of the allegations regarding our gas leak practices, PSE and PCI conducted an investigation of its leakage action practices. Our investigation concluded that the particular subset of documentation practices in question was limited to a few employees and the issue was neither widespread nor sanctioned by PCI management. In all of our interviews and reviews of completed work, we did not find a single instance where the work in question was not completed. The only shortcoming identified concerned certain elements of the documentation that were not completed per company standards for a limited number of records.

In light of our findings, requirements for re-evaluation of phantom leaks and proper record keeping have been reviewed with all employees qualified to perform leak re-evaluates.

RECEIVED
05 SEP 18 AM 9:21
REGISTRATION

RM5
MA

Process Improvement

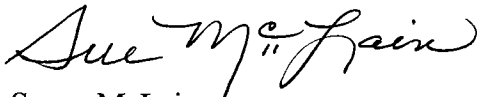
In addition, through our own internal investigation and that being conducted by the WUTC, several process improvement opportunities have been identified. These include:

- PCI has implemented an administrative process to prevent the reassignment of phantom leak work orders to the same individual.
- PCI is currently reviewing the filing system for leak records to identify improvements that will aid in future audits.
- PCI has implemented a policy that requires any changes to submitted leak documentation to be initialed and an explanation provided as to the change. In addition, PCI has instituted a quality control process as part of its billing process to identify instances where this procedure has not been followed.
- PSE is developing a quality assurance audit process and schedule to periodically audit leak re-evaluation practices and records prepared by PCI.

In keeping with our efforts to enhance our practices, maintain open dialogue, and address shortcomings openly, I trust that the aforementioned summary of PSE's analysis and the corresponding steps taken to rectify the situation going forward demonstrates our resolve to ensure the integrity of our records. However, if you desire to discuss this in further detail, we are open to ideas and/or other steps PSE should consider taking.

Please contact me at 425-462-3696 if you have any questions.

Sincerely,



Susan McLain
Sr. Vice President, Operations

cc: Dave Nelson - Pilchuck Contractors, Inc.
Duane Henderson - PSE