BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

In the Matter of the Petition of PUGET SOUND ENERGY, INC. For an Accounting Order Authorizing Deferral and Recovery of Costs Associated with the Green River Valley Flood Preparation and System Infrastructure Restoration	Docket No. UE-09_____ Docket No. UG-09_____ PETITION OF PUGET SOUND ENERGY, INC. FOR AN ACCOUNTING ORDER

I. INTRODUCTION

1. In accordance with WAC 480-07-370(b), Puget Sound Energy, Inc. ("PSE" or the "Company") respectfully petitions the Commission to issue an order authorizing the deferral of incremental costs associated with protecting the Company's infrastructure, facilitating public safety, and preparing the Company's electric and natural gas system in the Green River Valley flood plain in anticipation of release of water from the Howard Hanson Dam (the "Dam"). In the event of actual flooding, the Company petitions the Commission to allow the deferral of costs associated with the repair and restoration of the electric and natural gas system infrastructure affected by the flood waters.

2. PSE is engaged in the business of providing electric and natural gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its retail rates, service, facilities and practices. Its full name and mailing address are:

Puget Sound Energy, Inc.
Attn: Tom DeBoer,
Director, Federal and State Regulatory Affairs
P.O. Box 97034
Bellevue, Washington 98009-9734

3. Rules and statutes that may be brought at issue in this petition for an accounting order (the "Petition") include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(b).

II. BACKGROUND – HOWARD HANSON DAM

4. The Dam is operated by the U.S. Army Corps of Engineers (the "Corps") and located on the upper reach of the Green-Duwamish River in King County. The Dam has provided flood risk reduction and water storage on the Green River since it was commissioned in 1962. The Corps constructed the Dam to mitigate the effects of frequent and devastating flooding in what was a historically flood-prone agricultural area. Since construction of the Dam, residential, commercial and industrial development has flourished in the Green River Valley. PSE has also significantly expanded its natural gas and electric infrastructure to serve this growing area.

5. Following heavy rains in January 2009, which resulted in a record-high level of water behind the Dam, two depressions were discovered on the right abutment, leading the Corps to significantly reduce the Dam's flood storage capacity to protect the facility. The Corps plans to maintain the reservoir pool at or below one-third of its certified capacity this storm season and for perhaps several more to come.

6. The Dam is not in immediate danger of failing. Due to the diminished storage capacity of the Dam, however, there is an increased risk to the downstream Green River Valley communities (Auburn, Kent, Renton, South Seattle, Tukwila) for higher flood levels this and future storm seasons, which in turn may impact local levees. Residents, businesses, and jurisdictions are being asked to prepare for the worst, which, for example, led the City of Kent to spend $1.5 million to sandbag 12 miles of the city side of the Green River. Other jurisdictions and businesses are taking additional preparatory actions.

7. The Corps is constructing an interim seepage barrier wall, or grout curtain, and improving the drainage of the right abutment to reduce water migration through the earthen structure. The work is scheduled to be completed by November 1, 2009; however, testing will not occur until a later date. The Corps plans to construct a concrete wall in the abutment as a permanent fix, but the work will take at least three years. Until such a costly permanent fix can be implemented, there is a chance flooding could continue for several years.

8. As a result of the Corps' current operational plan, there is a 1 in 4 chance that significant numbers of valley residents and businesses may experience substantial flood events this season and going forward, potentially inundating portions of the Green River Valley creating a lake 35 miles long, a mile wide and 3 to 12 feet deep (potentially covering as many square surface miles as Lake Washington).

9. The Corps and King County have provided four flood scenarios for community planning purposes during the 2009-2010 storm season, with 17,600 cubic feet per second (CFS) and 25,000 CFS viewed as the worst-case scenarios. PSE is using the inundation maps for these two scenarios as possible indicators of potential flooding impacts for preparedness planning purposes. These two scenarios are being used by the local jurisdictions in their planning efforts. It is anticipated that floods could occur multiple times in a storm season and potentially back-to-back. It is also likely that during a flood, there could be other weather-related and pandemic flu events affecting PSE's system (high winds, etc.) and/or its ability to respond.

10. It is anticipated that floods could occur multiple times in a storm season and potentially back-to-back. It is also likely that during a flood, there could be other weather-related and other events impacting PSE's system and/or response abilities (high winds, contaminated water, etc.).

11. Critical PSE infrastructure is located in the predicted flood zone, including two electric transmission substations, a primarily underground electric and natural gas distribution system, as well as some of the Company's key operating facilities, including the South King Service Center. Currently, the South King Service Center houses PSE's meter shop, central store and warehouse, corporate fleet, and waste management facility; and more than 200 employees, including more than 50 electric and natural gas first responders.

12. To help mitigate the effects of the flooding and to allow for PSE operations continuity both inside and outside of the Green River Valley, the Company has been reviewing its options and taking actions. Plans for each of the affected PSE departments are being developed and being implemented for pre-flood preparedness, flood emergency responses, and post-flood restoration strategies. The following are some of the actions that the Company has taken:

- PSE is seeking alternative sites to store some of its essential materials and critical equipment currently in the South King Service Center.
- The remaining inventory in the South King Service Center has been secured or raised and stored at levels above eight feet.
- An assessment of natural gas regulator stations at risk of washouts has been completed and a mitigation plan has been determined.
- For the two transmission stations, PSE is constructing continuous barriers along the outside perimeter of control houses, and pumps will be placed inside the barriers to mitigate ground water seepage.

III. PROPOSED ACCOUNTING AND RATEMAKING TREATMENT

13. As part of a regional effort to mitigate the possible impact of flooding in the Green River Valley due to the reduced capacity at the Howard Hanson Dam, PSE is developing contingency plans and taking action to protect the facilities critical to the functioning of both

electrical and natural gas systems, and operational facilities, which include fleet and stores. Community critical infrastructure, including government facilities, hospitals, telecommunications facilities and airports and thousands of residential customers and businesses could be impacted in the event of flooding. This will be an ongoing action for the next several years until the problems at Howard Hanson Dam are permanently corrected. Specifically, PSE proposes deferral of flood mitigation, recovery and restoration costs until permanent repairs to Howard Hanson Dam have been completed.

14. In the event PSE files one or more general rate cases prior to completion of permanent repairs, PSE will bring the costs accumulated through a given test year for review, with prudently-incurred costs to be recovered in rates at that time. Costs that are associated with the restoration of the system in the event of actual flooding will be segregated so that the costs that may be recoverable from insurance are identified and held until any insurance claim is completed. Insurance recoveries will be credited against these costs as received. As flood damage may not qualify as a "storm" under PSE's existing electric storm mechanism, flood related costs for the electric system would be deferred under the Petition and not under PSE's current storm mechanism.

15. The Company proposes that mitigation operations and maintenance costs associated with this project will be segregated into two major categories: normal and incremental operations. The Company proposes to defer incremental costs above and beyond the normal operations for future rate recovery.

16. The following are examples of the incremental costs that would be tracked for deferral when associated with flood preparation or restoration**:**

- Overtime pay, including benefits, payroll taxes, and overheads, for represented employees and non-represented hourly employees;

- Pay for incremental additional hours worked by part-time employees related to incremental operations including benefits, payroll taxes, PTO and incentive overheads;

- Outside contractor or consulting costs related to incremental operations;

- Employee out-of-pocket expenses associated with incremental work (meals, mileage, lodging, etc.);

- Stores material and related stores material overhead associated with incremental operations and maintenance expense (Unit of property items will be transferred to capital accounts);

- Incremental equipment and tool rentals needed for incremental operations and vehicle cost overheads;

- Small tools and expendables issued to protect facilities in preparation of possible flooding; and

- Other incremental expenses such as rental of temporary facilities for staging and storage of supplies and personnel.

17. The General Accounting Department will defer by journal entry the following labor related costs and transportation costs that are approved for deferral:

- Benefits Overhead;

- Payroll Tax Overhead;

- PTO Labor Overhead;

- Incentive Labor Overhead; and

- Vehicle cost overhead

18. Costs that would not be deferred for event planning and restoration include:

- Straight-time pay for all Company personnel;

- Labor costs of stores personnel or fleet services personnel, whether straight time or overtime (stores overhead is applied to material issues);

- Units of Property replacement costs that should be capitalized;

- Material and supplies prior to issuance from inventory;
- Vehicle costs (accrual of estimated vehicle costs will be made for vehicles directly related to flood preparation or restoration);
- Directors and above are not eligible for meal allowances;
- Directors and above are not eligible for overtime pay; and
- No local cost center administrative "assessment" overhead will be deferred.

19. The Company proposes that it will report quarterly to the Commission the costs that have been deferred in preparation for possible flooding and for any restoration of its infrastructure in the event of actual flooding in the Green River Valley. Costs that are associated with the restoration of the system in the event of actual flooding will be segregated so that the costs that may be recoverable from insurance are identified and held until any insurance claim is completed. Insurance recoveries will be credited against these costs as received. Cumulative costs through the end of any test period that are not covered by insurance will be included in a Company general rate case filing for review and recovery. Costs deferred under this accounting proposal will be included in working capital for recovery of carrying costs.

IV. PRAYER FOR RELIEF

20. Based on the foregoing, PSE respectfully requests that the Commission issue an Accounting Order in the form attached as Attachment B.

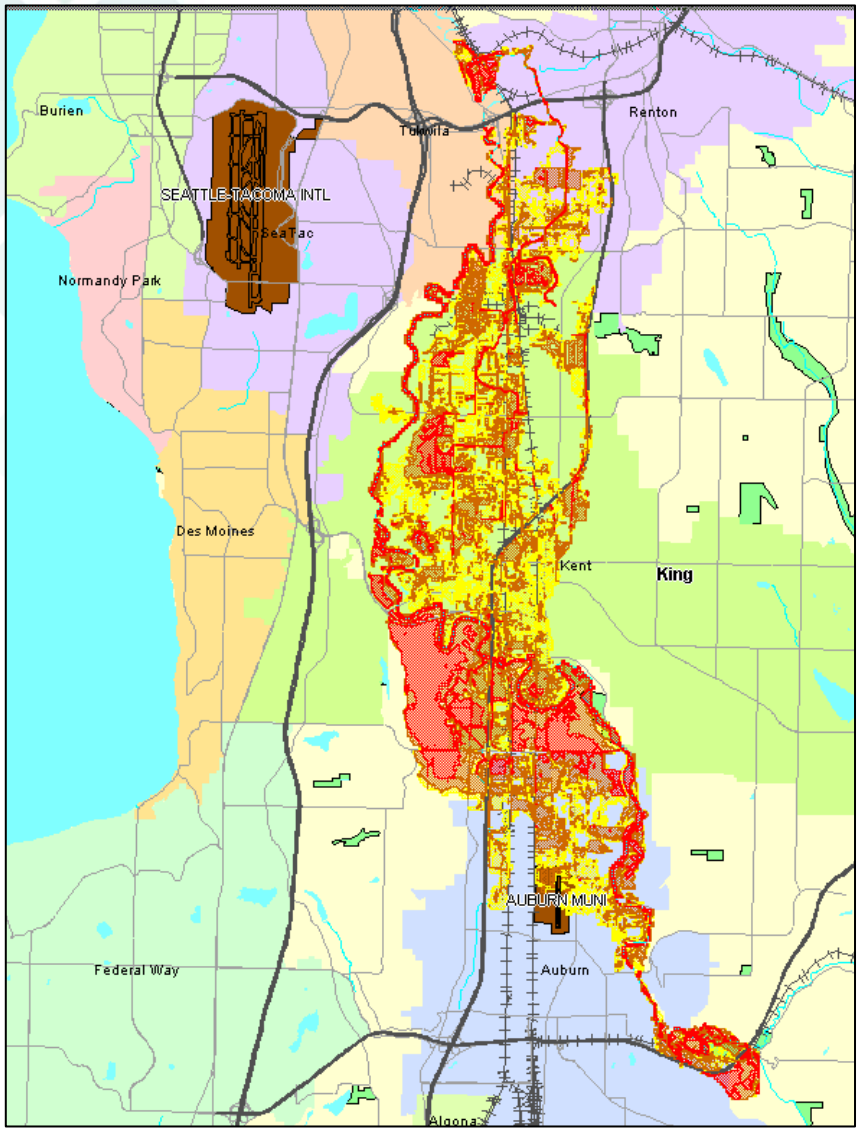
DATED this 16th day of October, 2009.

PUGET SOUND ENERGY, INC.

By Tom DeBoer
Tom DeBoer

Attachment A to of Petition of
Puget Sound Energy, Inc.
for an Accounting Order

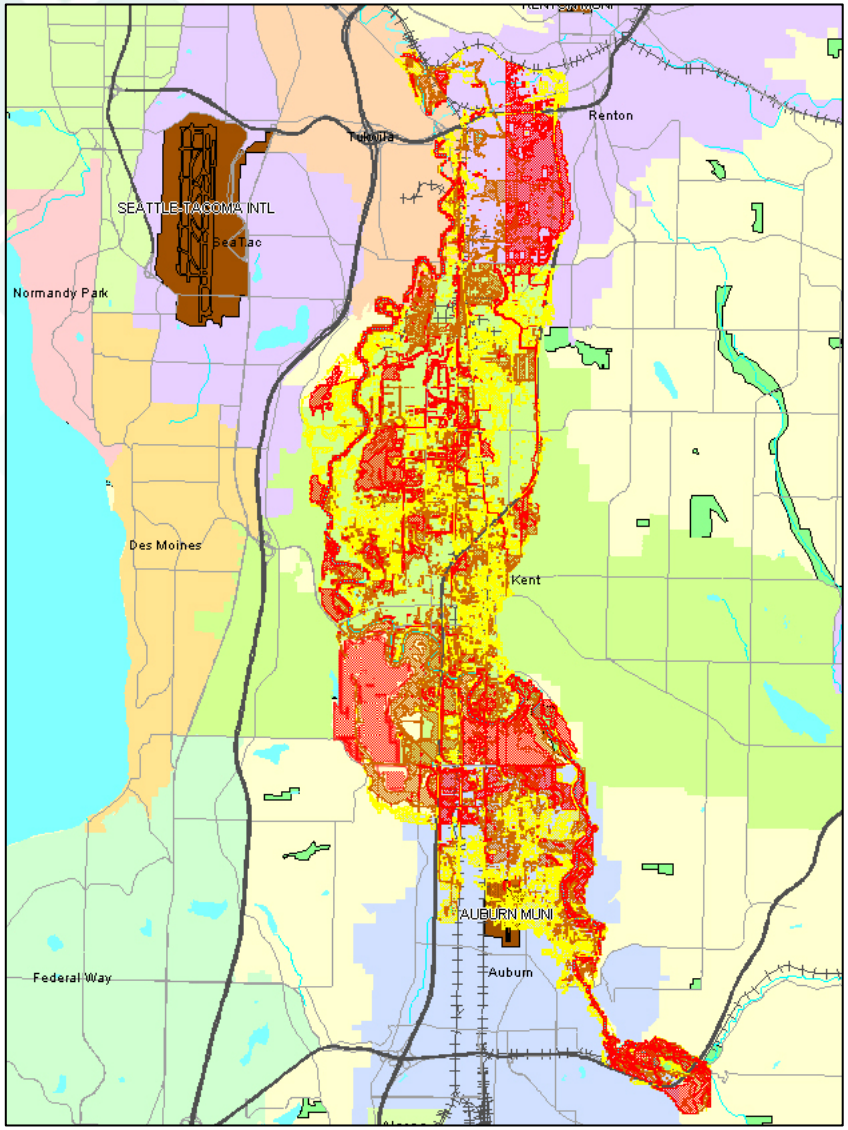
Potential system impact – 17,600 cfs flow



17,600 cfs Flow – Natural Gas	
3,335	Customer meters (expected to see some level of flooding)
2	Limit stations (one will be taken out of service in advance of lowest flood level)
16	Pressure regulating stations (expected to see some level of flooding)
6	Bridge crossings (pipelines attached to bridges crossing the Green River)
20	Miles of high pressure natural gas pipeline (in flood area)
103	Miles of intermediate pressure natural gas pipeline (in flood area)

17,600 cfs Flow – Electric	
14,877	Residential customer meters (may experience outage)
4,860	Small commercial customer meters (may experience outage)
28	Large commercial industrial customer meters (may experience outage)
2	Transmission substations (surrounded by water)
16	Transmission lines (traversing flooded areas)
8	Distribution substations (water within fenced area)
53	Individual distribution circuits (surrounded by water)
2	Customer substations (potentially impacted by water)
87	Padmount switches (potentially impacted by water)
980	Padmount transformers (surrounded by water)

Potential system impact – 25,000 cfs flow



25,000 cfs Flow – Natural Gas	
5,500	Customer meters (expected to see some level of flooding)
2	Limit stations (one will be taken out of service in advance of lowest flood level)
20	Pressure regulating stations (expected to see some level of flooding)
6	Bridge crossings (pipelines attached to bridges crossing the Green River)
24	Miles of high pressure natural gas pipeline (in flood area)
120	Miles of intermediate pressure natural gas pipeline (in flood area)

25,000 cfs Flow – Electric	
25,407	Residential customer meters (may experience outage)
8,025	Small commercial customer meters (may experience outage)
55	Large commercial industrial customer meters (may experience outage)
3	Transmission substations (water inside fenced area)
17	Transmission lines (traversing flooded areas)
10	Distribution substations (water inside fenced area)
64	Individual distribution circuits (potentially impacted by water)
5	Customer substations (water inside fenced area)
212	Padmount switches (potentially affected by water)
1,755	Padmount transformers (potentially affected by water)

Attachment B to of Petition of
Puget Sound Energy, Inc.
for an Accounting Order

BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

In the Matter of the Petition of PUGET SOUND ENERGY, INC. For an Accounting Order Authorizing Deferral and Recovery of Costs Associated with the Green River Valley Flood Preparation and System Infrastructure Restoration	Docket No. UE-09_____ Docket No. UG-09_____ ORDER (PROPOSED)

1. On October 16, 2009, Puget Sound Energy, Inc. ("PSE" or the "Company") filed a petition for an accounting order (the "Petition") authorizing the deferral of incremental costs associated with protecting the Company's infrastructure, facilitating public safety, and preparing the Company's electric and natural gas system in the Green River Valley flood plain in anticipation of release of water from the Howard Hanson Dam (the "Dam"). In the event of actual flooding, the Company petitions the Commission to allow the deferral of costs associated with the repair and restoration of the electric and natural gas system infrastructure affected by the flood waters.

BACKGROUND AND MEMORANDUM

2. As stated in the Petition, the Dam is operated by the U.S. Army Corps of Engineers (the "Corps") and located on the upper reach of the Green-Duwamish River in King County. PSE explains that the Dam has provided flood risk reduction and water storage on the Green River since it was commissioned in 1962. PSE further explains that the Corps constructed the Dam to mitigate the effects of frequent and devastating flooding in what was a historically

flood-prone agricultural area. PSE states that residential, commercial and industrial development has flourished in the Green River Valley since construction of the Dam. PSE also states that the Company has significantly expanded its natural gas and electric infrastructure to serve this growing area.

3. PSE states that following heavy rains in January 2009, which resulted in a record-high level of water behind the Dam, two depressions were discovered on the right abutment, leading the Corps to significantly reduce the Dam's flood storage capacity to protect the facility. PSE claims that the Corps plans to maintain the reservoir pool at or below one-third of its certified capacity this storm season and for perhaps several more to come.

4. PSE states that the Dam is not in immediate danger of failing. PSE explains, however, that, due to the diminished storage capacity of the Dam, there is an increased risk to the downstream Green River Valley communities (Auburn, Kent, Renton, South Seattle, Tukwila) for higher flood levels this and future storm seasons, which in turn may affect local levees. PSE explains that residents, businesses, and jurisdictions are being asked to prepare for the worst, which, for example, led the City of Kent to spend $1.5 million to sandbag 12 miles of the city side of the Green River. PSE states that other jurisdictions and businesses are taking additional preparatory actions.

5. PSE states that the Corps is constructing an interim seepage barrier wall, or grout curtain, and improving the drainage of the right abutment to reduce water migration through the earthen structure. PSE explains that the work is scheduled to be completed by November 1, 2009, but testing will not occur until a later date. The Corps officials hope to a concrete wall in

the abutment as a permanent fix which will take multiple years to complete, but until such permanent fix can be implemented, the threat of flooding will continue.

6. PSE states that the Corps is constructing an interim seepage barrier wall, or grout curtain, and improving the drainage of the right abutment to reduce water migration through the earthen structure. PSE explains that the work is scheduled to be completed by November 1, 2009; however, testing will not occur until a later date. PSE explains that the Corps plans to construct a concrete wall in the abutment as a permanent fix, but the work will take at least three years. PSE states that, until such a costly permanent fix can be implemented, there is a chance flooding could continue for several years.

7. PSE states that as a result of the Corps' current operational plan, there is a 1 in 4 chance that significant numbers of valley residents and businesses may experience substantial flood events this season and going forward, potentially inundating portions of the Green River Valley creating a lake 35 miles long, a mile wide and 3 to 12 feet deep (potentially covering as many square surface miles as Lake Washington).

8. PSE explains that the Corps and King County have provided four flood scenarios for community planning purposes during the 2009-2010 storm season, with 17,600 cubic feet per second (CFS) and 25,000 CFS viewed as the worst-case scenarios. PSE states that it is using the inundation maps for these two scenarios as possible indicators of potential flooding impacts for preparedness planning purposes. PSE explains that these two scenarios are being used by the local jurisdictions in their planning efforts. PSE states that it is anticipated that floods could occur multiple times in a storm season and potentially back-to-back. PSE states that it is also

likely that during a flood, there could be other weather-related and pandemic flu events affecting PSE's system (high winds, etc.) and/or its ability to respond.

9. PSE states that it is anticipated that floods could occur multiple times in a storm season and potentially back-to-back. PSE explains that it is also likely that during a flood, there could be other weather-related and other events impacting PSE's system and/or response abilities (high winds, contaminated water, etc.).

10. PSE states that critical PSE infrastructure is located in the predicted flood zone, including two electric transmission substations, a primarily underground electric and natural gas distribution system, as well as some of the Company's key operating facilities, including the South King Service Center. PSE states that the South King Service Center currently houses PSE's meter shop, central store and warehouse, corporate fleet, and waste management facility; and more than 200 employees, including more than 50 electric and natural gas first responders.

11. To help mitigate the effects of the flooding and to allow for PSE operations continuity both inside and outside of the Green River Valley, the Company explains that it has been reviewing its options and taking actions. PSE explains that plans for each of the affected PSE departments are being developed and being implemented for pre-flood preparedness, flood emergency responses, and post-flood restoration strategies. PSE lists the following as examples of actions that the Company has taken:

- PSE is seeking alternative sites to store some of its essential materials and critical equipment currently in the South King Service Center.
- The remaining inventory in the South King Service Center has been secured or raised and stored at levels above eight feet.
- An assessment of natural gas regulator stations at risk of washouts has been completed and a mitigation plan has been determined.

- For the two transmission stations, PSE is constructing continuous barriers along the outside perimeter of control houses, and pumps will be placed inside the barriers to mitigate ground water seepage.

PSE'S PROPOSED ACCOUNTING AND RATEMAKING TREATMENT

12. As part of a regional effort to mitigate the possible impact of flooding in the Green River Valley due to the reduced capacity at the Howard Hanson Dam, PSE explains in the Petition that it is developing contingency plans and taking action to protect the facilities critical to the functioning of both electrical and natural gas systems, and operational facilities, which include fleet and stores. PSE states that community critical infrastructure, including government facilities, hospitals, telecommunications facilities and airports and thousands of residential customers and businesses could be affected in the event of flooding. PSE explains that this will be an ongoing action for the next several years until the problems at Howard Hanson Dam are permanently corrected. Specifically, PSE proposes deferral of flood mitigation, recovery and restoration costs until permanent repairs to Howard Hanson Dam have been completed.

13. PSE states that in the event PSE files one or more general rate cases prior to completion of permanent repairs, PSE will bring the costs accumulated through a given test year for review, with prudently-incurred costs to be recovered in rates at that time. Costs that are associated with the restoration of the system in the event of actual flooding will be segregated so that the costs that may be recoverable from insurance are identified and held until any insurance claim is completed. Insurance recoveries will be credited against these costs as received. As flood damage may not qualify as a "storm" under PSE's existing electric storm mechanism,

flood related costs for the electric system would be deferred under the Petition and not under PSE's current storm mechanism.

14. The Company proposes that mitigation operations and maintenance costs associated with this project will be segregated into two major categories: normal and incremental operations. The Company proposes to defer incremental costs above and beyond the normal operations for future rate recovery.

15. The following are examples of the incremental costs that would be tracked for deferral when associated with flood preparation or restoration**:**

- Overtime pay, including benefits, payroll taxes, and overheads, for represented employees and non-represented hourly employees;
- Pay for incremental additional hours worked by part-time employees related to incremental operations including benefits, payroll taxes, PTO and incentive overheads;
- Outside contractor or consulting costs related to incremental operations;
- Employee out-of-pocket expenses associated with incremental work (meals, mileage, lodging, etc.);
- Stores material and related stores material overhead associated with incremental operations and maintenance expense (Unit of property items will be transferred to capital accounts);
- Incremental equipment and tool rentals needed for incremental operations and vehicle cost overheads;
- Small tools and expendables issued to protect facilities in preparation of possible flooding; and
- Other incremental expenses such as rental of temporary facilities for staging and storage of supplies and personnel.

16. PSE's General Accounting Department will defer by journal entry the following labor related costs and transportation costs that are approved for deferral:

- Benefits Overhead;
- Payroll Tax Overhead;
- PTO Labor Overhead;
- Incentive Labor Overhead; and
- Vehicle cost overhead

17. Costs that would not be deferred for event planning and restoration include:

- Straight-time pay for all Company personnel;
- Labor costs of stores personnel or fleet services personnel, whether straight time or overtime (stores overhead is applied to material issues);
- Units of Property replacement costs that should be capitalized;
- Material and supplies prior to issuance from inventory;
- Vehicle costs (accrual of estimated vehicle costs will be made for vehicles directly related to flood preparation or restoration);
- Directors and above are not eligible for meal allowances;
- Directors and above are not eligible for overtime pay; and
- No local cost center administrative "assessment" overhead will be deferred.

18. The Company proposes that it will report quarterly to the Commission the costs that have been deferred in preparation for possible flooding and for any restoration of its infrastructure in the event of actual flooding in the Green River Valley. Costs that are associated with the restoration of the system in the event of actual flooding will be segregated so that the

costs that may be recoverable from insurance are identified and held until any insurance claim is completed. Insurance recoveries will be credited against these costs as received. Cumulative costs through the end of any test period that are not covered by insurance will be included in a Company general rate case filing for review and recovery. Costs deferred under this accounting proposal will be included in working capital for recovery of carrying costs.

FINDINGS AND CONCLUSIONS

19. PSE is engaged in the business of furnishing electric and gas service within the state of Washington as a public service company and is subject to the jurisdiction of this Commission.

20. On October 16, 2009, PSE filed the Petition with the Commission for an accounting order authorizing PSE to defer and recover incremental costs associated with the hardening and preparation of the Company's electric and natural gas system in the Green River Valley flood plain in anticipation of release of water from the Howard Hanson Dam. .

21. The accounting treatment methodology proposed in the Petition is reasonable and in the public interest, and should be approved.

DETERMINATION AND ORDER

WHEREFORE, THE COMMISSION HEREBY:

22. Approves the accounting treatment in the Petition with respect to the hardening and preparation of the Company's electric and natural gas system in the Green River Valley flood plain.

23. This order shall in no way affect the authority of this Commission over rates, services, accounts, evaluations, estimates, or determination of cost or any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs claimed or asserted.

24. The Commission retains jurisdiction over the subject matter of the Petition and PSE to effect the provisions of this order.

DATED at Olympia, Washington, and effective this _____ day of _____, _____.

_____
JEFFREY D. GOLTZ, Chairman

_____
PATRICK J. OSHIE, Commissioner

_____
PHILIP B. JONES, Commissioner

Verification of Petition of
Puget Sound Energy, Inc.
for an Accounting Order

VERIFICATION

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

Tom DeBoer, being first duly sworn, on oath deposes and says:

That he is Director, Federal and State Regulatory Affairs for Puget Sound Energy, Inc., that he has read the foregoing Petition, that he knows the contents thereof, and that he believes the same to be true to the best of his knowledge and belief under penalty of perjury.

Tom DeBoer,
Tom DeBoer,
Director, Federal and State Regulatory Affairs

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

SUBSCRIBED AND SWORN to before me this 16th day of October, 2009

KAREN CAMPBELL NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES 7-18-12

K J Campbell
Print Name: Karen Campbell
Notary Public in and for the State of Washington,
residing at Bellevue
My commission expires: 7/18/12