

ELAINE L. SPENCER
(206) 340-9638
espencer@grahamdunn.com

February 26, 2008

Sheree Strom Carson
Perkins Coie LLP
10885 NE Fourth Street, Suite 700
Bellevue, WA, 98004 5579

Re: WUTC v. Puget Sound Energy
Docket No. UG-072301

Dear Sheree:

Seattle Steam has now had an opportunity to review Janet Phelps' work papers in some detail. It appears that PSE is proposing a nearly 16% rate increase for Seattle Steam, and a significantly higher increase for some of the current Schedule 57 customers that PSE assumes will either remain on Schedule 57 or migrate to Schedule 87T. Those are very significant rate increases. Since the Company's testimony supporting a claimed need for additional revenue bases that claim on the Company's obligation to invest heavily to meet the needs of growth and the Company, as a matter of policy, will not make any investments to serve the needs of interruptible customers, Seattle Steam fails to see any basis for such an increase. From our discussion with Company staff some time ago, it appears that the Company has simply abandoned the cost of service methodology that it has used in the past and which the UTC has adopted in prior contested rate cases. We believe that is inappropriate. We would like an opportunity to discuss the merits of what the Company has done in its cost of service study with you in the near future.

The purpose of my current letter, however, is that we believe that the current Schedule 57 customers which are either assumed to migrate to Schedule 87T or which the company assumes will remain on Schedule 57 until it terminates, are largely unaware that the Company is proposing a 16% or greater increase in their rates. The confidential work papers of Janet Phelps allow us to identify those current Schedule 57 customers that the Company assumes will either remain on Schedule 57 or migrate to Schedule 87T. We believe it is appropriate to notify them of the proposed rate increase, because they clearly have a right to be heard prior to any such increase being approved by the Commission. Attached is a letter we would propose to send to those customers.

Under the Confidentiality Order entered by the Commission, confidential information can be used only for purposes of this case. We believe our letter is entirely appropriate under those terms. The Confidentiality Order further provides, however, that "any dispute concerning

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COPY

Exhibit B

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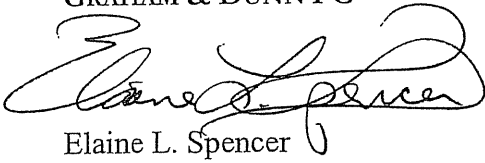
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persons entitled to access Confidential Information must be brought before the presiding officer(s) for resolution.” (¶B7) If you agree that our proposed use of the information by sending the attached letter is appropriate, please confirm that to me by Friday, March 7. If you do not agree that the use is appropriate, I will bring a motion with the Commission for permission to send the letter.

Thank you for your cooperation in this matter.

Sincerely,

GRAHAM & DUNN PC

A handwritten signature in black ink, appearing to read "Elaine L. Spencer". The signature is fluid and cursive, with a large initial "E" and "S".

Elaine L. Spencer

ELS/els

cc: Stan Gent

Bob Sheppard

M38141-1005360

February 26, 2008

ELAINE L. SPENCER
(206) 340-9638
espencer@grahamdunn.com

customer name
address

Re: Proposed Puget Sound Energy rate increase to Schedule 57 customers

Dear Puget Sound Energy Schedule 57 gas customer:

We understand you may be a gas customer of Puget Sound Energy, receiving interruptible transportation service under Schedule 57. We are currently representing Seattle Steam Company, which also receives interruptible gas transportation service from Puget.

You may not be aware that Puget has filed a general rate proceeding with the Washington Utilities and Transportation Commission in which it has proposed to increase the rates to its largest Schedule 57 customers by 16% or more, is proposing to terminate Schedule 57 by 2012, and assumes that many large Schedule 57 customers will migrate to Schedule 87T in the meantime.

Attached are Puget's proposed revisions to its Schedule 57 and Schedule 87T tariffs. Seattle Steam is interested in having Schedule 57 customers concerned about this rate increase join with it in addressing this issue with the Utilities and Transportation Commission. If you would be interested in participating in this effort, please contact me at this address.

Sincerely,

GRAHAM & DUNN PC

Elaine L. Spencer

ELS/els
m38141-1005373.doc

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