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December 21, 2007

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

Attn: Dave Lykken, Pipeline Safety Interim Director

**RE: Request for Extension - Critical Bond Program (Dockets UG 941394, PG 030080, and PG 030128)**

Dear Mr. Lykken,

This letter provides an update on the Critical Bond Program that was originally committed to in response to the 1996 WUTC Audit of PSE's Central Division and reaffirmed in the Settlement Agreement subsequent to the Pierce and King County Audits (PG 030080 and PG 030128).

In accordance with the Settlement Agreement, this program will be completed by December 31, 2007 with the exception of one work order. By way of this letter, PSE is requesting an extension of the order to allow completion of this final work order by January 31, 2008.

PSE met with Staff in December of 2007 to provide an update on the company's efforts and summarize what has been accomplished. The following are some of the highlights of the program that were reviewed in that meeting.

In 1996, PSE began a program to ensure adequate test sites existed for all its cathodically protected systems. This was a major undertaking as there are more than 3,000 individual cathodic protection systems providing protection to approximately 23,300,000 feet (4,413 miles) of pipe and tens of thousands of services. While it has been a major undertaking, it has proved valuable to PSE in many ways including providing an opportunity to better understand its cathodically protected steel systems and significantly improve the skill level of the employees working on the cathodic protection system.

PSE's methodology and approach evolved over the 12 years of this program. This evolution included fine tuning the testing methodology, improving the record keeping requirements as well as expanding the scope to include valves that may be electrically isolated from the system. In response to the changes that occurred to the methodology as well as the complexity of the program, PSE initiated and completed a 100% quality assurance review of all CP systems. This review ensured all systems met minimum documentation requirements and resulted in the identification of approximately 350 discrepancies. All of the identified discrepancies were subsequently addressed and improved PSE's confidence in the completion of the program.

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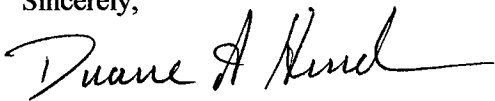
Through this systematic process, more than 270 impressed current systems and 3,000 galvanic systems were reviewed. This effort included a review of records and field testing that resulted in the identification of more than 23,000 additional test sites. With one exception, all of these test sites have been added to PSE's computer system to ensure they will continue to be monitored to verify adequate CP. The one exception is a test site that will be installed in early January as soon as a holiday construction moratorium in downtown Seattle expires.

While the testing and remediation of valves that were known to be electrically isolated from the system were included in the later years of the program, PSE's quality assurance review identified that this was not the case for valves that were part of systems tested and remediated in the earlier part of the program. To address this, PSE is expanding the scope of the Isolated Facilities Program to include identifying and remediating these valves. As this was not part of the original scope of Isolated Facilities, PSE will be developing a plan to perform this work and will provide an update to Staff in 2008 regarding the proposed approach and timeframe for completing this work. The Isolated Facilities Program is part of the same settlement agreement as the Critical Bond Program.

PSE is proud of the work that the Critical Bond Team has performed to complete this project and achieve the objective of the program. While this effort has been substantial and efforts have been made to ensure all test sites were identified, PSE will continue to use information from the on-going monitoring of our system including exposed pipe condition reports and the Isolated Facilities Program to identify any additional test sites that are needed and ensure they are monitored.

PSE appreciates Staff's time to review this program and provide positive feedback on PSE's accomplishment. Please call me at 425-462-3974 if you have any further questions or comments.

Sincerely,



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

cc: Mike Hobbs  
Erik Markell  
Bert Valdman  
Karl Karzmar

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