

05/23/08

On May 22, 2008, an operational progress report was inadvertently sent to a PSE merchant function employee. The e-mail discussed construction of certain facilities within PSE's system. The employee deleted the email message without opening it. Employees involved in the e-mail exchange have been notified that the merchant function employee should not receive any non-public transmission information.

The non-public transmission information contained in the message follows:

#### **Olympia 55 to 115 kV Cutover**

All remaining 55 kV in Thurston County will be converted to 115 kV upon completion of this project in 2010. The Johnson Hill-Pleasant Glade Tap has been constructed to keep the system whole during the construction process. The conversion is presently underway with completion of St Clair Sub in April, Hawks Prairie Sub and Luhr Beach Sub in May and Pleasant Glade Sub in early June. Friendly Grove Sub will remain on a 55 kV tap through the coming winter, as well as Plum St Sub with conversion of both to 115 kV in early 2009. Wilson Construction has been awarded the contract to construct Friendly Grove Sub and the demolition of Valencia Sub, while Tetra Tech has been awarded the Plum St Sub project. During the summer of 2009 Capitol, Thurston, Olympia Switch and West Olympia will be converted to 115 kV. WA-State is in the process of building a new Data Center adjacent the Capitol Sub which is adding challenges to the entire conversion project. Additional construction is required to accommodate the 6 additional 12.5 kV circuits which will run concurrently with the conversion project. Discussions continue with the City of Olympia regarding the construction of a wall in place of our existing fence surrounding Plum St Sub.

#### **Budget Planning**

The Olympia 55 to 115 kV Cutover is in progress. Spurgeon Creek is a new 230/115/12.5 kV substation being proposed in Thurston County for 2010. It will start with routing several 115 kV lines to the site with provisions for 230 kV by 2013. Also under review is a 230 kV source at St Clair Sub from BPA. This will involve 5-8 miles of new line through tribal lands which will prove to be a challenge.

The White River-Electron Heights/Alderton project has stalled due to Right of Way negotiations with Cascadia. Project in progress include: 230/115 kV transformers at Alderton and a new 230 kV line from White River to Alderton in place of existing de-energized line through Sumner. The White River 230 kV transformers have reached their capacity limits, which now make Fredrickson Generation a more critical backup for the County until the completion of the Alderton 230 kV projects. It will be important to consider the time of year during which the 176th St PI project occurs, as it will affect the availability of Fredrickson Generation to our system.