

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET UE-071876
)	
PUGET SOUND ENERGY, INC.,)	ORDER 01
)	
Petitioner,)	
)	
For An Accounting Order Authorizing)	
Deferred Accounting Treatment for)	
terminating and removing a transferable)	
purchase option from a building lease)	ORDER GRANTING ACCOUNTING
agreement)	PETITION
.....)	

BACKGROUND

- 1 On September 17, 2008, Puget Sound Energy, Inc., (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under [WAC 480-07-370\(1\)\(b\)](#) authorizing PSE to defer a gain of approximately \$18.9 million resulting from the termination of a purchase option to buy the Company’s corporate headquarter facilities in Bellevue, Washington. The Company proposes to amortize the gain back to regulated operations over seven years.

- 2 PSE’s request to defer the gain received from Summit REIT, Inc., is the result of the extinguishment of a purchase option in the lease for PSE’s corporate headquarters facilities in Bellevue, Washington. The Company requests that the Commission:
 - a. Approve deferral accounting treatment for the proceeds, net of incremental transaction costs, resulting from a Settlement Agreement to amend the PSE lease for its corporate headquarters buildings by terminating and removing the purchase option and by extending the existing lease terms in consideration of a \$20 million payment to the Company by the owner of the building, Summit REIT, Inc. The net proceeds from the transaction costs are approximately \$18.9 million

 - b. Allow the Company to amortize the total deferred balance over seven years commencing January 1, 2008, and shape the amortization to eliminate near term contractual lease increases.

- 3 PSE states that during the negotiations with Summit REIT, Inc., the monetary consideration would be shaped to offset near-term lease increases. The accounting treatment requested by the Company, would require varying amortization of amounts each year to offset the increases.
- 4 After reviewing the Company's request, Staff concludes the amortization should not be shaped to offset near-term lease increases. Rather, Staff proposes that the Company:
- (a) Amortize the gain over the remaining life of the lease (approximately ten years). This will spread the benefit to PSE customers over the remaining life of the lease.
 - (b) Begin the amortization on November 1, 2008, to coincide with the proposed effective date for new rates in the current rate case pending before the Commission in Dockets UE-072300 and UG-072301.
- 5 The Company supports Staff's recommendation.

FINDINGS AND CONCLUSIONS

- 6 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies. [RCW 80.01.040](#), [RCW 80.04](#), [RCW 80.08](#), [RCW 80.12](#), [RCW 80.16](#) and [RCW 80.28](#).
- 7 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 8 (3) [WAC 480-07-370\(1\) \(b\)](#), allows companies to file petitions including that for which PSE seeks approval.
- 9 (4) Staff has reviewed the petition in Docket UE-071876 including related work papers.

- 10 (5) Staff believes the proposed accounting deferral PSE requests is reasonable, subject to the changes recommended in paragraph 4 of this Order.
- 11 (6) This matter came before the Commission at its regularly scheduled meeting on October 8, 2008.
- 12 (7) After reviewing PSE's petition filed in Docket UE-071876 on September 17, 2008, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the petition should be granted based upon Staff's recommendation.

ORDER

THE COMMISSION ORDERS:

- 13 (1) Puget Sound Energy, Inc.'s request to amortize the gain from the termination of the option to purchase the Company's corporate headquarter facilities in Bellevue, Washington, is granted.
- 14 (2) This authorization is conditioned on amortizing the lease over the remaining life of the lease and beginning the lease amortization on November 1, 2008.
- 15 (3) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 16 (4) The Commission retains jurisdiction over the subject matter and Puget Sound Energy, Inc., to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Executive Secretary to enter this Order.

DATED at Olympia, Washington, and effective October 8, 2008.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary