

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

In the Matter of the Petition of)	DOCKET UE-001157
)	
PUGET SOUND ENERGY, INC.,)	ORDER 02
)	
Petitioner,)	
)	
For An Accounting Order For the)	
Modification of an Order regarding the)	
Authorization to Sell Sulfur Dioxide)	
Emission Allowances and an Associated)	PETITION FOR MODIFICATION OF
Accounting Order.)	AN ORDER
.....)	

BACKGROUND

- 1 On August 11, 2011, 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 request the Modification of the Order Regarding the Authorization to Sell Sulfur Dioxide (SO₂) Emission Allowances and an Associated Accounting Order. As noted in the initial Order of 2000, the Company may at times have allowances in excess of its needs. During these periods where emission allowances exceed the need, the Company can sell excess allowances on an open market.
- 2 The Company’s petition states that at the time the order was issued, the emissions market was strong, and in 2001 the Company’s SO₂ emission allowance sales totaled nearly \$3.5 million. Subsequently, however, the market has dramatically declined. The petition states that in order to reduce emissions and control costs, companies have reduced facility usage, added pollution control technologies, switched to lower sulfur fuel, or developed other alternative strategies. The resulting abundance of allowances available for sale has brought the market value down from \$700 per allowance in 2005, to just a few dollars per allowance today. In 2010, the Company’s proceeds from the sale of SO₂ emission allowances generated only \$5,173 and 2011 proceeds to date have been only \$386. The current spot offer for 2011 and 2012 vintage allowances is trading in the \$2.00 range.
- 3 The Company states that it does not expect this market to change significantly and since the level of SO₂ emission allowance sales have become insignificant for rate making purposes, it is no longer important to continue deferred accounting treatment. It is

therefore requesting that sales of emission allowances after 2011, no longer be deferred for subsequent amortization. The Company proposes to continue amortization of the less than \$300,000 remaining unamortized amount.

FINDINGS AND CONCLUSIONS

- 4 (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](#).
- 5 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 6 (3) [WAC 480-07-370\(1\)\(b\)](#), allows companies to file petitions including that for which PSE seeks approval.
- 7 (4) Staff has reviewed the petition in Docket UE-001157 including related work papers.
- 8 (5) Staff believes the proposed accounting order PSE requests is reasonable and should be granted. As expressed by PSE, the Company has experienced reduced revenue for the last two years, \$5,173 in 2010 and \$386 to date for 2011. Under these circumstances, Staff recommends the sale of SO₂ emission allowances no longer be deferred, but that the allowance sales will be included as period sales in the year incurred.
- 9 (6) This matter came before the Commission at its regularly scheduled meeting on September 15, 2011.
- 10 (7) After reviewing PSE's petition filed in Docket UE-001157 on August 11, 2011 and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be granted.

ORDER

THE COMMISSION ORDERS:

- 11 (1) Puget Sound Energy, Inc.'s request to discontinue the deferral of the gains from SO₂ emission allowance sales as of year-end 2011, and to continue the amortization of the remaining balance of deferred gains per the original order is granted.
- 12 (2) 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.
- 13 (3) The Commission retains jurisdiction over the subject matter and Puget Sound Energy, Inc., to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective September 15, 2011.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary