

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

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| In the Matter of the Petition of |) | DOCKET UE-060539 |
| |) | |
| Puget Sound Energy, Inc., |) | ORDER 01 |
| |) | |
| Petitioner, |) | |
| |) | |
| For An Accounting Order Authorizing |) | |
| the Accounting Treatment for Payment |) | ORDER APPROVING ACCOUNTING |
| to Chelan County Public Utility District |) | PETITION ON A TEMPORARY |
| No 1 for Purchased Power. |) | BASIS |
| |) | |

BACKGROUND

- 1 On April 10, 2006, Puget Sound Energy, Inc., (PSE or Company) filed a petition for an Accounting Order under WAC 480-07-370(b)(i) seeking authority to defer an \$89 million one-time capacity reservation charge (prepayment) for the purchase of power from Chelan County PUD.

- 2 PSE and Chelan have entered into an agreement which provides for the purchase of 25 percent of the output of Chelan’s Rock Island (622 MW) and Rocky Reach (1,237 MW) dams on the Columbia River. The agreement calls for PSE to make a one-time prepayment of \$89 million on April 27, 2006. Then, commencing in 2011 (expiration of existing contracts) PSE will begin purchasing 25 percent of the output at the projects’ costs for the next 20 years.

- 3 PSE’s petition seeks authority to defer the \$89 million prepayment to Chelan PUD as a regulatory asset in account 182.3, Other Regulatory Assets, with interest accrued at PSE’s net of tax rate of return. PSE proposes that interest accrue until the commencement of power sales under the Chelan PUD contract (November 1, 2011).

- 4 As set forth in PSE’s current pending general rate case in consolidated Dockets UE-060266 and UG-060267, the company is proposing that such deferred amounts, plus accrued interest, should be amortized over the life of the contracts. PSE is further proposing that in its pending general rate case that when amortization begins the \$89 million payment plus accrue interest be included in ratebase and interest deferral cease.

5 PSE argues in its petition and pending rate case that by deferring the prepayment and carrying costs of the \$89 million until power is received under the Chelan Contract, it ensures that the customers receiving the benefits of the contract pay for the cost of the contract.

6 The Commission takes no stance on PSE's position as stated in its petition filed on April 10, 2006, with regard to the appropriate ratemaking treatment and ultimate accounting for both the \$89 million prepayment and the proposed deferral of interest. The final resolution of these issues will be address in consolidated Dockets UE-060266 and UG-060267.

FINDINGS AND CONCLUSIONS

- 7 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of public service companies, including electric and gas companies. *RCW 80.01.040, Chapter 80.04 RCW, Chapter 80.28 RCW, Chapter 80.08 RCW and Chapter 80.12 RCW.*
- 8 (2) Puget Sound Energy, Inc. is an electric and gas company and is a public service company subject to the jurisdiction of the Commission.
- 9 (3) WAC 480-07-370(b)(i), allows companies to file a petition including that for which Puget Sound Energy, Inc., seeks approval.
- 10 (4) Staff has reviewed the petition in Docket UE-060539 including related workpapers. Staff believes the proposed accounting petition requested by Puget Sound Energy is reasonable and should be approved, on an interim basis, pending final determination in Puget Sound Energy's current rate case in consolidated Dockets UE-060266 and UG-060267.
- 11 (5) This matter was brought before the Commission at its regularly scheduled meeting on April 26, 2006.

- 12 (6) After examination of the petition filed in Docket UE-060539 by PSE on April 10, 2006, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be approved.

O R D E R

THE COMMISSION ORDERS:

- 13 (1) Puget Sound Energy's request to defer the Chelan PUD prepayment of \$89 million, with interest, as a regulatory asset is approved on a temporary basis until the resolution of PSE's general rate case in consolidated Dockets UE-060266 and UG-060267.
- 14 (2) This Order shall in no way affect the authority of this Commission over rates, services, accounts, evaluations, estimates, or determination of costs on any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs claimed or asserted.
- 15 (3) 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 Secretary to enter this Order.

DATED at Olympia, Washington, and effective April 26, 2006.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Executive Secretary