

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

In the Matter of the Petition of)	DOCKET UE-100503
)	
PUGET SOUND ENERGY, INC.,)	ORDER 01
)	
Petitioner,)	
)	
For An Accounting Order Authorizing)	
Accounting Treatment and Amortization)	
Related to Payments Received by PSE)	
for Taking Assignment of Westcoast)	ORDER GRANTING ACCOUNTING
Pipeline Capacity)	PETITION
.....)	

BACKGROUND

- 1 On March 30, 2010, Puget Sound Energy, Inc., (PSE or Company) petitioned the Washington Utilities and Transportation Commission (Commission) seeking authorization under WAC 480-07-370(1)(b) to defer and amortize a payment received from BNP Paribus Energy Trading Canada Corp. (BNP) for PSE’s assumption of BNP’s contractual benefits and obligations for natural gas transportation capacity on the Westcoast Energy, Inc. (Westcoast) pipeline. PSE seeks authority to defer income of \$4,614,625 as a regulatory liability and to amortize it as a credit to capacity demand charges over 103 months beginning April 1, 2010, and ending October 31, 2018.
- 2 PSE’s Petition states that it had the opportunity to take permanent release of 713.1 cubic meters per day (equivalent of 25,180 Million cubic feet (Mcf)/day or 25,853 Decatherms (Dth)/day) of BNP’s Westcoast pipeline capacity, effective April 1, 2010. The assumption of capacity includes a one-time payment from BNP to PSE of CAN \$4.75 million (or US \$ 4,614,625 on the date of receipt, March 11, 2010). The US \$4.6 million payment from BNP represents an 11.50 percent discount from the expected cost of the Westcoast pipeline capacity over the term of the assumed contract.
- 3 PSE’s Petition further states it’s last three Integrated Resource Plans had identified additional capacity on the Westcoast pipeline as necessary to support PSE’s growing fleet of gas-fired generation plants. PSE included 20,000 Dth per day of new Westcoast pipeline capacity in the rate year power costs of its most recent rate case, Docket UE-090704. The present contract supplements the capacity needs of PSE. PSE will

provide additional details regarding its analyses and conclusions related to the BNP capacity acquisition in its next rate case filing.

4 PSE proposed that the federal income tax of US \$1,615,119 (US \$4,614,625 multiplied by 35%) be normalized over the proposed amortization period.

5 PSE, therefore, seeks in its Petition approval of the accounting and ratemaking treatment described as follows:

- a. to defer the US \$4.6 million payment from BNP as a regulatory liability;
- b. to amortize the deferred amounts against the Westcoast pipeline capacity payments over the life of the contract, which is April 1, 2010 through October 31, 2018; and
- c. to normalize deferred federal income taxes on the difference between the tax and regulatory treatment.

6 Staff has reviewed the petition in Docket UE-100503 including related work papers.

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 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.*

8 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.

9 (3) WAC 480-07-370(1)(b), allows companies to file petitions including that for which PSE seeks approval.

10 (4) Staff has reviewed the petition in Docket UE-100503 including related work papers.

11 (5) Staff believes the proposed accounting order PSE requests is reasonable
and should be granted.

12 (6) This matter came before the Commission at its regularly scheduled
meeting on April 29, 2010.

13 (7) After reviewing PSE's petition filed in Docket UE-100503 on March 30,
2010, and giving due consideration to all relevant matters and for good cause
shown, the Commission finds that the authority requested in the Petition should
be granted.

O R D E R

THE COMMISSION ORDERS:

14 (1) Puget Sound Energy, Inc.'s request to defer the income received from
BNP Paribus Energy Trading Canada Corp. (BNP) in exchange for assumption of
BNP's contractual benefits and obligations related to additional natural gas
transportation capacity on the Westcoast Energy, Inc. (Westcoast) pipeline that
was formerly held by BNP and to amortize the regulatory liability over the
remaining life of the contract is granted as follows:

- a. PSE is authorized to defer the US \$4.6 million payment from BNP as a
regulatory liability.
- b. PSE is authorized to defer the amortized amounts against the Westcoast
pipeline capacity over the life of the contract which is April 1, 2010, through
October 31, 2018.
- c. PSE is authorized to defer the federal income taxes associated with the BNP
payment through the life of the contract.

15 (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.

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 Secretary to enter this Order.

DATED at Olympia, Washington, and effective April 29, 2010.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary