

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

Petition of

PUGET SOUND ENERGY, INC.

For an Order Authorizing the Transfer of
Spare Transformer(s) and an Associated
Accounting Order

Docket No. UE-061382

ORDER (REVISED PROPOSED)

BACKGROUND

1. On August 28, 2006, Puget Sound Energy, Inc. ("PSE") filed a Petition with this Commission under RCW 80.12.020 and WAC 480-143-120 seeking an order authorizing PSE to transfer spare transformers in its inventory to other utility companies as required under the EEI (Edison Electric Institute) Spare Transformer Sharing Agreement ("Sharing Agreement"), which PSE entered into on March 9, 2006 subject to Commission authorization as requested in the Petition. PSE stated that under the Sharing Agreement, participating utilities may be called upon to provide transformers to another participating utility if an act of terrorism results in the destruction or long-term disabling of that utility's electric transmission substations. PSE provided a copy of the Sharing Agreement as Exhibit A to its Petition.

2. PSE's Petition also requested an accounting order setting forth the proper accounting treatment of the transfer and replacement of any transformers that PSE provides to other utility companies pursuant to the Sharing Agreement.

3. The Sharing Agreement establishes protocol that are intended to guarantee access to spare transformers in the event that PSE or another utility that has entered into the Sharing Agreement suffers the destruction or long-term disabling of one or more electric transmission substations in connection with a "Triggering Event", which is defined as:

an act or coordinated acts of deliberate, documented terrorism, as defined in the Homeland Security Act of 2002, 6 U.S.C. § 101(15), as the same may be amended from time to time, resulting in (1) the destruction or long-term disabling of one or more electric transmission substations, and (2) the declaration of a state of emergency by the President of the United States pursuant to the National Emergencies Act, 50 U.S.C. § 1601 et seq., as the same may be amended from time to time.

4. PSE's Petition stated that on a national scale, the EEI team responsible for the Sharing Agreement has indicated that they believe the Sharing Agreement will result in about 40 or more spare transformers being on hand to help a damaged utility in the event of an act of terrorism. This would greatly assist a damaged utility in recovering from a Triggering Event because transformers typically must be special ordered from a manufacturer and can take several months to manufacture and deliver.

5. PSE stated that based on preliminary information, it believes that its initial obligation under the Sharing Agreement is to store one or two spare transformers rated 230-115 kV and 325 MVA for potential transfer to another participating utility. This obligation is subject to adjustment as provided in the Sharing Agreement, PSE stated that it will be able to meet this obligation through its existing and future anticipated inventory of spare transformers that PSE would in any case maintain for potential use by PSE.

6. The Sharing Agreement does not prevent or hinder PSE from assisting itself or neighboring utilities in the event of a disaster.

7. In the event PSE transfers a transformer to another participating utility, the Sharing Agreement requires such utility to pay for the transformer. PSE states that it would use such funds to purchase a replacement transformer for its inventory.

FINDINGS

THE COMMISSION FINDS:

8. PSE is in the business of furnishing electric and gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its rates, services, facilities and practices.

9. In a Petition filed with the Commission on August 28, 2006, PSE's proposed to transfer transformers owned by PSE to other participating utilities if called upon to do so per the terms of the EEI Spare Transformer Sharing Agreement.

10. The proposed transfer, replacement and related accounting treatment of and for such transformers is reasonable, consistent with public policy and should be approved.

ORDER

THE COMMISSION ORDERS:

11. Authorization is hereby given for PSE to:

- (A) Transfer spare transformers to other participating utility companies if required to do so per the terms of the EEI Spare Transformer Sharing Agreement;
- (B) Account for the proceeds paid to PSE by a utility receiving a transformer per the Sharing Agreement as follows:

Funds paid to PSE for a transformer from a participating utility will be put into PSE's rate base at the lower of: 1) the actual cost of the replacement transformer, or 2) the same rate base level as the transformer that was transferred out to the participating utility per the Sharing Agreement.

- (C) Acquire spare transformers from other participating utility companies if necessary per the terms of the EEI Spare Transformer Sharing Agreement;
and
- (D) Provide, in satisfaction of WAC 480-143-120 and WAC 480-143-130, final transfer or acquisition details initially within 30 days of each transaction occurring under the terms of the Sharing Agreement together with copies of all transfer instruments and the Company's then current financial statements.

Such initial reporting shall be supplemented with any subsequent final documents.

12. Nothing herein shall be construed to waive or otherwise impair the jurisdiction of the Commission over rates, services, accounts and practices of Applicant, Puget Sound Energy.

13. The Commission retains jurisdiction to effectuate the provisions of this Order.

DATED at Olympia, Washington and effective this ____ day of _____, 2006.

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

MARK SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP JONES, Commissioner