

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

In the Matter of the Petition of)	DOCKETS UE-091651 and UG-091652
)	
PUGET SOUND ENERGY, INC.,)	ORDER 01
)	
Petitioner,)	
)	
For An Accounting Order Authorizing)	
Deferral and Recovery of Costs)	
Associated with Green River Valley)	ORDER GRANTING ACCOUNTING
Flood Restoration)	PETITION
.....)	

BACKGROUND

1. On October 16, 2009, Puget Sound Energy, Inc. (PSE or the Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under [WAC 480-07-370\(1\)\(b\)](#). Subsequently, on January 12, 2010, the Company filed an amended petition authorizing PSE to defer the costs associated with restoring the Company’s infrastructure, facilitating public safety, and repairing the Company’s electric and natural gas system in the Green River Valley flood plain in the event evacuation is required or flooding occurs due to operations associated with the Howard Hanson Dam (the “Dam”).

2. The Dam is operated by the U.S. Army Corps of Engineers (the “Corps”) and located on the upper reach of the Green-Duwamish River in King County.

3. In January 2009, two depressions were discovered on the right abutment, leading the Corps to significantly reduce the dam’s flood storage capacity to protect the facility.

4. The Corps is constructing an interim seepage barrier wall, or grout curtain, and improving the drainage of the right abutment to reduce water migration through the earthen structure. The work is scheduled to be completed by November 1, 2009, but testing will not occur until a later date. PSE explains that the Corps plans to construct a concrete wall in the abutment as a permanent fix, but the work will take at least three years.

5. As a result of the Corps’ current operational plan, the risk of flooding along the Green River has been reduced from 1 in 3 to 1 in 25. The resulting flooding, if any, could

inundate portions of the Green River Valley creating a lake 35 miles long, a mile wide and 3 to 12 feet deep.

6. PSE states that it is anticipated that floods could occur multiple times in a storm season and potentially back-to-back. PSE also explains that it is also likely that during a flood, there could be other weather-related events impacting PSE's system.
7. PSE states that critical Company infrastructure is located in the predicted flood zone, including two electric transmission substations, a primarily underground electric and natural gas distribution system, as well as some of the Company's key operating facilities, including the South King Service Center. PSE states that the South King Service Center currently houses PSE's meter shop, central store and warehouse, corporate fleet, and waste management facility; and more than 200 employees, including more than 50 electric and natural gas first responders.
8. To help mitigate the effects of the flooding and to allow for PSE operations continuity both inside and outside of the Green River Valley, the Company explains that it has been reviewing its options and taking actions. PSE explains that plans for each of the affected PSE departments are being developed and being implemented for pre-flood preparedness, flood emergency responses, and post-flood restoration strategies. PSE states that the costs associated with these actions are being recorded in the appropriate capital or operations and maintenance accounts in accordance with normal FERC accounting procedures. PSE lists the following as examples of actions that the Company has taken:
 - PSE is seeking alternative sites to store some of its essential materials and critical equipment currently in the South King Service Center.
 - The remaining inventory in the South King Service center has been secured or raised and stored at levels above eight feet.
 - An assessment of natural gas regulator stations at risk of washouts has been completed and a mitigation plan had been determined.
 - For the two transmission stations, PSE is constructing continuous barriers along the outside perimeter of control houses and pumps will be placed inside the barriers to mitigate ground water seepage.
9. As part of a regional effort to mitigate the possible impact of flooding in the Green River Valley due to reduced capacity at the Howard Hanson Dam, PSE explains in the Petition

that it is developing contingency plans and taking action to protect the facilities critical to the functioning of both electrical and natural gas systems, and operational facilities, which include fleet and stores. PSE states that community critical infrastructure, including government facilities, hospitals, telecommunications facilities and airports and thousands of residential customers and businesses could be affected in the event of flooding. PSE explains that this will be an ongoing action for the next several years until the problems at Howard Hanson Dam are permanently corrected. Specifically, PSE proposes to follow normal FERC accounting procedures for the cost of pre-flood mitigation.

10. In the event of actual evacuation or flooding in the Green River Valley due to operations at the Dam, PSE proposes to defer the recovery and restoration costs associated with any evacuation and repairs to the Company's electric and natural gas infrastructure. Costs that are associated with the restoration of the system in the event of actual flooding will be segregated so that the costs that may be recoverable from insurance are identified and held until any insurance claim is completed. Insurance recoveries will be credited against these costs as received. As flood damage may not qualify as a "storm" under PSE's existing electric storm mechanism, flood related costs for the electric system would be deferred under the Petition and not under PSE's current storm mechanism.
11. The following are examples of the costs that would be tracked for deferral when associated with flood evacuation or restoration:
 - Overtime pay, including benefits, payroll taxes, and overheads, for represented employees and non-represented employees;
 - Pay for additional hours worked by part-time employees related to restoration of operations including benefits, payroll taxes, PTO and incentive overheads;
 - Outside contractor or consulting costs related to restoration;
 - Employee out-of-pocket expenses associated with restoration work (meals, mileage, lodging, etc.);
 - Stores material and related stores material overhead associated with restoration operations and maintenance expense (Unit of property items will be transferred to capital accounts);
 - Equipment and tool rentals needed for restoration of operations and vehicle cost overhead;

- Small tools and expendables issued to restore facilities; and
 - Other restoration expenses such as rental of temporary facilities for staging and storage of supplies and personnel.
12. PSE's General Accounting Department will defer by journal entry the following labor related costs and transportation costs that are approved for deferral:
- Benefits Overhead;
 - Payroll Tax Overhead;
 - PTO Labor Overhead;
 - Incentive Labor Overhead; and
 - Vehicle Cost Overhead.
13. Costs that would not be deferred for restoration include:
- Straight-time pay for all Company personnel;
 - Labor costs of stores personnel or fleet services personnel, whether straight time or overtime (stores overhead is applied to material issues);
 - Units of Property replacement costs that should be capitalized;
 - Material and supplies prior to issuance of inventory;
 - Vehicle costs (accrual of estimated vehicle costs will be made for vehicles directly related to flood preparation or restoration);
 - Directors and above are not eligible for meal allowances;
 - Directors and above are not eligible for overtime pay; and
 - No local cost center administrative "assessment" overhead will be deferred.
14. The Company proposes that it will report quarterly to the Commission the costs that have been deferred for any evacuation or restoration of its infrastructure in the event of actual flooding in the Green River Valley. Costs that are associated with the restoration of the system in the event of actual flooding will be segregated so that costs that may be recoverable from insurance are identified and held until any insurance claim is completed. Insurance recoveries will be credited against these costs as received. Cumulative costs through the end of any test period that are not covered by insurance will be included in a Company general rate case filing for review and recovery. Cost deferred

under this accounting proposal will be included in working capital for recovery of carrying costs.

15. The Company proposed that the deferral of all costs under this Accounting petition will not occur unless the total operation and maintenance costs are in excess of \$5,000,000 per year. Costs related to a prior year's evacuation or reparation will be included in the prior year's \$5,000,000 cumulative total.
16. The Company also proposes that this Accounting Petition will only be effective until the Corps confirms that the Howard Hanson Dam has been permanently repaired and that Corps operations will return to normal.

FINDINGS AND CONCLUSIONS

17. (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 and natural gas companies. [RCW 80.01.040](#), [RCW 80.04](#), [RCW 80.08](#), [RCW 80.12](#), [RCW 80.16](#) and [RCW 80.28](#).
18. (2) PSE is an electric and natural gas company and a public service company subject to Commission jurisdiction.
19. (3) [WAC 480-07-370\(1\)\(b\)](#), allows companies to file petitions including that for which PSE seeks approval.
20. (4) Staff has reviewed the petition in Docket UE-091651 and UG-091652 including related work papers.
- (5) Staff believes the proposed accounting order PSE requests is reasonable and should be granted, providing total operations and maintenance costs exceed \$5,000,000 per year. This order is in effect until such time as the U.S. Army Corps of Engineers confirms that the Howard Hanson Dam has been permanently repaired and that operations have returned to normal.

21. (6) This matter came before the Commission at its regularly scheduled meeting on January 28, 2010.
22. (7) After reviewing PSE's petition filed in Docket UE-091651 and UG-091652 on October 16, 2009, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition as revised should be granted.

ORDER

THE COMMISSION ORDERS:

23. (1) Puget Sound Energy, Inc.'s request to defer and recover costs, if any, associated with the Green River Valley flood restoration is granted.
24. (2) This authorization is conditioned on Puget Sound Energy, Inc.'s incurring operation and maintenance costs in excess of \$5,000,000 per year. This Order Granting Accounting Petition will be effective until the date the Corps confirms that the Howard Hanson Dam has been permanently repaired and that Corps' operations will return to normal.
25. (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.
- (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 January 28, 2010.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary