

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

For an Order Regarding the Accounting
Treatment for Costs of Certain Electric
Regulatory Studies

Docket No. UE-070074

PUGET SOUND ENERGY,
MOTION TO EXTEND
DEFERRED ACCOUNTING
TREATMENT

1. Puget Sound Energy, Inc. ("PSE" or the "Company") respectfully submits to the Washington Utilities and Transportation Commission ("the Commission") this motion to extend deferred accounting treatment authorized in the Commission's order dated February 28, 2007, from December 31, 2007 to December 31, 2010.
2. On January 8, 2007, Puget Sound Energy, (PSE or the Company) filed a petition seeking an Accounting Order under WAC 480-07-370(b)(i) requesting deferred accounting treatment of costs incurred by the Company related to certain studies required by the Federal Energy Regulatory Commission ("FERC"). These regulatory studies are required by FERC under the Code of Federal Regulations, Part 12 ("FERC Part 12 or 18CFR12"), concerning Safety of Water Power Projects and Project Works, to maintain the Company's licenses for hydroelectric plants.¹ FERC Part 12 requires that the Company

¹ PSE agreed to not include the Lower Baker River Dam Left Abutment Investigation (a second project identified in Exhibit A to its original petition) as part of its accounting request as the investigation was not deemed mandatory.

submit reports regarding the design and operation of certain water power projects as well as any condition affecting the safety of a project or any plan of corrective measures after inspection by an independent consultant. After reviewing the report, FERC may require the Company to implement corrective measures as deemed appropriate. Under this code, FERC has required PSE to perform studies related to Probable Maximum Flood ("PMF") flows and reservoir elevations based on Probable Maximum Precipitation ("PMP") for both Baker Project reservoirs. PSE originally estimated that it would spend approximately \$2.3 million to perform the three studies as outlined in Exhibit A to its original petition. These were expected to be incurred during the 2007 calendar year.

3. According to the FERC Uniform System of Accounts instructions, regulatory study costs must initially be charged to account 183, Preliminary Survey and Investigation Charges. If construction ultimately results from such studies, then an equitable portion of regulatory study costs must be capitalized along with the project. The amount of regulatory study costs not related to construction are to be transferred to account 182.2, Unrecovered Plant and Regulatory Study Costs, and amortized (through account 407) over a period specified by the Commission, or charged to the appropriate operating expense account.

4. In its petition, PSE requested authority to ultimately transfer the “non-construction” related regulatory study costs from account 183 to account 182.2 and amortize the amounts over a period of five years; commencing within one year after transfer. This accounting treatment is consistent with the Commission's orders regarding the accounting of costs associated with a prior regulatory study in Docket U-85-53, issued May 16, 1996, and another one in Docket UE-021577, issued February 12, 2003. PSE also committed in its petition to submit annual reports detailing the status of the identified regulatory studies and the level of costs being incurred. This submittal, along with the attached Exhibits is intended to serve as the first annual report, in addition to the motion for an extension of deferred accounting treatment.

5. In its Order, the Commission granted authorization to defer a maximum amount of \$2.3 million in non-recurring regulatory study costs ultimately transferred from account 183 to account 182.2, and only for costs incurred between January 8, 2007, and December 31, 2007.

6. A Potential Failure Mode Analysis (“PFMA”) was conducted in April 2004 as part of FERC’s mandated 18CFR12-sub part D, independent consultant inspection. Based on the PFMA results, FERC in a letter dated December 20, 2004 directed PSE to complete a new Probable Maximum Flood study under the review of a Board of Consultants (“Board

or BOC”) with FERC guidance. FERC approved a three member BOC with recognized expertise in meteorology, dam flood operations and hydrology. The Board conducted six meetings starting on May 12, 2005; the BOC directed the analyses and eventually approved twelve technical memos, attached hereto on diskette as Exhibit A. Based on the BOC reviews; technical memos; issues identified in a FERC letter dated March 19, 2007, attached as Exhibit B; and meetings with the BOC; FERC and the Company; the scope of the PMF study was significantly revised and expanded. As a result of this expanded scope, the draft PMF was not available until September 2007. The September draft went through a number of reviews and required further analyses. A final proposed draft was circulated in December 2007, which is attached hereto on diskette as Exhibit C. In the study, it was determined that the new 2008 PMF outflow at Upper Baker was 111,500 cfs, or 2.4 times the 1981 PMF outflow of 45,572 cfs. On January 15, 2008, the Company received a letter from the Board dated January 8, 2008, attached as Exhibit D, accepting the PMF. The Final PMF Report is expected to be published March 3, 2008, and will be provided, as a supplement to this motion, upon its availability.

7. The new PMF exceeds the dam's spillway capacities by 60,000 cfs at Upper Baker, which indicates overtopping. As a result, a new Inflow Design Flood (“IDF”) needs to be determined based on flood impacts per FERC guidelines. FERC has asked PSE to submit a plan and schedule to determine any necessary mitigation to safely pass the IDF at the

time PSE submits the final PMF report. A risk assessment will be based on event probabilities, structural response probabilities and downstream impacts.


8. Additionally, PSE received another letter from FERC, dated January 30, 2008, attached as Exhibit E, directing the Company to perform additional structural studies based on FERC review of PSE's seismic and stability studies previously submitted to FERC on October 29, 2004 and other previous reports submitted to FERC in 1984 and 1990. Specifically, because questions were raised concerning: the sliding stability of Upper Baker dam, potential failure planes under Upper Baker dam, and the stability during and following an earthquake at both Lower and Upper Baker dams, FERC ordered additional seismic (stability) analyses of both Baker Dams per FERC guidelines. The studies will be used to determine what mitigation will be needed, if any, in order to meet FERC dam safety guidelines for arch and gravity dams. Including the new studies, the scope of the remaining work to be done is detailed on the attached Exhibit F. The Company now estimates that it will take at least two additional years to complete the studies as revised and is seeking an extension of time until December 31, 2010 to complete these studies and to defer costs incurred as a result of these studies, because of the change of scope and scheduling requirements. Taking the changes in scope into consideration, the Company still does not expect to exceed the original \$2.3 million authorized for deferral. Per

attached Exhibit G, the actual costs incurred through December 31, 2007 were \$213,328, and the cost to complete is now estimated at \$1.725 million.

9. Accordingly, PSE respectfully requests that the Commission grant PSE's Motion to extend accounting deferral treatment to December 31, 2010 to complete the studies as described in Exhibit F.

Respectfully submitted this ^{4th} day of March 2008.

PUGET SOUND ENERGY, INC.

By 

Karl R. Karzmar
Director, Regulatory Regulations

STATE OF WASHINGTON)
)ss.
COUNTY OF KING)

KARL R. KARZMAR, being first duly sworn, on oath deposes and says:

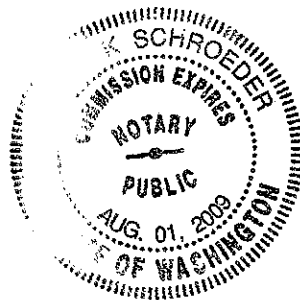
That he is Director, Regulatory Relations of Puget Sound Energy, Inc., that he has read the foregoing Petition for an Order Regarding the Accounting Treatment for Costs of its Electric Regulatory Studies, that he knows the contents thereof, and that he believes the same to be true and the best of his knowledge and belief.

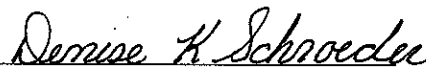


KARL R. KARZMAR

State of Washington
County of King

SUBSCRIBED AND SWORN to before me this 4th day of March 2008.




Notary Public in and for the State of
Washington, residing at SNOQUALMIE, WA
My appointment expires 8-1-09