

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

In the Matter of the Petition of	)	DOCKET UE-070533
	)	
PUGET SOUND ENERGY, INC.,	)	ORDER 01
	)	
Petitioner,	)	
	)	
For An Accounting Order Authorizing	)	
Deferred Accounting Treatment for the	)	
fixed cost component of the Company's	)	
newly acquired Goldendale Generating	)	
Station pending approval of the	)	
Company's 2007 Power Cost Only Rate	)	ORDER APPROVING ACCOUNTING
Case	)	PETITION
.....	)	

**BACKGROUND**

- 1 On March 15, 2007, Puget Sound Energy, Inc., (PSE or the Company) filed a petition seeking an Accounting Order under WAC 480-07-370(b) (i) that authorizes deferred accounting treatment related to the fixed cost component of the Company's newly acquired Goldendale Generating Station, pending entry of a final Commission order in the Company's 2007 Power Cost Only Rate Case (PCORC), filed March 20, 2007. The Goldendale Generating Station is a 250 MW natural gas-fired combined cycle electric generating facility that PSE acquired on February 21, 2007, for \$120 million under a bankruptcy proceeding and bid auction process. The acquisition stems from the Company's alleged need to secure about 1,500 average MWs of new power supply by 2015 to meet the energy needs of its customers.
  
- 2 PSE requested that the Commission approve the following proposed accounting treatment associated with the acquisition of Goldendale Generating Station: (1) defer the fixed cost component of operation and maintenance expense, depreciation, taxes, and cost of capital invested in rate base, beginning with the filing date of the petition and ending with the effective date of new rates from the Company's 2007 PCORC, (2) book monthly carrying charges on the deferred costs at PSE's approved net of tax rate of return until amortization begins; and (3) amortize the total deferred balance including carrying charges over three years commencing with the earlier of January 1, 2009, or the effective date of new rates as a result of the Company's next general rate case, which is required to be filed within three months after the conclusion of a PCORC, unless the Commission approves a requested waiver.

- 3 The Company has agreed that deferral will be based on actual costs during the deferral period and the amortization period of the deferred balance will be as specified in the Company's next general rate case.
- 4 PSE is not requesting in its petition that the Commission address: (1) the prudence of PSE's acquisition of the Goldendale Generating Station; or (2) the final rate treatment for recovery of the deferred costs and carrying charges. PSE states the Commission should examine the prudence issue in the 2007 PCORC proceeding and the ratemaking treatment in its future general rate case.
- 5 PSE states in its petition that the requested deferral accounting assures that the customers receiving the benefits of the new power station pay for its costs.
- 6 On April 3, 2007, Industrial Customers of Northwest Utilities (ICNU) filed a response requesting the Commission deny PSE's petition based on the claim that the petition attempts to circumvent both the PCORC and general rate case processes. If the Commission favorably considers the petition, ICNU urged, as condition, the deferral of the dispatch benefit of the Goldendale plant concurrent with the deferral of the plant's fixed costs. Staff reasoned that the approval of the accounting petition is appropriate because it is consistent with the objective to have a new power cost rate in effect by the time a new resource would go into service, as provided in the PCA settlement approved by this Commission in Docket Nos. UE-011570 and UG-011571. With respect to ICNU's proposed deferral of the dispatch benefits from the new resource, as a condition if the petition is approved, Staff believes the PCA mechanism already captures those benefits and to isolate the benefits through a separate deferral results in the distortion of the PCA mechanism. We concur with Staff and therefore, deny ICNU's requests.
- 7 The Commission takes no stance on PSE's position and assertions as stated in its petition with regard to prudence and appropriate ratemaking treatment of the deferred costs and carrying charges. The final resolution of these issues will be addressed in the 2007 PCORC and future general rate case.

### **FINDINGS AND CONCLUSIONS**

- 8 (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, RCW 80.04, RCW 80.28, RCW 80.08 and RCW 80.12.*

- 9 (2) PSE is an electric and gas company and is a public service company subject to the jurisdiction of the Commission.
- 10 (3) WAC 480-07-370(b) (i), allows companies to file a petition including that for which PSE seeks approval.
- 11 (4) Staff has reviewed the petition in Docket UE-070533 including related workpapers. Staff believes the proposed accounting petition requested by PSE and as modified, is reasonable and should be approved.
- 12 (5) This matter was brought before the Commission at its regularly scheduled meeting on April 11, 2007.
- 13 (6) After examination of the petition filed in Docket UE-070533 by PSE on March 15, 2007, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the petition filed should be approved.

## **ORDER**

### **THE COMMISSION ORDERS:**

- 14 (1) Puget Sound Energy, Inc.'s requested accounting treatment for the fixed cost component of the Company's newly acquired Goldendale Generating Station, pending entry of a final Commission order in the Company's 2007 power cost only rate case, is approved. Puget Sound Energy, Inc., is authorized to (1) defer the actual fixed cost component of operation and maintenance expense as defined in the Power Cost Adjustment mechanism, plant depreciation, property taxes, plant insurance and the monthly cost of capital on the annualized actual investment in rate base, resulting from the acquisition of the Goldendale Generating Station, beginning March 15, 2007, the filing date of the petition, and ending with the effective date of new rates from the Company's 2007 PCORC, (2) book monthly carrying charges on the deferred costs at PSE's approved net of

tax rate of return until amortization begins; and (3) amortize the total deferred balance including carrying charges over a period as specified in the Company's next general rate case (GRC), commencing with the earlier of January 1, 2009, or the effective date of new rates as a result of the Company's next GRC.

- 15 (2) This Order shall not affect the Commission's authority over rates, services, accounts, evaluations, estimates, or determination of costs in any matters that may come before it, nor be construed as acquiescence in any estimate or determination of costs claimed or asserted.
- 16 (3) The Commission retains jurisdiction over the subject matter and Puget Sound Energy, Inc., to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective April 11, 2007.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner