

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

In the Matter of the Petition of)	DOCKET UE-061382
)	
PUGET SOUND ENERGY, INC.,)	ORDER 01
)	
Petitioner,)	ORDER AUTHORIZING THE
)	TRANSFER OF SPARE
For an Order Authorizing the Transfer of)	TRANSFORMER(S) AND
Spare Transformer(s) and an Associated)	ASSOCIATED ACCOUNTING
Accounting Order)	TREATMENT
.....)	

BACKGROUND

1 On August 28, 2006, Puget Sound Energy, Inc. (“PSE”) filed a petition with Commission under RCW 80.12.020 and WAC 480-143-120 seeking an order authorizing PSE to transfer spare transformers from its inventory to other utility companies as required under the Edison Electric Institute (EEI) Spare Transformer Sharing Agreement (“Sharing Agreement”). PSE entered into the Sharing Agreement (Exhibit A to its petition) on March 9, 2006, subject to Commission authorization as requested in this Petition. 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.

2 PSE’s Petition also requested an accounting order approving the following proposed accounting treatment (as amended) for the proceeds paid to PSE by a utility receiving a transformer pursuant to the Sharing Agreement:

Funds paid to PSE for a transformer from a participating utility will be accounted for such that PSE’s rate base will reflect: 1) the actual cost of the replacement transformer if it is lower than the net book value of the transformer transferred out, or 2) the same rate base level as the transformer that was transferred out to the participating utility per the Sharing Agreement. Accordingly, the proceeds from the purchasing utility will be accounted for as salvage equal to the net book value of the original transformer at the time of the sale, and a reduction in PSE’s cost of the replacement transformer.

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) 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 transformers. PSE states that it would use such funds to purchase a replacement transformer for its inventory.
- 8 On October 17, 2006, PSE filed a supplemental letter that addressed certain concerns which were raised after Commission staff’s review, including authorization to acquire transformers in compliance with RCW 80.12.040 and an agreement to 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 and to supplement such initial reporting with subsequent final

documents. After further discussions with commission staff, PSE agreed to modify the accounting description for clarity.

FINDINGS AND CONCLUSIONS

- 9 (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 companies. *RCW 80.01.040, Chapter 80.04 RCW, Chapter 80.28 RCW, Chapter 80.08 RCW and Chapter 80.12 RCW.*
- 10 (2) PSE is an electric company and is a public service company subject to the jurisdiction of the Commission.
- 11 (3) WAC 480-143-120 requires companies to file a petition including that for which PSE seeks approval.
- 12 (4) The proposed transfers, replacements, acquisitions, and related accounting treatment of and for spare transformers requested by PSE are reasonable and should be approved.
- 13 (5) This matter was brought before the Commission at its regularly scheduled meeting on November 8, 2006.
- 14 (6) After examination of the petition filed in Docket UE-061382 by PSE on August 28, 2006 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:

- 15 (1) Puget Sound Energy, Inc.'s petition for an order authorizing transfer or acquisition of spare transformers if required to do so per the terms of the EEI Spare Transformer Sharing Agreement is approved.

- 16 (2) The following requested accounting treatment for the proceeds paid to Puget Sound Energy, Inc., by a utility receiving a transformer pursuant to the Sharing Agreement is approved:

Funds paid to Puget Sound Energy, Inc., for a transformer from a participating utility will be accounted for such that Puget Sound Energy, Inc.'s rate base will reflect: 1) the actual cost of the replacement transformer if it is lower than the net book value of the transformer transferred out, or 2) the same rate base level as the transformer that was transferred out to the participating utility per the Sharing Agreement. Accordingly, the proceeds from the purchasing utility will be accounted for as salvage equal to the net book value of the original transformer at the time of the sale, and a reduction in Puget Sound Energy, Inc.'s cost of the replacement transformer.

- 17 (3) In satisfaction of WAC 480-143-120 and WAC 480-143-130, Puget Sound Energy, Inc., shall provide final transfer or acquisition details initially within 30 days of each transaction occurring under the terms of the Sharing Agreement and to supplement such initial reporting with subsequent final documents.
- 18 (4) This Order in no way affects the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs or any valuation of property claimed or asserted.
- 19 (5) 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 November 8, 2006.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner