

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

In the Matter of the Petition of)	DOCKET UE-070074
)	
PUGET SOUND ENERGY,)	ORDER 02
)	
Petitioner,)	
)	
For An Accounting Order Regarding the)	
Treatment for Certain Regulatory Study)	ORDER APPROVING ACCOUNTING
Costs)	PETITION
.....)	

BACKGROUND

- 1 On January 8, 2007, Puget Sound Energy, (PSE or 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). The studies are required to maintain the Company's license at its Baker River hydroelectric plant. PSE has agreed to not include the Lower Baker River Dam Left Abutment Investigation (a second project identified in Exhibit A of its petition) as part of its accounting request as the investigation is not deemed mandatory. The Commission approved the Company's original accounting petition on February 28, 2007. On March 4, 2008 PSE filed a motion to allow the Company to continue to defer costs in FERC Account 183 until December 31, 2010.

- 2 These regulatory studies are required by the FERC under the Code of Federal Regulations, Part 12 (FERC Part 12), concerning Safety of Water Power Projects and Project Works, to maintain the Company's licenses for hydroelectric plants. FERC Part 12 requires that the Company 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 appropriate corrective measures. 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 has estimated that it will spend approximately \$2.3 million to perform the three studies as outlined in Exhibit A of its petition. Originally, these costs will be incurred between January 8, 2007, and December 31, 2007. In the 2007 Probable Maximum Flood Study, the Company identified additional studies that will require more time to complete. Further,

based on FERC's review of PSE's Part 12D structural studies, FERC directed PSE to perform more structural studies.

- 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 rules require the amount of regulatory study costs not related to construction 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 PSE requests 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. PSE states that this accounting treatment is consistent with how the Commission ordered the accounting of costs associated with a prior regulatory study in Docket U-85-53, issued May 16, 1996, and 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.

FINDINGS AND CONCLUSIONS

- 5 (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, RCW 80.04, RCW 80.28, RCW 80.08, RCW 80.12 and RCW 80.16 .*
- 6 (2) PSE is an electric company and is a public service company subject to the jurisdiction of the Commission.
- 7 (3) WAC 480-07-370(b)(i) allows companies to file petitions for accounting treatment, including treatment for which PSE seeks approval.
- 8 (4) Staff has reviewed the petition in Docket UE-070074 including related workpapers. Staff believes the proposed accounting petition requested by PSE is

reasonable and should be approved, subject to a maximum amount of \$2.3 million in non-recurring regulatory study costs ultimately transferred from account number 183 to account number 182.2, and only for such costs incurred between January 8, 2007, and December 31, 2010.

9 (5) This matter came before the Commission at its regularly scheduled meeting on May 28, 2008.

10 (6) After examination of the petition PSE filed in Docket UE-070074 on March 4, 2008, 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:

11 (1) Puget Sound Energy's request to defer non-construction related regulatory study costs and to amortize such amounts over a five-year period, beginning within one year from the time it is determined that the costs are not construction related, is approved.

12 (2) Authorization is granted for 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, 2010.

13 (3) 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.

14 (4) The Commission retains jurisdiction over the subject matter and Puget Sound Energy 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 May 28, 2008.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Executive Secretary