



Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

December 19, 2008

VIA WEB PORTAL AND OVERNIGHT MAIL

David Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 Evergreen Park Drive, SW
Olympia, WA 98504

**Re: Commission Open Meeting December 23, 2008
Docket UE-082128, Petition of Puget Sound Energy, Inc. For an Accounting Order**

Dear Mr. Danner,

Puget Sound Energy, Inc. (“the Company”) would like to thank the Commission Staff for their expeditious review of the Company’s Petition for an Accounting Order (the “Petition”) in Docket No. UE-082128 and their advance copy of the Memorandum of Commission Staff, pre-dated December 23, 2008 (the “Staff Memorandum”). The Company agrees that the Commission should schedule a hearing to determine whether the Mint Farm Energy Center complies with the greenhouse gases emissions performance standard of RCW 80.80. RCW 80.80.060(5) provides the opportunity for such a hearing to consider factors such as the Company’s forecasted loads, need for energy, power plant technology, expected costs, and other associated investment decisions. Subsection (5) also states the Commission shall not decide, in such proceeding, issues involving the actual costs to construct and operate the selected resource, cost recovery, or other issues reserved by the Commission for decision in a general rate case or other proceeding for recovery of the resource or contract costs.

The Staff Memorandum states that the requested accounting “also includes issues, such as proposed rate base treatment and three-year amortization period of deferred costs, which Staff considers should be appropriately-decided in a general rate case.” The Company agrees with the conclusions of the Staff Memorandum that such consideration should be addressed in the Company’s next general rate case. Indeed, Paragraph 17 of the Petition states that “deferred amounts, plus accrued interest, should then be amortized over three years, or over an appropriate time to be determined in the next rate proceeding”

The Staff Memorandum asserts that the deferred accounting methodology requested in the Petition “appears to defer costs beyond those authorized by rule” Contrary to such assertion, the cited rule (WAC 480-100-435(1)) does not specify or limit any costs that may be deferred pursuant to such rule:

An electrical company may account for and defer for later consideration by the commission costs incurred in connection with a long-term financial commitment for baseload electric generation, including operating and maintenance costs, depreciation, taxes, and cost of invested capital.

WAC 480-100-435(1). The Staff Memorandum appears to interpret the phrase “including operating and maintenance costs, depreciation, taxes, and cost of invested capital” improperly—such phrase does not limit the costs that can be deferred to those identified in the rule. Instead, such phrase simply provides, for illustrative purposes, a list of costs that may be deferred.

The Staff Memorandum erroneously states that the Company proposes to temporarily eliminate the true-up under the PCA’s Schedule G for Mint Farm during the deferral period. The Petition requests that Schedule G of the PCA be suspended for Mint Farm because Schedule G of the PCA conflicts the greenhouse gases emissions performance standard as to what costs can be deferred for baseload plant. To the extent that such conflict exists, RCW 80.80 *et al.* would preempt the provisions of the PCA. Accordingly, the Company does not request that the Commission eliminate Schedule G completely, but merely requests that Schedule G not be applied when the terms of Schedule G conflict with the provisions of the greenhouse gases emissions performance standard. If the Commission were to determine that Mint Farm does not fall under the greenhouse gases emissions performance standard of RCW 80.80 *et al.*, then the temporary suspension of Schedule G for Mint Farm is requested under the general standards applicable to accounting petitions under WAC 480-07-370(b).

The Commission should not address the treatment of deferred costs and suspension of Schedule G for Mint Farm in the proceeding to determine whether Mint Farm complies with the greenhouse gases emissions performance standard. Issues of whether PSE may defer Mint Farm costs should not be commingled with the factual issue of Mint Farm’s compliance with the greenhouse gases emissions performance standard.

Accordingly, the Company respectfully requests that the Commission issue an order at the Open Meeting on Tuesday, December 23, 2008, that authorizes PSE to defer costs associated with Mint Farm in accordance with the Petition. In that regard, the request to defer costs in the Petition is no different than any other accounting petition before the Commission, and the treatment of such deferred amounts, plus accrued interest, would be determined in the Company’s next general rate case.

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In summary, the Commission should schedule a hearing to determine whether the Mint Farm Energy Center complies with the greenhouse gases emissions performance standard of RCW 80.80, but the Commission should authorize PSE to defer costs associated with Mint Farm.

Sincerely,

A handwritten signature in blue ink that reads "Tom DeBoer".

Tom DeBoer
Director – Rates & Regulatory Affairs

cc: Dick Byers, Washington Utilities and Transportation Commission
Roland Martin, Washington Utilities and Transportation Commission
Mike Parvinen, Washington Utilities and Transportation Commission
Robert Cedarbaum, Assistant Attorney General
Simon ffitich, Assistant Attorney General – Public Counsel Section

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing, in accordance with WAC 480-07-150(6), to the following persons via email and overnight mail:

Robert D. Cedarbaum 1400 S. Evergreen Park Dr. S.W. P.O. Box 40128 Olympia, WA 98504-0128 Phone: (360) 664-1188 Fax: (360) 586-5522 Email: bcedarba@utc.wa.gov	Simon J. ffitc Public Counsel Section Office of Attorney General 800 Fifth Avenue, Suite 2000 Seattle, WA 98104-3188 Phone: (206) 464-7744 Fax: (206) 389-2058 Email: simonf@atg.wa.gov
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Dated at Bellevue, Washington, this 19th day of December, 2008.



Jason Kuzma