

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

In the Matter of the Petition of	)	DOCKET UE-100882
	)	
PUGET SOUND ENERGY	)	ORDER 01
	)	
Petitioner,	)	
	)	
For An Accounting Order Authorizing	)	
Deferred Accounting Treatment for the	)	
Costs Associated with the Transmission	)	
Network Upgrades to Meet	)	
Transmission Capacity Needs of the	)	
Region and Serve the Lower Snake	)	ORDER APPROVING ACCOUNTING
River Wind Project	)	PETITION
.....	)	

**BACKGROUND**

- 1 On May 20, 2010, Puget Sound Energy (PSE or Company) filed a petition seeking an Accounting Order under WAC 480-07-370(b)(i) that authorizes deferred accounting treatment related to the costs associated with the transmission network upgrades to meet transmission capacity needs of the region and serve the Lower Snake River Wind Project (LSR Wind Project). The Lower Snake River Wind Project, Phase 1, (LSR Phase 1) is a wind generation facility with a nameplate capacity of 342.7 MW in Western Garfield County of Washington. PSE is required to make a prepayment to Bonneville Power Administration (BPA) to construct the Central Ferry Substation and certain transmission Network Upgrades to interconnect the output of the LSR Wind Project to the PSE’s load center. BPA will operate, maintain, and own the Central Ferry Substation facilities. PSE estimated this generating facility would start its commercial operation in April 2012 for Phase 1.<sup>1</sup>
- 2 Though PSE prepays the up-front cost for both Interconnection Facilities and Network Upgrades to BPA as required by BPA, the treatment of these prepayments to BPA varies. Interconnection Facilities are located before the point of interconnection and allow PSE to connect to the transmission grid. Only PSE benefits from the interconnecting facilities. Therefore, PSE should bear the full cost of Interconnection Facilities. Network Upgrades are located at or beyond the point of interconnection and improve the entire transmission system. This cost must be spread among all transmission users.
- 3 PSE’s total prepayment of \$102.2 million to BPA consists of \$2.5 million of Interconnection Facilities and \$99.7 million of Network Upgrades. PSE stated that BPA will refund to PSE the prepayments related to the Network Upgrade facilities (\$99.7

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<sup>1</sup> The Lower Snake River Wind Project, Phase 1 began service on February 29, 2012.

million), plus interest, through transmission credits to PSE's point-to-point transmission tariff expenses in the future. The \$2.5 million payment for the Interconnection Facilities will be included as a cost of the LSR Wind Project.

- 4 PSE requests that the Commission approve the following proposed accounting treatment; (1) the establishment of regulatory asset account for the prepayments made to BPA associated with the Network Upgrades for the amount of \$99.7 million, and (2) the monthly booking of carrying charges on the deferred costs at PSE's approved net of tax rate of return until amortization begins. This proposed accounting treatment is similar to the Network Upgrade prepayments PSE made to BPA on PSE's Hopkins Ridge Wind Project. 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.
- 5 PSE's petition does not ask the Commission to address the prudence of PSE's LSR Wind Project or the final rate treatment for recovery of the deferred costs and carrying charges on the Network Upgrade prepayment in this accounting petition. The final resolution of prudence and appropriate ratemaking treatment of the deferred costs and carrying charges was reviewed and implemented in PSE's most recent general rate case, Order 08, in Docket UE-111048.

### **FINDINGS AND CONCLUSIONS**

- 6 (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.
- 7 (2) PSE is an electric and gas company and is a public service company subject to the jurisdiction of the Commission.
- 8 (3) WAC 480-07-370(b) (i), allows companies to file a petition including that for which PSE seeks approval.
- 9 (4) Staff has reviewed the petition in Docket UE-100882 prior to and during the Company's most recent general rate case including related workpapers. Staff believes the proposed accounting petition requested by PSE, is reasonable and should be approved.
- 10 (5) This matter was brought before the Commission at its regularly scheduled meeting on May 31, 2012.

- 11 (6) After examination of the petition filed in Docket UE-100882 by PSE on May 20, 2010, 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:**

- 12 (1) Puget Sound Energy's requested accounting treatment for the costs associated with the transmission network upgrades to meet transmission capacity needs of the region and serve the LSR Wind Project, is approved. Puget Sound Energy is authorized to (1) defer the prepayment made to the Bonneville Power Administration (BPA) by PSE to construct the Central Ferry Substation and certain transmission Network Upgrades to meet the transmission capacity needs of the region and to serve the LSR Wind Project, beginning May 20, 2010, the filing date of the petition, and (2) book monthly carrying charges on the deferred costs at PSE's approved net of tax rate of return until amortization begins.
- 13 (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.
- 14 (3) 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 31, 2012.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**DAVID W. DANNER, Executive Director and Secretary**