

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

In the Matter of the Application of

PUGET SOUND ENERGY,

For an Order Authorizing the sale of
Shuffleton Surplus Property and for an
Accounting Order Authorizing Treatment
of the Net Gain from the Sale

DOCKET UE-190606

ORDER 01

ORDER DETERMINING PROPERTY
IS NOT NECESSARY OR USEFUL
AND APPROVING ACCOUNTING
TREATMENT

BACKGROUND

- 1 On July 16, 2019, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) an application (Application) seeking (1) a determination that 7.74 acres at its Shuffleton Switching Station Property located at 1095 Lake Washington Boulevard (Shuffleton) will no longer be necessary or useful under WAC 480-143-180, and (2) authorization for accounting treatment for the gain on sale, which will be recorded in FERC Account 254 (Other Regulatory Liabilities).
- 2 PSE currently owns 10.09 acres of property at the Shuffleton site and uses a majority of that space to store major electrical equipment. The City of Renton recently made revisions to its land use codes that are incompatible with PSE’s long-term equipment storage needs, and the Company plans to relocate its currently housed assets to other Company-owned locations in the Kent Valley.
- 3 PSE intends to sell 7.74 acres of surplus property but retain 2.35 acres for continuing operation of the Shuffleton switching station. PSE will receive \$13,500,000 under the terms of the proposed sale. The net book value of the property being sold is \$550,155. PSE estimates a pre-tax gain on sale of \$12,237,719, which it intends to record in FERC Account 254 (Other Regulatory Liabilities) subject to Commission authorization. The Company will lease back a portion of the surplus Shuffleton property while the Kent Valley locations are being prepared to receive equipment.
- 4 Staff has reviewed the Company’s Application and interprets it as a request for a Commission determination that the property being sold is not necessary or useful pursuant to WAC 480-143-180, rather than a request for an order authorizing the sale and transfer of property under WAC 480-143-120.

- 5 Staff observes that public service companies require authorization from the Commission for the transfer or disposal of property only insofar as that property is necessary or useful to perform its public duties. If the property meets one or more of the exceptions in WAC 480-143-180 and is shown not to be necessary or useful, a public service company may dispose of such property without Commission authorization under WAC 480-143-120. In such circumstances, however, the company must file an application for Commission determination that the property is not necessary or useful prior to disposing of such property when the value of the property is equal to or greater than 0.1 percent of the Company's rate base or \$20,000, whichever is greater.¹
- 6 Staff believes that the Company has shown that the property is surplus and unneeded, and, as such, is not necessary or useful. Staff recommends that the Commission issue an order determining that the property is no longer necessary or useful under WAC 480-143-180, and that it is unnecessary for the Company to receive Commission authorization under WAC 480-143-120.
- 7 Staff has also evaluated the Company's proposal to record the gain on sale in FERC Account 254 (Other Regulatory Liabilities). Staff agrees with the Company that the gain on sale is owed to ratepayers, and that by recording the gain to a regulatory liability the Company effectively would be holding the funds aside for later distribution to ratepayers. Therefore, Staff supports the Company's proposed accounting for the gain on sale. Staff also has reviewed the results of the confidential third-party property appraisal and believes PSE will receive fair value for the property. The gain on sale will be recorded to FERC Account 254 once the sale is consummated. As noted in Appendix B of the Prehearing Conference Order (Order 03) in Dockets UE-190529 and UG-190530, the manner in which ratepayers will receive the benefit from the gain on sale will be subject to consideration in the Company's current general rate case.

DISCUSSION

- 8 The Commission agrees with Staff's recommendation. We construe pleadings liberally to effect just results.² While the caption of the Company's Application seeks authorization for approval of the transfer of property, we understand the substance of the Company's request to seek a determination under WAC 480-143-180 that the property to be sold is

¹ WAC 480-143-180.

² WAC 480-07-395(4).

surplus, unneeded, and not necessary or useful to perform its public duties. The Company also seeks authorization for its proposed accounting treatment. We interpret the Company's request accordingly.

9 The Company has explained and supported in its Application that the property it intends to transfer is surplus, unneeded, and not necessary or useful to perform its public duties. The Company is receiving fair value for the property. The sale value exceeds 0.1 percent of PSE's rate base, and the Company, therefore, must seek a determination from the Commission that the property is not necessary or useful prior to the sale.³ Accordingly, we determine under WAC 480-143-180 that the property is surplus, unneeded, and not necessary or useful. The Company, therefore, need not obtain permission from the Commission to transfer the property under WAC 480-143-120.

10 The Company intends to lease a portion of the Shuffleton property from the purchasers while it prepares its Kent Valley locations to receive equipment currently in place at the Shuffleton Property. We determine that this is an appropriate arrangement to ensure that PSE successfully and efficiently moves the equipment necessary for providing service to its customers. The Company's request for a determination that the property is not necessary or useful is bolstered by the transition of this equipment, as it is the only equipment on the entire property that may be necessary or useful to perform its public duties. Because PSE will not lose access to or use of these necessary facilities, we determine that the Company's request should be approved.

11 We also agree with Staff regarding the Company's requested accounting treatment of the gain from the sale of its property. Funds owed to ratepayers are appropriately recorded to a regulatory liability account, and we therefore determine that the Company's proposed accounting treatment for the gain on sale is reasonable. We authorize the Company's request to record the gain on sale to FERC Account 254 (Other Regulatory Liabilities). We also note that, as discussed in Appendix B to Order 03 in Dockets UE-190529 and UG-190530, the distribution to ratepayers of this gain on sale will be subject to consideration in the Company's current general rate case.

FINDINGS AND CONCLUSIONS

12 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts,

³ WAC 480-143-180.

securities, transfers of property and affiliated interests of public service companies, including electric and gas companies.

- 13 (2) Puget Sound Energy is a public service company subject to Commission jurisdiction.
- 14 (3) This matter came before the Commission at its regularly scheduled meeting on August 29, 2019.
- 15 (4) After reviewing the PSE's Application filed in Docket UE-190606 on July 16, 2019, and giving due consideration to all relevant matters and for good cause shown, the Commission finds the Application for a determination that property is surplus, unneeded, and not necessary or useful is consistent with the public interest and applicable laws and should be granted.
- 16 (5) After reviewing the PSE's Application filed in Docket UE-190606 on July 16, 2019, and giving due consideration to all relevant matters and for good cause shown, the Commission finds the Company's request for accounting treatment for the gain from the sale is consistent with the public interest and applicable laws and should be granted.

ORDER

THE COMMISSION ORDERS:

- 17 (1) Puget Sound Energy's property surrounding the Shuffleton Switching Station Property at 1095 Lake Washington Boulevard, which Puget Sound Energy intends to sell, is surplus, unneeded, and not necessary or useful under WAC 480-143-180.
- 18 (2) Puget Sound Energy need not receive Commission authorization under WAC 480-143-120 for the transfer of its property located at the Shuffleton Switching Station Property at 1095 Lake Washington Boulevard.
- 19 (3) The accounting treatment proposed by Puget Sound Energy, whereby the resulting gain from its sale of its property surrounding the Shuffleton Switching Station Property at 1095 Lake Washington Boulevard will be recorded in FERC Account 254 (Other Regulatory Liabilities), is approved.

- 20 (4) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 21 (5) 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 Lacey, Washington, and effective August 29, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON,
Executive Director and Secretary