

[Service Date October 7, 2011]

October 7, 2011

NOTICE OF PREHEARING CONFERENCE
(October 17, 2011 at 1:30 p.m.)

RE: *In the Matter of the Petition of Puget Sound Energy, Inc. For a Declaratory Order and Accounting Order Regarding the Reclassification of Certain Facilities and Accounting Treatment, Docket U-111701*

TO ALL PARTIES AND INTERESTED PERSONS:

On September 19, 2011, Puget Sound Energy, Inc. (PSE) filed with the Washington Utilities and Transportation Commission (Commission) a Petition for a Declaratory Order (Petition) approving PSE's proposed reclassification of its 55 kV-115 kV facilities as transmission facilities and for an Accounting Order authorizing the Company to apply such reclassification of transmission from distribution facilities in PSE's accounts and reports to the Commission. The Commission gave notice of PSE's Petition and invited interested persons to submit statements of fact and law on the issues raised by the Petition.

On September 30, 2011, the Commission's Regulatory Staff (Staff) filed its Statement of Fact and Law in Support of Petition for Declaratory Order. Staff contends the Petition meets all the requirements of RCW 34.05.240, thus allowing for the entry of a declaratory order. In terms of substance, Staff agrees with the Petition that PSE's large industrial customers taking service under Schedules 448 and 449 "may be adversely impacted by the reclassification" of facilities that PSE requests. Staff proposes that if the Commission approves the Petition, it should impose various conditions.

On October 3, 2011, the Industrial Customers of Northwest Utilities (ICNU) filed its Notice of Appearance and its Petition to Intervene and Comments. ICNU requests that the Commission set this matter for hearing as allowed under WAC 480-07-930(5)(d). ICNU states that the reclassification of facilities proposed by PSE's Petition may substantially and directly impacts ICNU members who purchase power from third parties under PSE's direct access program (*i.e.*, under Schedules 448 and 449). ICNU states its concerns that some facilities may be inappropriately designated for reclassification. ICNU is also concerned by the lack of any data concerning the financial consequences and possible rate impacts of the proposed reclassification. ICNU accordingly recommends that the Commission allow parties additional time to investigate PSE's proposal and supporting rationale.

Under WAC 480-07-930(5), the Commission must take one of the following actions by October 16, 2011:

- a) Enter a declaratory order;
- (b) Notify the petitioner that the commission will not enter a declaratory order under RCW 34.05.240, and state reasons for its action;
- (c) Set a specified time, no later than ninety days after the day the petition was filed, by which the commission will enter a declaratory order; or
- (d) Set a reasonable time and place for a hearing. If a hearing is held on a petition for declaratory order under RCW 34.05.240, it must be held no more than ninety days after receipt of the petition. If a hearing is held, the commission will give at least seven days' notice to the petitioner, to all persons to whom notice is required by law, and to any other person it deems desirable. The notice will include the time, place, and a statement of the issues involved.

PSE requests expedited action on its Petition. However, ICNU raises legitimate concerns that may need to be addressed in a hearing as provided under WAC 480-07-930(5)(d). In addition, the Commission is concerned that it has no information concerning the potential financial and rate consequences if it approves the Petition. It is unclear at this juncture

which of the four available options under WAC 480-07-930(5)(d) the Commission should elect. It is, therefore, necessary and appropriate to conduct on shortened notice a prehearing conference to consider this question and to consider any further petitions to intervene or other procedural matters pertinent to the disposition of PSE's Petition.

THE COMMISSION GIVES NOTICE That it will hold a prehearing conference in this matter at 1:30 p.m., on Monday, October 17, 2011, in Room 108, Richard Hemstad Building, 1300 S. Evergreen Park Drive S.W., Olympia, Washington.

The Commission will give parties notice of any other procedural phase of the proceeding in writing or on the record, as appropriate during this proceeding.

Sincerely,

DENNIS J. MOSS
Administrative Law Judge