

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of
PUGET SOUND ENERGY, INC.

For an Accounting Order authorizing treatment of the net loss from the sale of the Seaway Property ("Everett Building") and determination that the property is not necessary or useful.

Docket No. UE-05 _____

APPLICATION

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

I. INTRODUCTION

1. Puget Sound Energy, Inc. ("PSE" or the "Company") plans to sell the Everett Building, located at 1122 75th Street NW Everett, WA. This location is no longer "necessary or useful" as a direct result of the Company's effort to centralize operations. PSE files this Application to obtain an Accounting Order authorizing treatment of the resulting loss. The company will defer the loss related to non-depreciable plant in FERC account 187; deferred losses from the disposition of Utility Plant are in accordance with the Property Transfer Settlement. PSE also seeks the Commission's determination that the Everett Building is no longer necessary or useful, pursuant to WAC 480-143-180.
2. This Application brings into issue the following statutes and regulations: WAC 480-143-180, and WAC 480-143-190.

II. THE TRANSACTION

The Applicant: PSE

3. PSE is an investor-owned electric and gas utility serving approximately 990,000 electric customers and 650,000 natural gas customers primarily in Western Washington. The full and correct name and business address for PSE are as follows:

Puget Sound Energy, Inc.
The PSE Building
10885 N.E. Fourth Street
Bellevue, WA 98004-5579

4. PSE requests that all notices, correspondence and pleadings with respect to this

Application be sent to:

For PSE:

John H. Story
Director, Cost and Regulation
Puget Sound Energy, Inc.
The PSE Building
10885 N.E. Fourth Street, Suite 800
Bellevue, WA 98004-5579
Tel. (425) 462-3885
Fax (425) 462-3414 Email: john.story@pse.com

Please also send electronic copies of data requests to karl.karzmar@pse.com

III. JURISDICTION AND AUTHORITY REGARDING SALE

Commission Approval of the Sale of the Seaway Property (Everett Building)

5. WAC 480-143-180 provides:

WAC 480-143-180 Disposal and determination of necessary or useful property. A public service company must not dispose of any property necessary or useful to perform its public duties unless it first applies for, and obtains, written authority from the commission.

Necessary or useful includes all property except items that:

- (1) Are substituted with or replaced by items of equal or greater value or usefulness;
- (2) Are surplus and unneeded assets for which full value is received;
- (3) Are obsolete; or
- (4) Are excluded from the public service company's rate base by commission order, or otherwise.

The public service company must file an application for commission determination that the property is not necessary or useful, prior to disposing of such property, if the property to be

disposed of has a market value that exceeds the greater of .1% of the public service company's rate base (for the applicable utility service) last established by commission order, or \$20,000.

6. The Everett Building is a surplus and unneeded asset, for which full value will be received.

7. PSE is filing a request for a determination by the Commission that the Everett Building is no longer necessary or useful. The amount of market value for the Everett Building and land does not exceed "the greater of 0.1% of the public service company's rate base (for the applicable utility service) last established by commission order, or \$20,000." WAC 480-143-180. PSE's rate base for electric and gas are as set forth below:

<u>Plant</u>	<u>Rate Base</u>	<u>1/10% Auth.</u>	<u>1/100% FMV Filing</u>	<u>Docket No.</u>
Electric	\$ 2,544,670,041	> 2,544,670	<> 254,467	UG-040640, et al
Gas	\$ 1,067,682,555	> 1,067,682	<> 106,768	UG-040640, et al
Common	\$ 3,612,352,596	> 3,612,353	<> 361,235	UG-040640, et al

The indicated market value of the Everett Building is \$3,500,000; just below the threshold required for a Commission determination pursuant to WAC 480-143-180 for common plant.

IV. ACCOUNTING TREATMENT

8. As described above, PSE files this Application to obtain an Accounting Order authorizing treatment of the resulting loss. The company will defer the loss related to non-depreciable plant in FERC account 187; deferred losses from the disposition of Utility Plant are in accordance with the Property Transfer Settlement.

V. EXHIBITS

Exhibits to Application

9. The exhibits that accompany this Application are:
 - (a) Application Exhibit No. 1: Acquisition Value, Accumulated Depreciation and Net Book Value of Asset to be Sold;
 - (b) Application Exhibit No. 2: Appraisal Letter of the Everett Building

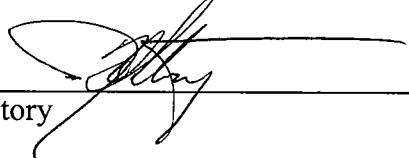
VI. REQUEST

10. PSE requests a Commission order:
 - (a) Determining that the Everett Building is no longer necessary or useful.
 - (b) Approving the accounting treatment proposed by PSE, whereby the company will defer the loss related to non-depreciable plant in FERC account 187; deferred losses from the disposition of Utility Plant, in accordance with the Property Transfer Settlement.

VERIFICATION

The undersigned hereby certifies that the information set forth in the foregoing Application is true and correct to the best of the signer's information and belief under penalty of perjury as set forth in RCW 9A.72.085.

Dated: September 23, 2005



John H. Story

**PUGET SOUND ENERGY
Seaway Property, Everett Building**

**Application Exhibit No. 1: Acquisition Value, Accumulated Depreciation and
Net Book Value of Asset to be Sold**

PUGET SOUND ENERGY
BOOK VALUE OF THE EVERETT OFFICE / GPL-EVT
FOR THE PERIOD ENDING 07/31/2005

ASSET NUMBER	YEAR	FERC	DESCRIPTION	ACQUISITION VALUE	ACCUMULATED DEPRECIATION	BOOK VALUE
1037077	1991	G389	PURCH 8.3 ACRES OF LAND	1,465,022.00	-	1,465,022.00
1037077	1997	G389	INSTALL DRAINAGE PIPE	7,482.37	-	7,482.37
			TOTAL FERC G389	1,472,504.37	-	1,472,504.37
1051047	1998	G390	PURCH EVERETT OFC	7,269,616.92	(1,421,365.45)	5,848,251.47
			TOTAL FERC G390	7,269,616.92	(1,421,365.45)	5,848,251.47
			TOTAL EVERETT OFFICE	8,742,121.29	(1,421,365.45)	7,320,755.84

**PUGET SOUND ENERGY
Seaway Property, Everett Building**

Application Exhibit No. 2: Appraisal Letter of the Everett Building

Bruce C. Allen & Associates Inc.

Real Estate Appraisers and Consultants

Bruce C. Allen, MAI, CRE, President
Denise M. Lane, MAI, Vice President
Murray Brackett, MAI, Vice President
Darin A. Shedd, MAI, Vice President

June 6, 2005

Mr. George Lertkantitham
Puget Sound Energy
Real Estate Department
P.O. Box 97034 (PSE-10S)
Bellevue, Washington 98009

**RE: APPRAISAL OF THE PUGET SOUND ENERGY SEAWAY PROPERTY
LOCATED AT 1122 75TH STREET NW IN EVERETT, WASHINGTON (Our
File #25124)**

Dear Mr. Lertkantitham:

In response to your request, we have completed an appraisal of the Puget Sound Energy Seaway property, located at 1122 75th Street NW, in Everett, Washington. The purpose of the appraisal is to form an opinion of the market value of the fee simple interest in the subject property to assist in a transfer from Puget Sound Energy to Puget Western Inc.

The property consists of an 8.31-acre site improved with a 28,115-square-foot office building and a 3,100-square-foot service garage. The site is located on the south side of 75th Street NW, just west of its intersection with Hardeson Road. The site slopes down from south to north and is mostly rectangular in shape. The 2-story office building was built in 1995. The main level consists of 12,064 square feet of office space, while the upper level is comprised of 11,943 square feet of office space, 3,190 square feet of warehouse space including a 770-square-foot mechanical equipment room and 918 square feet of storage mezzanine. The building is of steel frame and concrete construction and is considered to be of good quality and condition. Other improvements on the property include a 3,100-square-foot service garage, which has 950 square feet of storage mezzanine and like the office building was built in 1995 and is considered to be of good quality and condition. Site improvements include an asphalt-paved parking lot and landscaping.

In valuing the subject property, we have taken into consideration its unique characteristics. More specifically, the subject improvements were constructed for a somewhat specialized use as the regional headquarters for Washington Natural Gas. The associate service garage, small warehouse space and gas pump makes the subject unique and difficult to compare with other office buildings of similar age, quality, and condition. Nonetheless, the subject improvements are considered to be desirable and would function adequately for a relatively wide variety of users.

We note that this appraisal represents an update of our prior appraisal of the subject property in November 2001. As discussed in our prior appraisal, the Cost Approach to value is not considered to be relevant due to the determination of depreciation, which requires an estimate of functional obsolescence. The estimate of function obsolescence is based on the analysis of market activity from the Income Approach and Sales Comparison Approach, which based on our discussions are the two methods utilized by market participants in determining value. As such, the Cost Approach has been excluded from the analysis presented in this report.

This is a *Summary Appraisal Report* which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP) for a *Summary Appraisal Report*. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report. The value estimates herein are given subject to the specific assumptions and limiting conditions stated immediately following this transmittal letter.

Based on our investigation and analysis of all relevant data, it is our opinion the market value of the fee simple interest in the subject property, as of May 25, 2005, is:

THREE MILLION FIVE HUNDRED THOUSAND DOLLARS
(\$3,500,000)

After deducting for typical selling costs associated with a market transaction, a net value at \$3,205,000 is indicated.

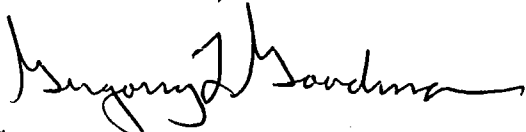
If you have further questions not answered in the accompanying report, please do not hesitate to call.

Sincerely,

BRUCE C. ALLEN & ASSOCIATES, INC.



Darin A. Shedd, MAI



Gregory L. Goodman, Senior Associate

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Enclosures