



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

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

April 2, 2007

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Dear Ms. Washburn:

In accordance with WAC 480-143-120 Transfers of property and WAC 480-143-180 Disposal and determination of necessary or useful property, Puget Sound Energy ("the Company") is reporting an intended property transfer. Per WAC 480-143-120 and WAC 480-143-180 such transactions shall be reported to the Commission before they are completed. Puget Sound Energy is requesting an order authorizing the sale of the Skagit Service Center.

The Company plans to sell the Skagit Service Center located at 18601 Andis Road Burlington, WA. The State of Washington Department of Transportation ("State") is proposing to acquire, under threat of condemnation, approximately 155,162 square feet of the land for the proposed SR 5, SR20 Interchange. This proposed taking by the State causes the remaining property to become unusable for the Company; therefore we will be relocating to a new facility being built at Burlington Hill Business Park.

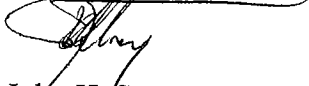
Based on the negotiated sales price, the calculation of the estimated pre-tax gain is set forth below:

Negotiated Sales Price of the Skagit Service Center	\$5,250,000
Less: Net Book Value	1,061,376
Estimated Sales Cost (to be paid by buyer)	-----
Estimated Pre-Tax Gain	\$ 4,188,624
Less: Estimated Taxes (35%)	<u>1,466,018</u>
Estimated After-Tax Gain	\$ 2,722,606

The resulting gain will be recorded in FERC Account 254 (Other Regulatory Liabilities), consistent with the FERC Uniform System of Accounts instruction and the Stipulation and Order of Dismissal dated May 26, 1992, Washington Court of Appeals, No. 29404-1.

Enclosed is an application and proposed order. We have also included an electronic version of the proposed order. Please contact me in Bellevue at (425) 462-3885 if there are any questions.

Sincerely,



John H. Story
Director Cost and Regulation

cc Simon J. ffitc
Assistant Attorney General
Public Counsel Section
900 4th Ave., Suite 2000
Seattle, WA 98164-1012

Roger Braden	WUTC Assistant Director, Energy
Thomas Schooley	WUTC Regulatory Analyst
Roland Martin	WUTC Regulatory Consultant, Energy

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 gain from the sale of the Skagit Service Center and determination that the property is not necessary or useful.

Docket No. UE-07

APPLICATION

I. INTRODUCTION

Puget Sound Energy, Inc. (“PSE” or the “Company”) plans to sell the Skagit Service Center located at 18601 Andis Road Burlington, WA. The State of Washington Department of Transportation (“State”) is proposing to acquire, under threat of condemnation, approximately 155,162 square feet of the land for the proposed SR 5, SR20 Interchange. This proposed taking by the State causes the remaining property to become unusable for the Company.

PSE files this Application to obtain an Accounting Order authorizing treatment of the resulting gain to be recorded in FERC Account 254, consistent with the FERC Uniform System of Accounts instruction. PSE also seeks the Commission's determination that the Skagit Service Center will no longer be 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 1,042,000 electric customers and 717,000 natural gas customers primarily in Western Washington. The full and correct name and business address for PSE are as follows:

Puget Sound Energy, Inc.
Skagit Service Center
18601 Andis Road
Burlington, WA

4. PSE requests that all notices, correspondence and pleadings with respect to this Application be sent to:

For PSE:

John 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 Skagit Service Center

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 Skagit Service Center is obsolete.

7. PSE is filing a request for a determination by the Commission that the Skagit Service Center will no longer be necessary or useful. The negotiated sales price for the Skagit Service Center exceeds "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	\$ 2,977,316,193	> 2,977,316	<> 297,732	UE-060266, et al
Gas	\$ 1,180,351,743	> 1,180,352	<> 118,035	UE-060266, et al
Common	\$ 4,157,667,936	> 4,157,668	<> 415,767	UE-060266, et al

The negotiated sales price of the Skagit Service Center is \$5,250,000; above the threshold.

IV. ACCOUNTING TREATMENT

8. The resulting gain will be recorded in FERC Account 254 (Other Regulatory Liabilities), consistent with the FERC Uniform System of Accounts instruction and the Stipulation and Order of Dismissal dated May 26, 1992, Washington Court of Appeals, No. 29404-1.

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 Assets to be Transferred;
 - (b) Application Exhibit No. 2: Appraisal Letter of the Skagit Service Center; and
 - (c) Application Exhibit No. 3: Washington State Department of Transportation Appraisal Letter of the Skagit Service Center.

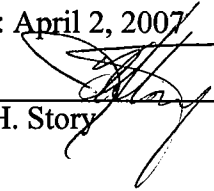
VI. REQUEST

10. PSE requests a Commission order:
- (a) Determining that the Skagit Service Center will no longer be necessary or useful.
 - (b) Approving the accounting treatment proposed by PSE, whereby the resulting gain will be recorded in FERC Account 254 (Other Regulatory Liabilities).

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: April 2, 2007



John H. Story

Puget Sound Energy, Inc.
Application Exhibit No. 1: Acquisition
Value, Accumulated Depreciation and Net
Book Value of Assets to be Transferred

SKAGIT SERVICE CENTER NET BOOK VALUE as of FEBRUARY 28, 2007

AsstSupNo.	FERC	Group	Asset	SNo.	Description	Cum.acquis.val.	Ord. dep.	Net Book Value
GPL-SKA	E389	100440	1030018	1956	GENERAL PLANT LAND&RTS BURLINGTON	12,783.22	-	12,783.22
GPL-SKA	E389	Land & Land Rights				12,783.22	-	12,783.22
GPL-SKA	E390	100190	1045029	1958	GENERAL PLANT STRU&IMP BURLINGTON	203,599.83	(159,860.11)	43,739.72
GPL-SKA	E390	100190	1045029	1961	GENERAL PLANT STRU&IMP BURLINGTON	52,266.26	(36,129.52)	16,136.74
GPL-SKA	E390	100190	1045029	1962	GENERAL PLANT STRU&IMP BURLINGTON	11,901.94	(8,588.94)	3,313.00
GPL-SKA	E390	100190	1045029	1963	GENERAL PLANT STRU&IMP BURLINGTON	563.85	(406.54)	157.31
GPL-SKA	E390	100190	1045029	1965	GENERAL PLANT STRU&IMP BURLINGTON	298.45	447.41	745.86
GPL-SKA	E390	100190	1045029	1967	GENERAL PLANT STRU&IMP BURLINGTON	242.34	(152.10)	90.24
GPL-SKA	E390	100190	1045029	1969	GENERAL PLANT STRU&IMP BURLINGTON	133.35	(68.02)	65.33
GPL-SKA	E390	100190	1045029	1970	GENERAL PLANT STRU&IMP BURLINGTON	290.63	(82.96)	207.67
GPL-SKA	E390	100190	1045029	1971	GENERAL PLANT STRU&IMP BURLINGTON	12,378.90	(6,353.28)	6,025.62
GPL-SKA	E390	100190	1045029	1972	GENERAL PLANT STRU&IMP BURLINGTON	6,796.58	(4,025.64)	2,769.94
GPL-SKA	E390	100190	1045029	1974	GENERAL PLANT STRU&IMP BURLINGTON	107.86	(60.92)	46.94
GPL-SKA	E390	100190	1045029	1975	GENERAL PLANT STRU&IMP BURLINGTON	3,122.50	69,889.17	73,011.67
GPL-SKA	E390	100190	1045029	1976	GENERAL PLANT STRU&IMP BURLINGTON	8,861.23	(3,426.42)	5,434.81
GPL-SKA	E390	100190	1045029	1977	GENERAL PLANT STRU&IMP BURLINGTON	22,797.65	(11,605.03)	11,192.62
GPL-SKA	E390	100190	1045029	1978	GENERAL PLANT STRU&IMP BURLINGTON	769.86	(331.43)	438.43
GPL-SKA	E390	100190	1045029	1979	GENERAL PLANT STRU&IMP BURLINGTON	290,791.41	(145,070.16)	145,721.25
GPL-SKA	E390	100190	1045029	1980	GENERAL PLANT STRU&IMP BURLINGTON	5,433.05	(2,632.98)	2,800.07
GPL-SKA	E390	100190	1045029	1981	GENERAL PLANT STRU&IMP BURLINGTON	1,433.89	1,041.97	2,475.86
GPL-SKA	E390	100190	1045029	1982	GENERAL PLANT STRU&IMP BURLINGTON	1,109.64	2,115.53	3,225.17
GPL-SKA	E390	100190	1045029	1983	GENERAL PLANT STRU&IMP BURLINGTON	15,891.87	(6,906.11)	8,985.76
GPL-SKA	E390	100190	1045029	1984	GENERAL PLANT STRU&IMP BURLINGTON	6,291.01	(2,207.65)	4,083.36
GPL-SKA	E390	100190	1045029	1985	GENERAL PLANT STRU&IMP BURLINGTON	74,740.22	(6,044.13)	46,696.12
GPL-SKA	E390	100190	1045029	1986	GENERAL PLANT STRU&IMP BURLINGTON	52,720.32	601.37	75,341.59
GPL-SKA	E390	100190	1045029	1987	GENERAL PLANT STRU&IMP BURLINGTON	3,385.16	34,687.78	87,408.10
GPL-SKA	E390	100190	1045029	1988	GENERAL PLANT STRU&IMP BURLINGTON	33,842.38	(1,163.63)	2,221.53
GPL-SKA	E390	100190	1045029	1989	GENERAL PLANT STRU&IMP BURLINGTON	113,528.95	(3,784.02)	30,058.36
GPL-SKA	E390	100190	1045029	1990	GENERAL PLANT STRU&IMP BURLINGTON	14,121.93	(34,347.30)	79,181.65
GPL-SKA	E390	100190	1045029	1991	GENERAL PLANT STRU&IMP BURLINGTON	143,960.79	21,895.59	36,017.52
GPL-SKA	E390	100190	1045029	1992	GENERAL PLANT STRU&IMP BURLINGTON	86,226.84	(26,780.13)	117,180.66
GPL-SKA	E390	100190	1045029	1993	GENERAL PLANT STRU&IMP BURLINGTON	50,292.04	(26,481.85)	59,744.99
GPL-SKA	E390	100190	1045029	1994	GENERAL PLANT STRU&IMP BURLINGTON	6,051.86	(14,545.39)	35,746.65
GPL-SKA	E390	100190	1045029	1995	GENERAL PLANT STRU&IMP BURLINGTON	13,960.70	(1,820.48)	4,231.38
GPL-SKA	E390	100190	1045029	1996	GENERAL PLANT STRU&IMP BURLINGTON	17,864.01	3,391.06	17,351.76
GPL-SKA	E390	100190	1045029	1997	GENERAL PLANT STRU&IMP BURLINGTON	48,226.31	(4,542.17)	13,321.84
GPL-SKA	E390	100190	1069557	1999	GENERAL PLANT BURLINGTON LAN	48,226.31	(10,198.98)	38,027.33
GPL-SKA	E390	100190	1069586	1999	SKAGIT SVC COMMUNICATINS TRAILER*	23,802.55	(5,033.80)	18,768.75
GPL-SKA	E390	100190	1071690	2001	GENERAL PLANT STRU&IMP SKAGIT SVC**	10,694.07	(1,264.39)	9,429.68
GPL-SKA	E390	100190	1090935	2003	SKAGIT SERVICE ACCESS CONTROL SYSTEM***	24,529.01	(3,091.34)	21,437.67
GPL-SKA	E390	100190	1092587	2004	INSTALL CCTV @ SKAGIT SVC***	23,661.77	2,097.82	25,759.59
GPL-SKA	E390	Structures & Improvement				1,439,430.26	(390,837.72)	1,048,592.54
LAND, LAND IMPROVEMENTS, STRUCTURES, AND IMPROVEMENTS						1,452,213.48	(390,837.72)	1,061,375.76

Puget Sound Energy, Inc.
Application Exhibit No. 2: Appraisal Letter
of the Skagit Service Center

RE•SOLVE

GIBBONS & RIELY PLLC

Real Estate Appraisal, Counseling & Mediation

261 Madison Avenue South, Suite 102

Bainbridge, Washington 98110-2579

206-842-4887

TeleFax: 206-842-5082

Seattle CBD Location: College Club, 505 Madison, Seattle WA 98104

Anthony Gibbons, MAI, CRE
Direct Dial 206 842-4887
Email: agibbons@realestatesolve.com

Kevin Stoknes, Appraiser
Direct Dial 206 842-1334
Email: kstoknes@realestatesolve.com

January 30, 2006

Mr. George Lertkantitham
Real Estate Representative
Puget Sound Energy
10885 NE 4th Street, PSE-10S
Bellevue, WA 98004-5591

RE: PSE Skagit Service Center
18601 Andis Road
Burlington, WA

Dear Mr. Lertkantitham,

At your request, we have prepared an appraisal of the above-referenced property, which is described in the attached report. As requested, we have estimated the market value for the subject property for condemnation purposes.

This is a *complete appraisal* prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). It is presented as a *self-contained report* and complies with the reporting requirements of USPAP for such reports.

As a result of our investigation and analysis, we have concluded that the market value of the subject property, as of the effective date of value, January 20, 2006, is as detailed below:

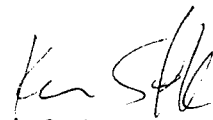
FIVE MILLION NINE HUNDRED AND FIFTY THOUSAND DOLLARS\$5,950,000

Respectfully submitted,



Anthony Gibbons, MAI, CRE

Ref: 5105



Kevin Stoknes, Appraiser

Puget Sound Energy, Inc.
Application Exhibit No. 3: State Appraisal
Letter of the Skagit Service Center

Washington State
Department of Transportation

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Parcel No.: 1-16619 HEADQUARTERS RES FILES
Federal Aid No.: N/A NEGOTIATION OWNER
Project: SR5 - SR20 Interchange
Plan Title: SR5 - SR20 Interchange
Map Sheet: 2, 3 and 6 of 8 Sheets
Map Approval Date: Redline
Date of Last Map Revision: N/A

R.E. SERVICES CERTIFICATE OF APPRAISER

I certify that, to the best of my knowledge and belief:

- ◆ the statements of fact contained in this appraisal are true and correct;
- ◆ the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conclusions, and are my personal, unbiased professional analyses, opinions, and conclusions;
- ◆ I have no present or prospective interest in the property that is the subject of this appraisal, and I have no personal interest or bias with respect to the parties involved;
- ◆ my compensation for completing this assignment was not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- ◆ my analyses, opinions, and conclusions were developed, and this appraisal has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
- ◆ I have personally inspected the property herein appraised and I have, to the extent possible, made a personal field inspection of the comparable sales relied upon in making this appraisal. The subject and the comparable sales relied upon in making this appraisal were as represented in the appraisal or in the data book or report which supplements the appraisal.
- ◆ I have afforded the owner or a designated representative of the property that is the subject of this appraisal the opportunity to accompany me on the inspection of the property. Mr. George Lertkantitham accepted the invitation, and we inspected the property on June 21, 2006.
- ◆ no one else provided significant professional assistance to the persons signing this report;
- ◆ I have disregarded any increase or decrease in market value of the real property appraised caused by the project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project, other than physical deterioration within the reasonable control of the owner;
- ◆ this appraisal has been made in conformity with the appropriate State and Federal laws and requirements provided by WSDOT, and complies with the contract between the agency and the appraiser;

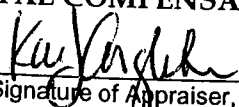
The property has been appraised for its market value as though owned in fee simple, or as encumbered only by the existing easements as described in the title report in the Addenda.

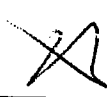
The opinion of value expressed below is the result of, and is subject to, the data and conditions described in detail in this report of 170 pages.

I made a personal inspection of the property that is the subject of this report. Paul Zemtseff and Kevin Congleton last inspected the property on October 2, 2006.

The **Date of Value** for the property that is the subject of this appraisal is October 2, 2006 per the FAIR MARKET VALUE definition herein, the value conclusions for the property that is the subject of this appraisal are on a cash basis and are:

FAIR MARKET VALUE BEFORE ACQUISITION	\$4,600,000
FAIR MARKET VALUE AFTER ACQUISITION	<u>\$2,482,700</u>
DIFFERENCE BETWEEN BEFORE & AFTER VALUES	\$2,117,300
PLUS: TCE	\$ 1,200
TOTAL COMPENSATION	<u>\$2,118,500</u>


Signature of Appraiser, Kevin Congleton
WA State General Certification #1100108


Signature of Appraiser, Paul Zemtseff
WA State General Certification #1100208

DO NOT WRITE BELOW THIS LINE

Headquarters Service Center Date Stamp

Region Date Stamp

SUMMARY OF CONCLUSIONS

(Accounting tabulation - NOT indicative of appraisal method employed)

INDICATED VALUE BEFORE ACQUISITION:

Highest and Best Use: Current use (as presently improved).

<i>Land area</i>	<i>Unit Value</i>	
404,008 sf	\$9.00/sf	\$3,636,100 (R)
Total Area: <u>404,008 sf</u>		TOTAL LAND <u>\$3,636,100</u>

IMPROVEMENTS

<i>Type</i>	<i>Size</i>	<i>Contributory Value</i>
Office/Warehouse, Loading Docks, Shop, and Site Improvements		\$ 963,900 (R)
TOTAL IMPROVEMENTS		\$963,900
TOTAL INDICATED VALUE (rounded)		\$4,600,000

INDICATED VALUE OF REMAINDER:

Highest and Best Use: Commercial development or assemblage for north remainder left, assemblage for north remainder right & current use (as "cured") for south remainder.

<i>Land area</i>	<i>Unit Value</i>	
179,586 sf	\$8.96±/sf	\$1,609,900
44,247 sf	\$5.82±/sf	\$ 257,300
912 sf	\$1.50±/sf	\$ 1,400
Total Area: <u>224,745 sf</u>		TOTAL LAND (Avg. @ \$8.31±.sf) <u>\$1,868,600</u>

IMPROVEMENTS

<i>Type:</i> Building and Site Improvements		\$ 631,400
TOTAL IMPROVEMENTS		\$ 631,400
Less: Cost-to-cure (restore property utility - fencing & security)		\$ (17,300)
TOTAL INDICATED VALUE (rounded)		\$2,482,700

BREAKDOWN OF ACQUISITION:

<i>Land area</i>	<i>Unit Value</i>	
179,263 sf fee acquisition	\$9.00/sf	\$1,613,400 (R)
Total Area: <u>179,263 sf fee</u>		TOTAL LAND (Rnd) <u>\$1,613,400</u>

IMPROVEMENTS

<i>Type</i>	<i>Size</i>	<i>Contributory Value</i>
Maintenance Shop, Dock, site improvements		\$296,200
Add: Cost to Cure Items		\$ 17,300
TOTAL IMPROVEMENTS (Rnd)		\$ 313,500

DAMAGES

Damages to land as a result of acquisition		\$154,100
Damages to improvements as a result of the acquisition		\$ 36,300
TOTAL DAMAGES		\$ 190,400
Sub Total		\$2,117,300

BENEFITS (Subtract)

<i>Item</i>		
N/A	\$N/A	
TOTAL BENEFITS		\$ N/A

DIFFERENCE BETWEEN BEFORE & AFTER	\$2,117,300
PLUS TCE	\$ 1,200
TOTAL COMPENSATION	\$2,118,500

Additional Certification, Disclosure and Use Restriction

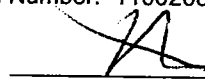
RESTRICTION UPON DISCLOSURE & USE:

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser. This appraisal is intended for use only by the client identified in the Transmittal Letter, and may not be transmitted or communicated to any other party without the specific written permission of The Eastman Company.

Date of Assignment or Contract: September 1, 2006 Name: Paul Zemtseff
Washington State-Certified General Real Estate Appraiser Certification Number: 1100208

Date Signed: October 26, 2006

Signature: _____



Date of Assignment or Contract: September 1, 2006 Name: Kevin Congleton
Washington State-Certified General Real Estate Appraiser Certification Number: 1100108

Date Signed: October 26, 2006

Signature: _____

