



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

October 18, 2007

Ms. Carole J. Washburn, Executive Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, W A 98504

**Re: Puget Sound Energy, Inc.'s Petition for Accounting Order  
(Electric Environmental Remediation Program)**

Dear Ms. Washburn:

Enclosed are an original and twelve copies of the Petition of Puget Sound Energy, Inc. ("the Company") for an Accounting Order regarding the treatment of costs incurred by the Company under its electric environmental remediation program in response to federal and state laws regarding hazardous waste.

This petition is being submitted via the Washington Utilities and Transportation Commission's Records Center Web Portal electronic-filing system and by regular mail.

If you have any questions regarding this filing, please contact me at (425) 456-2797.

Very truly yours,

Karl R. Karzmar  
Director, Regulatory Relations

Enclosures

cc: Bob Cedarbaum  
Simon ffitch

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

Petition of

PUGET SOUND ENERGY, INC.

For an order Regarding the Accounting  
Treatment for Costs of its Electric  
Environmental Remediation Program

Docket No. UE-07 \_\_\_\_\_

PETITION

In accordance with WAC 480-07-370(1)(b). Puget Sound Energy, Inc. ("PSE" or "the Company") respectfully petitions the Washington Utilities & Transportation Commission (the "Commission") for an order regarding the treatment of costs incurred by the Company under its electric environmental remediation program in response to federal and state laws regarding hazardous wastes. Specifically, the Company requests that the Commission issue an order which:

authorizes the Company to defer the costs incurred in connection with the recently added component to the Company's environmental remediation program related to the Snoqualmie Hydro Electric Generation Facility. A detailed description of the site is included as Exhibit A to this petition. Costs so deferred, net of third party recoveries, would be recovered in rates consistent with the Commission's Order in Docket No. UE-911476, issued on April 1, 1992, and the Merger Order in Docket No UE-960195.

The order requested in this Petition is necessary to insulate the Company's customers from fluctuations in rates due to the variability of environmental remediation costs and recoveries from insurance or third parties. In addition, the requested accounting order would allow the Company to avoid the negative financial impact that would otherwise be required in accounting for these costs under current financial reporting requirements.

In support of this Petition, the Company states as follows:

### **INTRODUCTION AND BASIS FOR REQUESTING ORDER**

1. The Company is engaged in the business of furnishing electric and gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its rates, service, facilities and practices. Its full name and mailing address for purposes of this proceeding are:

Karl R. Karzmar, Director – Regulatory Relations  
Puget Sound Energy, Inc.  
P.O. Box 97034  
Bellevue, Washington 98009-9734

2. Statutes and rules that may be at issue in this Petition include RCW 80.01.040 and WAC 480-07-370(1)(b)

3. The Company has underway an electric environmental remediation program in response to federal and state laws regarding hazardous wastes.

4. Per Commission Order No. UE-911476, issued April 1, 1992, the Company was authorized to defer certain costs associated with its electric environmental remediation program. The order identified the particular components of its electric environmental remediation program to which the requested accounting treatment would apply as: (a) the three sites for which the Company had identified as a potentially responsible party (“PRP”) under CERCLA, (b) its Electron site, and (c) its underground storage tank programs. The order authorized deferral accounting treatment and stated that this treatment was considered to be appropriate in light of the variability and unpredictability of environmental expenditure and recoveries of insurance or third party offsetting proceeds. The variable and unpredictable nature of environmental expenditures has not changed and is not expected to change in the future.

## **REQUESTED ORDER**

5. By this Petition, the Company requests that the Commission, with respect to costs incurred in connection with its electric environmental remediation program, approve the accounting treatment of deferring costs incurred related to its Snoqualmie Hydro Electric Generation Facility. Costs so deferred, net of third party recoveries, would be recovered in rates to be established in future rate proceedings consistent with the Commission's Order in Docket No. UE-911476, issued on April 1, 1992 and the Merger Order in Docket No UE-960195.

### **Approval of Accounting Treatment**

6. The Company proposes to defer the costs associated with its electric environmental remediation program with respect to these sites. Costs so deferred, net of third party recoveries, would be recovered in rates to be established in future rate proceedings consistent with the Commission's Order in Docket No. UE-911476 and the Merger Order in Docket No UE-960195.

7. The Company proposes that all electric environmental remediation costs deferred pursuant to the requested accounting order would be subject to the following conditions:

- (a) Any deferred costs existing at the time of the Company's general rate proceedings would be subject to review and net deferred costs shown to be imprudent or inappropriate will be subject to disallowance for rate recovery purposes. Net deferred costs as detailed in (d) below are the total project expenditures less any recoveries from third parties and or insurance proceeds;
- (b) Any allowed net deferred costs will be amortized over a five-year period commencing on the date that all costs net of recoveries become known, consistent with the Merger Order in Docket No. UE-960195;
- (c) Any deferred costs will be included in the calculation of working capital in future rate proceedings;

- (d) Costs eligible for such deferred accounting treatment would include only those amounts paid to outside vendors or contractors (i.e., investigation and feasibility studies, sampling, evaluation, monitoring, materials, remediation and removal) and would not include internal employee expenses and legal costs;
- (e) Costs that are deferred will be reduced by any insurance proceeds or payments from other responsible third parties received by the Company in respect of such costs;
- (f) The Company will normalize the tax benefits associated with these costs; and
- (g) The Company will submit quarterly reports detailing the status of the various remediation projects and the level of costs being incurred.

WHEREFORE, the Company respectfully requests that the Commission enter an order in the form attached as Exhibit B (1) approving the Company's accounting treatment for costs incurred in connection with its recently added component of its electric environmental remediation program prior to the date of and after such order, and (2) authorizes the Company to defer the costs incurred in connection with the electric environmental remediation program described in this Petition

DATED: October 18, 2007

PUGET SOUND ENERGY, INC.

By 

Karl R. Karzmar  
Director, Regulatory Relations

STATE OF WASHINGTON )  
 )ss.  
COUNTY OF KING )

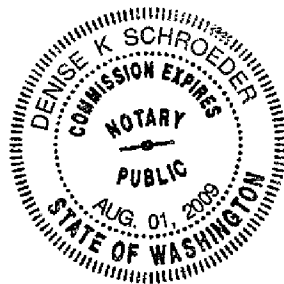
KARL R. KARZMAR, being first duly sworn, on oath deposes and says:

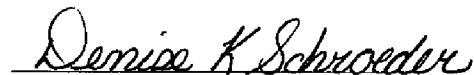
That he is Director, Regulatory Relations of Puget Sound Energy, Inc., that he has read the foregoing Petition for an Order Regarding the Accounting Treatment for Costs of its Electric Environmental Remediation Program, that he knows the contents thereof, and that he believes the same to be true and the best of his knowledge and belief.

  
\_\_\_\_\_  
KARL R. KARZMAR

State of Washington  
County of King

SUBSCRIBED AND SWORN to before me this 18th day of October, 2007.



  
\_\_\_\_\_  
Notary Public in and for the State of  
Washington, residing at SNOQUALMIE, WA  
My appointment expires 8-1-09

**PUGET SOUND ENERGY  
ELECTRIC ENVIRONMENTAL REMEDIATION PROGRAM  
RECENTLY ADDED COMPONENT**

**Snoqualmie Hydro Electric Generation Facility**

PSE is developing construction plans to upgrade electrical generation facilities associated with both power plants located at the Snoqualmie Generation facility. These construction activities will involve the excavation of a significant quantity of soil and rock. In preparation to this activity PSE performed a site characterization to assist the Project team in identifying if any hazardous substances are present in the area where soil is expected to be excavated.

In 2007, site reconnaissance and subsurface explorations in the Power Plant I and Power Plant II area were performed comprising of the following:

- Fifty-six hand auger borings in areas that were inaccessible with mechanized equipment
- Seventeen test pits excavated using mechanized equipment
- Nine direct-push borings using GeoProbe technologies.
- Installation of two monitoring wells.

**Power Plant I**

A review of historic documents was conducted to identify former activities that may have impacted the soil at the site. As part of this effort, soil and groundwater samples were obtained and submitted for analysis. The results have identified that soil and ground water at a portion of the Power Plant I site contain hazardous material exceeding state cleanup levels.

The impacted soils are generally located in the vicinity of the Machine & Carpenter buildings along with the Storage Shed. The vertical extent of the contamination appears to be limited to depths shallower than 4 feet.

**Power Plant II**

Based on the site reconnaissance and historical information, relatively few potential areas of concern were identified. Exploration activities consisted of shallow soil sampling. Results of soil analysis did not indicate hazardous substances in excess of state cleanup levels being present in soil at Power Plant II.

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

PETITION OF PUGET SOUND ENERGY, INC. |

For an Order Regarding the Accounting  
Treatment for Costs of its Electric  
Environmental Remediation Program

| Docket No. UE-06 \_\_\_\_

| ORDER (PROPOSED)

On October 18, 2007, Puget Sound Energy, Inc. ("PSE" or the "Company") filed a Petition with this Commission under WAC 480-07-370(1)(b) seeking an order regarding the treatment of costs incurred by the Company under its electric environmental remediation program in response to federal and state laws regarding hazardous wastes. In its Petition, the Company requests an order which:

Authorizes the Company to defer the costs incurred in connection with the Snoqualmie Hydro Electric Generation Facility recently added component. A detailed description of the site was included as Exhibit A to the petition. Costs so deferred, net of third party recoveries, would be recovered in rates to be established in future rate proceedings consistent with the Commission's Order in Docket No. UE-911476, issued on April 1, 1992, and the Merger Order in Docket No UE-960195.

The Company's Petition states that the requested relief is necessary to insulate the Company's customers from fluctuations in rates due to the variability of environmental remediation costs and recoveries from insurance or third parties. In addition, the Petition states that the requested accounting order would allow the Company to avoid the negative financial impact that otherwise would be required in accounting for these costs under current financial reporting requirements.



According to the Petition, the Company currently has underway an environmental remediation program in response to federal and state laws regarding hazardous wastes.

In its Petition, the Company states that per Commission Order No. UE-911476, issued April 1, 1992, that it was authorized deferral accounting treatment associated with particular components of its electric environmental remediation program costs. According to the Company, the order which authorized deferral accounting treatment for such costs stated that this treatment was considered to be appropriate in light of the variability and unpredictability of environmental expenditures. According to the Company, the variable and unpredictable nature of environmental expenditures has not changed and is not expected to change in the future.

In its Petition the Company proposed that the requested order pertaining to such deferred costs incurred pursuant to its environmental remediation program be subject to the following conditions:

- (a) Any deferred costs existing at the time of the Company's general rate proceedings are subject to review and net deferred costs shown to be imprudent or inappropriate will be subject to disallowance for rate recovery purposes. Net deferred costs as detailed in (d) below are the total project expenditures less any recoveries from third parties and or insurance proceeds.
- (b) Allowed net deferred costs will be amortized over a five-year period commencing on the date that all costs net of recoveries become known, consistent with the Merger Order in Docket No. UE-960195;
- (c) Any deferred costs will be included in the calculation of working capital in future rate proceedings.
- (d) Costs eligible for such deferred accounting treatment will include only those amounts paid to outside vendors or contractors (i.e., investigation and feasibility

studies, sampling, evaluation, monitoring, materials, remediation and removal) and will not include internal employee expenses and legal costs.

- (e) Costs that are deferred will be reduced by any insurance proceeds or payments from other responsible parties received by the Company in respect of such costs.
- (f) The Company will normalize the tax benefits associated with these costs.
- (g) The Company will submit quarterly reports detailing the status of the various remediation projects and the level of costs being incurred.

### FINDINGS AND CONCLUSIONS

#### THE COMMISSION FINDS:

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 companies. RCW 80.01.040; Chapter 80.04 RCW and Chapter 80.28 RCW.

2. PSE is a public service company furnishing electric and gas service primarily in the Puget Sound region of the State of Washington and is subject to the regulatory authority of the Commission as to its rates, service, facilities and practices.

3. On October 18, 2007, PSE filed with the Commission a Petition for an order regarding the accounting treatment for costs it incurs in connection with its electric environmental remediation program.

WAC 480-07-370, allows companies to file a petition including that for which PSE seeks approval.

4. Staff has reviewed the petition in Docket UE-07\_\_\_\_ and believes the proposed accounting petition requested by PSE, subject to certain conditions described above, is reasonable and should be approved.

5. This matter was brought before the Commission at its regularly scheduled meeting on \_\_\_\_\_.

6. After examination of the Petition filed in Docket No. UE-07\_\_\_\_\_ by PSE on October 18, 2007, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed, subject to certain conditions described above, should be approved.

ORDER

THE COMMISSION ORDERS:

1. Authorization is hereby given for PSE to:
  - a) Defer the costs incurred in connection with the recently added component to the Company's environmental remediation program related to the Snoqualmie Hydro Electric Generation Facility. in accordance with the Petition, and
  - b) Recover such costs in future rates as described in this Petition.
  - c) Such deferral of costs incurred pursuant to its electric environmental remediation program shall be subject to the herein-contained conditions proposed by the Company in its Petition.
2. Nothing herein shall be construed to waive or otherwise impair the jurisdiction of the Commission over the rates, services, accounts and practices of Applicant Puget Sound Energy. The Commission, under its general ratemaking authority, will have the ability in subsequent PSE general rate proceedings to evaluate the reasonableness of the Company's expenditures associated with the electric environmental remediation program.
3. The Commission retains jurisdiction to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this \_\_\_ day of \_\_\_\_\_.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK SIDRAN, Chairman

PHILLIP JONES, Commissioner

PATRICK OSHIE, Commissione