



PUGET  
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ENERGY

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STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

September 10, 1997

Mr. Steve McLellan  
Executive Secretary  
Washington Utilities and  
Transportation Commission  
1300 S. Evergreen Park Drive SW  
P.O. Box 47250  
Olympia, WA 98504-7250

Mr. Robert F. Manifold  
Assistant Attorney General  
Public Counsel Section  
900 Fourth Ave. Suite 2000  
Seattle, WA 98164-1012

RE: Docket No. UE-960195 Stipulation Pertaining to Gains from Transfers of Real  
Property

Gentlemen:

In accordance with paragraph 4.d. of the Terms of Approval in the joint Stipulation submitted by Puget Sound Power & Light Company, Washington Natural Gas Company, Commission Staff, and Public Counsel, approved by the Commission in its Fourteenth Supplemental Order Accepting Stipulation: Approving Merger, dated February 5, 1997, Puget Sound Energy ("the Company") is submitting herewith property transactions that are a direct result of the merger. The gains or losses associated with the transactions shall be included in current earnings of Puget Sound Energy. The referenced Terms of Approval specified that such transactions shall be reported to the Commission and Public Counsel before they are formally recorded in the Company's books.

The Company plans to immediately commence disposition on some of the properties. The following list is not all inclusive of properties that will be disposed of as a result of the merger. The Company is continuing to evaluate its facility needs as can be noted by the absence of the Mercer Building, which was included in the merger synergy study. Accordingly, the Company may submit additional property transactions at an appropriate subsequent date.

The properties are individually described and explained, as to the disposition rationale, in the attached Exhibit A. These properties are summarized as follows:

Property	Net Book Value	Estimated Net Market Value	Estimated Gain or (Loss)
Totem Lake Operating Base (A)	\$ 1,337,293	\$ 1,460,000	\$ 122,707
Kent Operating Base (A)	567,842	765,000	197,158
Central King Division Office (B)	872,102	3,100,000	2,227,898
Auburn Stores and Operating Base (A)	1,649,405	1,450,000	(199,405)
Olympia Office / Warehouse (A)	220,117	950,000	729,883
South Pierce Service Center (B)	3,471,333	3,665,000	193,667
Renton Complex (B)	2,592,479	4,585,000	1,992,521
9th & Republican Parking Lot (A)	28,916	830,000	801,084
9th & Harrison Parking Lot (A)	139,516	650,000	510,484
500 Dexter Block Complex (A)	6,202,213	4,570,000	(1,632,213)
	<u>\$ 17,081,216</u>	<u>\$ 22,025,000</u>	<u>\$ 4,943,784</u>

(A) - Former Washington Natural Gas Facility.

(B) - Former Puget Power Facility.

The estimated market value is based on an independent or tax appraisal net of transaction costs.

Company representatives would be pleased to meet to answer questions and arrange for site visits and tours as necessary. Please contact me in Seattle at (206) 224-2203 if there are any questions.

Sincerely,



Karl R. Karzmar  
Manager - Revenue Requirements

Enclosure

PUGET SOUND ENERGY  
STIPULATION PERTAINING TO GAINS FROM TRANSFERS OF REAL PROPERTY

DOCKET NO. UE-960195

**Exhibit A**

**MERGER SYNERGY  
FACILITY DISPOSAL**

**FACILITY/PROPERTY:** Totem Lake Operating Base

**LOCATION:** 12545 135th Avenue NE  
Kirkland, WA

**SIZE:** - **LAND:** 4.77 Ac.  
- **BUILDING:**  
(a) 11,424 Sq. Ft.  
(b) 1,200 Sq. Ft.

**DATE OF PURCHASE:** 10/27/1977

**NET BOOK VALUE:** \$1,337,293

**ESTIMATED NET MARKET VALUE:** \$1,460,000  
(APPRAISED VALUE LESS SELLING COSTS)

**BUSINESS PURPOSE:**

The facility provides office and warehouse space for gas field operations. Also, there is a storage yard for company related construction material and equipment as well as a mechanics garage for maintenance activities related to company vehicles.

**MERGER SYNERGY CRITERIA/JUSTIFICATION:**

The present functions will be primarily consolidated into the Company's nearby Redmond Service Center.

**MERGER SYNERGY  
FACILITY DISPOSAL**

**FACILITY/PROPERTY:** Kent Operating Base

**SITE ADDRESS:** 7260 So 224th Street  
Kent, WA

**SIZE:** - **LAND:** 3.24 Ac.

- **BUILDING:** 5,160 Sq. Ft.

WAREHOUSE 3,080 Sq. Ft.

OFFICE BUILDOUT 2,080 Sq. Ft.

**DATE OF PURCHASE:** 8/23/77

**NET BOOK VALUE:** \$567,842

**ESTIMATED NET MARKET VALUE:** \$765,000  
(APPRAISED VALUE LESS SELLING COSTS)

**BUSINESS PURPOSE:**

The property has been utilized as an operating base for gas construction and maintenance crews, and warehousing activities. In addition, there are offices for personnel and services related to such functions.

**MERGER SYNERGY CRITERIA/JUSTIFICATION:**

The business operations currently conducted at the Kent Operating Base will be incorporated into PSE's nearby South King Service Center facility in Kent.

**MERGER SYNERGY  
FACILITY DISPOSAL**

**FACILITY/PROPERTY:** Central King Division Office

**SITE ADDRESS:** 600 - 116th Avenue NE  
Bellevue, WA 98004

**SIZE:** - **LAND:** 1.5 Ac.  
- **BUILDING (TOTAL):** 18,000 Sq. Ft.

**DATE OF PURCHASE:** 8/15/67

**NET BOOK VALUE:** \$872,102

**ESTIMATED NET MARKET VALUE:** \$3,100,000  
(APPRAISED VALUE LESS SELLING COSTS)

**BUSINESS PURPOSE:**

This facility was previously used for Division administration, business office, meter reading, furniture storage, drafting and micrographics departments.

**MERGER SYNERGY CRITERIA/JUSTIFICATION:**

PSE's South King Mega-Center facility has absorbed the administrative functions formerly conducted out of Puget Power's former Central King Division office building. Meter reading and cashiering functions are or have been consolidated in PSE's Crossroads facility. Furniture storage will be significantly reduced and relocated as a result of on-going facility moves and consolidations. Drafting function is being relocated to the Mercer building. Micrographics functions are being outsourced.

**MERGER SYNERGY  
FACILITY DISPOSAL**

**FACILITY/PROPERTY:** Auburn Stores & Operating Base

**LOCATION:** East of SR 167 at W. Main St.  
**SITE ADDRESS:** 1400 W. Main Street  
Auburn, WA 98002

**SIZE:**

- LAND:	5.04 Ac.
- BUILDING (TOTAL):	38,791 Sq. Ft.
Office	7,671 Sq. Ft.
Storage Bldg.	1,920 Sq. Ft.
Warehouse	21,120 Sq. Ft.
Covered Storage	10,000 Sq. Ft.

**DATES OF PURCHASE:**

8/22/64  
11/23/81

**NET BOOK VALUE:** \$1,649,405

**ESTIMATED NET MARKET VALUE:** \$1,450,000  
(APPRAISED VALUE LESS SELLING COSTS)

**BUSINESS PURPOSE:**

The property has been utilized as an operating base for gas construction and maintenance crews, and warehousing activities. In addition, there are offices for personnel and services related to such functions.

**MERGER SYNERGY CRITERIA/JUSTIFICATION:**

The South King Mega-Center facility in Kent will house the consolidated warehouse and operating functions. When all employees and equipment moves from Auburn to Kent are complete in early 1998, the former WNG Auburn facility will be surplus and available for disposal.

**MERGER SYNERGY  
FACILITY DISPOSAL**

**FACILITY/PROPERTY:** Olympia Office/Warehouse

**SITE ADDRESS:** 3120 Martin Way E  
Olympia, WA 98506

<b>SIZE:</b>	-	<b>LAND:</b>	5.14 Ac.
	-	<b>BUILDING (TOTAL):</b>	8,661 Sq. Ft.
		<b>Office</b>	5,661 Sq. Ft.
		<b>Warehouse</b>	3,000 Sq. Ft.

**DATE OF PURCHASE:** 11/04/71

**NET BOOK VALUE:** \$220,117

**ESTIMATED NET MARKET VALUE:** \$950,000  
(APPRAISED VALUE LESS SELLING COSTS)

**BUSINESS PURPOSE:**

The facility has been utilized for office and warehouse activities related to gas system construction and maintenance.

**MERGER SYNERGY CRITERIA/JUSTIFICATION:**

The office and warehouse functions have been consolidated into the former Puget Power Olympia Service Center located at 2711 Pacific Avenue SE. The facility is therefore considered surplus and will be disposed.



**MERGER SYNERGY  
FACILITY DISPOSAL**

**FACILITY/PROPERTY:** Proposed South Pierce Svc Center

**SITE ADDRESS:** 39th Ave SE and 5th St. SE  
Puyallup, WA

**SIZE:** - **LAND:** 19.25 Ac.  
- **BUILDING (TOTAL):** N/A

**DATE OF PURCHASE:** 12/20/93

**NET BOOK VALUE:** \$3,471,333

**ESTIMATED NET MARKET VALUE:** \$3,665,000  
(APPRAISED VALUE LESS SELLING COSTS)

**BUSINESS PURPOSE:**

This property was proposed to house Puget Power's division administrative office, warehouse, storage facility, garage, SMRT shop and engineering/operations functions.

**MERGER SYNERGY CRITERIA/JUSTIFICATION:**

The Division/Region administrative functions initially proposed for this facility have been located in the Company's Tacoma facility located at 3130 South 38th Street. In addition, operations functions have been integrated into the Enumclaw, Tacoma and Kent Operating Bases, thus reducing the stresses on the existing Puyallup facility located at 5807 Milwaukee Avenue. As a result, the proposed South Pierce service facility will not be constructed.

## MERGER SYNERGY FACILITY DISPOSAL

**FACILITY/PROPERTY:** Renton Complex  
(Business Office, General Stores, Renton Service Center)

**SITE ADDRESS:** 620 South Grady Way  
Renton, WA

**SIZE:** - **LAND:** 19 Ac.  
**BUILDINGS:**  
General Stores  
    Warehouse 45,000 Sq. Ft.  
    Office 6,000 Sq. Ft.  
Service Center  
    Warehouse 11,600 Sq. Ft.  
    Office 2,500 Sq. Ft.  
Division Office 14,400 Sq. Ft.

**DATE OF PURCHASE:** 10-04, 4-06, 7-08, 1-53, & 4-69

**NET BOOK VALUE:** \$2,592,479

**ESTIMATED NET MARKET VALUE:** \$4,585,000  
(APPRAISED VALUE LESS SELLING COSTS)

### **BUSINESS PURPOSE:**

Originally the property was used in conjunction with Puget Power predecessor company coal mining operations. The General Stores building was built in 1951 and at various times was used by fleet operations for fueling and maintenance of fleet vehicles, the meter department and for storage and maintenance of transformers. The Service Center building was originally constructed in 1956 with subsequent additions in 1960 and 1979. This facility was used for construction and maintenance and also housed division engineering. The Division Office building was built also constructed in 1956 and was used as a regional headquarters and as a business office.

### **MERGER SYNERGY CRITERIA/JUSTIFICATION:**

Most of the operations located at this facility have been consolidated into The South King Mega-Center facility in Kent or the Seattle Mercer Building. Upon completion of the next phase of development of the South King Mega-Center facility in early 1998, the remainder of the functions will also be moved.

**MERGER SYNERGY  
FACILITY DISPOSAL**

**FACILITY/PROPERTY:** 9th & Republican Parking Lot

**SITE ADDRESS:** 412 9th Ave N  
Seattle, WA 98109

**SIZE: - LAND:** .66 Ac.

**DATE OF PURCHASE:** 1946 (In Service Date)

**NET BOOK VALUE:** \$28,916

**ESTIMATED NET MARKET VALUE:** \$830,000  
(APPRAISED VALUE LESS SELLING COSTS)

**BUSINESS PURPOSE:** Off Site Parking

**MERGER SYNERGY CRITERIA/JUSTIFICATION:**

The consolidation of numerous former WNG operations (Call Center, Fleet, Meter Reading, Mapping, Etc.) into other PSE facilities are resulting in reductions in employee densities in the Mercer/Dexter complex. The off site parking is no longer needed.

**MERGER SYNERGY  
FACILITY DISPOSAL**

**FACILITY/PROPERTY:** 9th & Harrison Parking Lot

**SITE ADDRESS:** 401 & 415 9th Avenue N  
Seattle, WA 98109

**SIZE: - LAND:** .50 Ac.

**DATE OF PURCHASE:** 2/05/63  
10/24/68

**NET BOOK VALUE:** \$139,516

**ESTIMATED NET MARKET VALUE:** \$650,000  
(APPRAISED VALUE LESS SELLING COSTS)

**BUSINESS PURPOSE:** Off Site Parking

**MERGER SYNERGY CRITERIA/JUSTIFICATION:**

The consolidation of numerous former WNG operations (Call Center, Fleet, Meter Reading, Mapping, Etc.) into other PSE facilities are resulting in reductions in employee densities in the Mercer/Dexter complex. The off site parking is no longer needed.

## MERGER SYNERGY FACILITY DISPOSAL

**FACILITY/PROPERTY:** 500 Dexter Block Complex  
(Dexter, Heath, Boyd Buildings)

**SITE ADDRESS:** Dexter: 530 Dexter Ave. N.  
Boyd: 524 Dexter Ave. N.  
Heath: 501 8th Ave. N.

**SIZE:** - **LAND:** Approx. 1.75 acres  
- **BUILDING (TOTAL):** Dexter: 26,145 sq. ft.  
Boyd: 10,380 sq. ft.  
Heath: 4,950 sq. ft.

**DATE OF PURCHASE:** 10/25/85, 12/22/86, 5/6/91

**NET BOOK VALUE:** total: \$6,202,213

**ESTIMATED NET MARKET VALUE:** total: \$4,570,000  
(APPRAISED VALUE LESS SELLING COSTS)

### **BUSINESS PURPOSE:**

The combined facilities have housed general administration offices, warehouse functions, meter reading, special projects and marketing functions.

### **MERGER SYNERGY CRITERIA/JUSTIFICATION:**

The buildings are currently used by purchasing, marketing, and special projects groups on an interim basis. When the groups are relocated to other company facilities and special projects are completed by mid 1998, the buildings may be surplus and available for disposal.