

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET UE-130583
)	
PUGET SOUND ENERGY, INC.)	ORDER 01
)	
For an Accounting Order Authorizing)	
Accounting Treatment Related to)	
Payments for Major Maintenance)	
Activities)	
.....)	
)	
WASHINGTON UTILITIES AND)	DOCKET UE-130617
TRANSPORTATION COMMISSION,)	
)	ORDER 05
Complainant,)	
)	
v.)	
)	
PUGET SOUND ENERGY, INC.)	
)	
Respondent.)	
.....)	
)	
In the Matter of the Petition of)	DOCKET UE-131099
)	
PUGET SOUND ENERGY, INC.)	ORDER 01
)	
For an Accounting Order Authorizing)	
Accounting the Sale of the Water)	
Rights and Associated Assets of the)	
Electron Hydroelectric Project in)	
Accordance with WAC 480-143 and)	
RCW 80.12.)	
.....)	

ORDER GRANTING REVISED MOTION FOR CONSOLIDATION

1 **NATURE OF PROCEEDINGS.** On April 23, 2013, Puget Sound Energy, Inc. (PSE or the Company) filed an accounting petition with the Washington Utilities and Transportation Commission (Commission) requesting authority to defer and amortize

major maintenance expenses related to the Mint Farm Combined Cycle Generating Station (Mint Farm Petition). On April 25, 2013, PSE submitted a power cost only rate case (PCORC) application. On June 6, 2013, the Company requested an order: (1) Finding that PSE's Electron Hydroelectric Project (Electron Project) is not necessary or useful, and thus the Company's sale of the Electron Project to Electron Hydro LLC is not subject to the Commission's transfer of property statutes; (2) In the alternative, approving the transfer; and (3) Approving PSE's proposed accounting and ratemaking treatment of the transfer (Electron Project Application). These matters have been designated as Dockets UE-130583, UE-130617, and UE-131099, respectively.

- 2 **CONFERENCE.** The Commission convened a prehearing conference in the PCORC proceeding at Olympia, Washington, on May 31, 2013, before Administrative Law Judge Marguerite E. Friedlander.

- 3 **APPEARANCES.** Sheree Strom Carson and Donna L. Barnett, Perkins Coie LLP, Seattle, Washington, represent PSE. Simon J. ffitch and Lisa Gafken, Assistant Attorneys General, Seattle, Washington, represent the Public Counsel Section of the Washington Office of Attorney General (Public Counsel). Donald T. Trotter and Steven W. Smith, Assistant Attorneys General, Olympia, Washington, represent the Commission's regulatory staff (Staff).¹ Irion Sanger and Joshua D. Weber, Davison Van Cleve, Portland, Oregon, represent the Industrial Customers of Northwest Utilities (ICNU).²

¹ In formal proceedings, such as this, Staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners' policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

² ICNU's petition for intervention was granted in Docket UE-130617. Prior to this Order consolidating that proceeding with Docket UE-131099, the Electron Project Application, ICNU also filed a request to intervene in the latter docket. As ICNU's interest in Docket UE-131099 is substantially similar to that stated in Docket UE-130617, the Commission will allow ICNU's

4 **MOTION FOR CONSOLIDATION.** On July 17, 2013, Staff filed a Motion for Consolidation (Motion) requesting the joinder of: (1) the Electron Project Application;³ (2) the PCORC; and (3) the Mint Farm Petition. Staff asserts that all three matters share common facts and principles of law.⁴ At its July 26, 2013, Open Meeting, the Commission approved Staff's revised consolidation request with regard to the Electron Project Application, directing all issues within the matter be set for hearing with the PCORC. As a result, we need not formally address this portion of Staff's request except to reiterate that the issues within Docket UE-131099 have been joined with Docket UE-130617. We'll now turn to the Mint Farm Petition.

Mint Farm Petition

5 The Mint Farm Combined Cycle Generating Station is a combustion turbine, combined cycle generating plant located in Longview, Washington.⁵ At maximum capacity, it can produce 310 megawatts (MW). The Company has a long term service agreement (LTSA) with General Electric International, Inc. (GE) which expires in 2026.⁶ Under the LTSA, GE will perform eight planned major service events over the term of the contract: four combustion inspections and four hot gas path inspections.⁷

participation in both dockets. Anyone wishing to object to this ruling should follow the Notice at the end of this Order.

³ With regard to Docket UE-131099, Staff initially requested consolidation only of the accounting and ratemaking issues within the docket. Staff now supports consolidation of PSE's entire Electron Project request, including the Company's request for approval of the transfer of the Electron Project to Electron Hydro LLC, with Dockets UE-130583 and UE-130617. For this reason, we refer to Staff's Motion throughout this Order as "revised."

⁴ Staff's Motion, ¶¶ 6 and 7.

⁵ PSE's Mint Farm Petition, ¶ 4.

⁶ *Id.*

⁷ *Id.*

PSE remunerates GE quarterly under the LTSA based on the hours the plant was run during the quarter.⁸

- 6 In Docket UE-130583, PSE proposes to: (1) Treat the deferred maintenance pre-payments as a regulatory asset on Exhibit D under the power cost adjustment (PCA) mechanism; (2) Begin amortizing the deferred amounts when the PCORC rates in Docket UE-130617 are approved and go into effect; (3) Use the same amortizable life that would be used for ASC 980-360, likely 36 months; and (4) Treat the rate base and amortization as variable in the PCA mechanism.⁹ In the alternative, if the Commission will not allow amortization to commence with the PCORC effective date for new rates, PSE requests that the amortization that will commence June 2013 over a 36 month period under ASC 980-360 be treated as variable in the PCA mechanism.¹⁰
- 7 **Staff's Motion.** PSE has requested recovery of its Mint Farm major maintenance costs within the PCORC filing,¹¹ and, according to Staff, consolidation of these two matters would promote regulatory efficiency by resolving related factual and legal issues in the same proceeding.¹² Staff opposes the Commission considering the Mint Farm Petition separate and apart from the PCORC because the Company "is implementing [its] proposed accounting treatment in the PCORC, Docket UE-

⁸ *Id.*, ¶ 8. PSE explains that GE bills the Company in the third month of each quarter based on the actual hours for the first two months and an estimate of hours for the third month. The difference, if any, between the actual and billed run hours in the third month is settled in the next quarter's billing. *Id.*

⁹ *Id.*, ¶ 13.

¹⁰ *Id.*

¹¹ *Id.*

¹² Staff's Motion, ¶ 8.

DOCKET UE-130617
ORDER 05

DOCKET UE-131099
ORDER 01

130617, before having Commission approval for that accounting [in the Mint Farm Petition].”¹³

8 Staff notes that, in prior PSE general rate cases, it has opposed deferred accounting treatment for major maintenance.¹⁴ PSE’s Mint Farm Petition does not alter that position.¹⁵ Staff recommends the Commission set the Mint Farm Petition for hearing with the Company’s PCORC.¹⁶

9 ***PSE’s Response.*** On July 25, 2013, PSE filed its response to Staff’s Motion (Response). The Company does not support consolidation of the Mint Farm Petition with its PCORC filing.¹⁷ According to PSE, the Mint Farm Petition “...merely serves as the initial step as recommended to PSE [by the Commission] to allow these costs to even be considered in a PCORC or general rate case.”¹⁸ The Company argues that the PCORC matter “stands on its own related to the issue of ASC 908 deferrals as it has included an adjustment that mirrors the treatment requested in the accounting petition.”¹⁹

10 The Company points to language in the 2009 general rate case order suggesting that the Commission “...accept[s] in principle the use of a deferral methodology for major plant maintenance expenses....”²⁰ PSE interpreted this language to encourage the

¹³ *Id.*, ¶ 9.

¹⁴ *Id.*, ¶10 (citing Dockets UE-090704 and UE-111048).

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ PSE’s Response, ¶ 2.

¹⁸ *Id.*, ¶ 10.

¹⁹ *Id.*, ¶ 11.

²⁰ *Id.*, ¶ 6.

inclusion of "... amounts booked under the [Financial Accounting Standards Board Accounting Standards Codification Section 908, Airlines (ASC 908)] deferral method in variable [Power Cost Adjustment (PCA)] regulatory assets and amortization for purposes of determining the PCA deferral at the time a maintenance event occurred and amortization under GAAP commenced."²¹

- 11 PSE argues that Staff has had over three months to review the Mint Farm Petition and recommends that the Commission approve it without further delay rather than consolidate it with the PCORC.²²
- 12 **Staff's Reply.** On August 1, 2013, Staff filed a reply to PSE's Response (Staff's Reply) where it reiterated support for the inclusion of the Mint Farm Petition in the PCORC.²³ Staff contends that the two matters are interrelated and should be decided on one, fully-developed record.²⁴ If the Commission approved the Mint Farm Petition prior to hearing the PCORC, as PSE suggests, Staff argues the Company would be all but guaranteed recovery of the expenses within the newly-created regulatory asset.²⁵
- 13 Further, PSE has already created the regulatory asset for major maintenance even though Staff asserts that nothing in the Commission's 2009 Order authorized this action.²⁶ The Commission has not yet ruled "whether [the Company] should be

²¹ *Id.*, ¶ 7 (quoting *Washington Utilities and Transportation Commission, Complainant, v. Puget Sound Energy, Inc., Respondent*, Dockets UE-090704 and UG-090705, Order 11: Rejecting Tariff Sheets; Authorizing and Requiring Compliance Filing, ¶ 163 (April 2, 2010) (Order 11)).

²² *Id.*, ¶ 13.

²³ Staff's Reply, ¶ 4.

²⁴ *Id.*, ¶ 8.

²⁵ *Id.*, ¶ 10 (citing to Financial Accounting Standards Board 980-340-25).

²⁶ *Id.*, ¶ 11 (citing to Order 11).

allowed to create a regulatory asset, and the Commission has not established any particular amortization procedure related to major maintenance.”²⁷ PSE has incorrectly claimed “its petition is ‘consistent with the direction from the Commission’ on these crucial points.”²⁸ PSE, according to Staff, has failed to identify “any substantial harm” it might suffer if the proceedings were consolidated.²⁹

14 ***Discussion and Decision.*** Pursuant to WAC 480-07-320, the Commission has the discretion to “consolidate two or more proceedings in which the facts or principles of law are related.” The Commission examines the extent to which the factual and legal issues are related and whether consolidation would promote judicial economy and would not unduly delay the resolution of one or all of the proceedings.³⁰

15 It is clear that the Mint Farm Petition and the Company’s PCORC filing are interrelated and share common facts and principles of law. PSE has never claimed otherwise. The Company’s argument that consolidation might unnecessarily delay resolution of the Mint Farm Petition if it is consolidated with the PCORC is misplaced. Staff’s opposition to PSE’s proposed deferral and creation of a regulatory asset, as requested in the Mint Farm Petition, would likely have led to an adjudication and evidentiary hearing on a parallel track to the PCORC. In addition, had PSE wanted the Mint Farm Petition resolved sooner than the PCORC, the Company could have filed the petition more than two days prior to filing the PCORC.

²⁷ *Id.*, ¶ 12.

²⁸ *Id.* (quoting PSE’s Response, ¶ 11).

²⁹ *Id.*, ¶ 13.

³⁰ *E.g.*, *Washington Utilities and Transportation Commission, Complainant, v. Puget Sound Energy, Inc., Respondent*, Docket UG-110723 and *Washington Utilities and Transportation Commission, Complainant, v. Puget Sound Energy, Inc.*, Dockets UE-111048 and UG-111049 (consolidated), Orders 04, ¶ 8 (September 7, 2011).

**DOCKET UE-130583
ORDER 01**

PAGE 8

**DOCKET UE-130617
ORDER 05**

**DOCKET UE-131099
ORDER 01**

16 As Staff asserts, PSE has failed to identify any substantial harm that would result from consolidation. On balance, consolidation of these interrelated matters will result in judicial economy. Further, it is doubtful consolidation will delay a final order in the combined proceeding.³¹ We therefore grant Staff's revised request to consolidate these matters.

ORDER

17 Staff's revised Motion for Consolidation of Dockets UE-130583 and UE-131099 into Docket UE-130617 is GRANTED.

Dated at Olympia, Washington, and effective August 8, 2013.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARGUERITE E. FRIEDLANDER
Administrative Law Judge

NOTICE TO PARTIES: This is an Interlocutory Order of the Commission. Administrative review may be available through a petition for review, filed within 10 days of the service of this Order pursuant to WAC 480-07-810.

³¹ We do not, however, foreclose the parties' requests to modify the procedural schedule based on the consolidation. Any such requests should be filed within the review period for this Order (i.e., within 10 days).