

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

Petition of

PUGET SOUND ENERGY, INC.

For an Order Regarding the
Authorization to Sell Sulfur Dioxide
Emission Allowances and an
Associated Accounting Order

Docket No. UE-00 _____

PETITION

CO JUL 27 11:10
OFFICE OF THE
SECRETARY

In accordance with RCW 80.12.020 and WAC 480-143-120, Puget Sound Energy, Inc. (“PSE” or “the Company”) respectfully petitions the Washington Utilities & Transportation Commission (the “Commission”) for authorization to sell excess sulfur dioxide (SO₂) emission allowances to the extent excess allowances are deemed available to be sold. PSE also requests an accounting order setting forth the proper regulatory reporting of the proceeds from the SO₂ allowance transactions for which regulatory authorization is being sought.

INTRODUCTION AND BASIS FOR REQUESTING ORDER

1. The Company is 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.
2. The Company is subject to Environmental Protection Agency (EPA) laws. In order to avoid a penalty under EPA laws or to avoid costs related to the purchase of additional allowances, its plants are limited to the level of emissions allowed by Title IV of the Clean Air Act Amendments of 1990.
3. As a result of conservation efforts conducted by the Company and emission reduction activities of the Company and its Colstrip Project partners within the State of Montana, emission allowances held by the Company are deemed to be in excess of its emissions allowance needs from time to time.

4. The Commission has previously issued orders UE-961156, UE-940466, and UE-940947 authorizing Washington Water Power (Avista) and PacifiCorp, respectively, to sell excess SO₂ allowances and to set forth the accounting for such transactions.

PSE is requesting similar authorization to sell SO₂ allowances, which are deemed to be excess. A minimal amount of the Company's allowances withheld by the EPA have been sold by the EPA prior to this request. The allowances were sold by the EPA for approximately \$147,900. The proceeds have been deferred on the Company's balance sheet pending a decision, in this proceeding, on the accounting treatment. The Company requests that the accounting set forth be applied to the previously conducted sales activity with amortization commencing in 2000.

REQUESTED ORDER

PSE requests authorization under the Commission's property transfer statute RCW 80.12.020 and WAC 480-143-120, to sell excess SO₂ allowances. In addition, PSE requests an accounting order setting forth the following proposed method of reporting the proceeds associated with the transaction for which authorization is being sought. The proceeds associated with selling excess SO₂ allowances are proposed to be amortized over a ten-year period with deferral of taxes to match the amortization period. An equal amount will be amortized annually beginning with the year of each sale.

The Company respectfully requests the Commission enter an order in the form attached as Exhibit A (1) approving the Company's accounting treatment for the sale of SO₂ emission allowances, prior to the date of and after such order, and (2) authorizing the Company to defer the gain on disposition of allowances and amortize deferred amounts

over a ten-year period. An equal amount is to be amortized annually beginning with the year of each sale.

DATED: July 26th, 2000

PUGET SOUND ENERGY, INC.

By 

Karl R. Karzmar
Manager, Revenue Requirements

VERIFICATION

STATE OF WASHINGTON

COUNTY OF KING


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

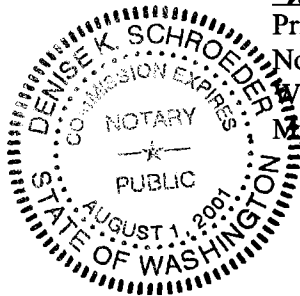
That he is Manager, Revenue Requirements of Puget Sound Energy, Inc., that he has read the foregoing Petition for an Order Regarding the Accounting Treatment for the sale of sulfur dioxide emissions allowances, that he knows the contents thereof, and that he believes the same to be true and the best of his knowledge and belief.


KARL R. KARZMAR

State of Washington
County of King

SUBSCRIBED AND SWORN to before me this 26 day of July, 2000.


Print Name : Denise K. Schroeder
Notary Public in and for the State of
Washington
My appointment expires Aug. 1, 2001



BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

OFFICE OF THE CLERK
03 JUL 27 PM 10:12
RECEIVED

PETITION OF PUGET SOUND ENERGY, INC.

For an Order Regarding the
Authorization to Sell Sulfur Dioxide
Emission Allowances and an
Associated Accounting Order

Docket No. UE-00_____

ORDER (PROPOSED)

B A C K G R O U N D

On July __, 2000, Puget Sound Energy, Inc. ("PSE" or the "Company") filed a Petition with this Commission under RCW 80.12.020 and WAC 480-143-120 seeking an order regarding the authorization to sell excess sulfur dioxide emission allowances if and to the extent excess allowances are available to be sold. The Petition also requests an accounting order setting forth the proper regulatory reporting of the proceeds from the SO₂ allowance transactions for which regulatory authorization is being sought.

The Company's Petition states that it is subject to Environmental Protection Agency (EPA) laws. The Petition states that to avoid a penalty under such laws or to avoid costs related to the purchase of additional allowances, its plants are limited to the level of emissions allowed by Title IV of the Clean Air Act Amendments of 1990. The Petition states further that as a result of conservation efforts by the Company and emission reduction activities of the Company and its Colstrip Project partners within

the State of Montana, emission allowances held by the Company are deemed to be in excess of its emission allowance needs from time to time.

In its Petition, the Company states that the Commission has previously issued orders UE-961156, UE-940466, and UE-940947 authorizing Washington Water Power (Avista) and PacifiCorp, respectively, to sell excess SO₂ allowances and to set forth the accounting for such transactions.

In addition the Company's Petition states that it is requesting authorization to sell SO₂ allowances, which are deemed to be excess. The Petition states that a minimal amount of the Company's allowances withheld by the EPA have been sold by the EPA prior to this request. Per the Petition, the allowances were sold by the EPA for approximately \$147,900. The Company requests that the accounting set forth be applied to the previously conducted sales activity.

FINDINGS

THE COMMISSION FINDS:

1. PSE is 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.
2. On July __, 2000, PSE filed with the Commission a Petition for an order regarding the authorization to sell SO₂ emission allowances and an associated accounting order.
3. The proposed sale and related accounting treatment is reasonable, consistent with prior Commission orders and should be approved.

ORDER

THE COMMISSION ORDERS:

1. Authorization is hereby given for PSE to:
 - a. Sell excess SO₂ emission allowances
 - b. Defer the gain associated with the sale of excess emission allowances.
 - c. Amortize the associated gain over a ten-year period. An equal amount to be amortized annually beginning with the year of each sale.
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.
3. The Commission, under its general ratemaking authority has the ability in subsequent PSE general rate proceedings to evaluate the reasonableness of the Company's sales of excess SO₂ emission allowances. The Company bears the burden of proof in any such proceeding regarding these matters.
4. The Commission retains jurisdiction to effectuate the provisions of this Order.

DATED at Olympia, Washington and effective this ____ day of August, 2000.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROL J. WASHBURN, Secretary