

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET NO. UE-021537
)	
PUGET SOUND ENERGY, INC.,)	
)	
Petitioner,)	
)	
For An Order Regarding the)	
Accounting Treatment for Costs of)	
its Electric Environmental)	ORDER APPROVING
Remediation Program)	ACCOUNTING PETITION
.....)	

BACKGROUND

1 On November 20, 2002, Puget Sound Energy , Inc., (“PSE” or the “Company”) filed a petition seeking an Accounting Order under WAC 480-09-420(7) 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 recently added components, “Duwamish River Site” and “Olympia Capacitor Site.” Detailed descriptions of the sites are included as Exhibit A to this 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 UE-911476, issued on April 1, 1992.

2 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 Company’s 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.

- 3 In its petition, the Company states that per Commission Order in Docket 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.
- 4 After discussion with the Commission Staff, the Company agreed that the environmental remediation costs deferred pursuant to the requested accounting order are subject to the following conditions:
 - 5 (a) Any net 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 are the total project expenditures (as defined in (e) below) less any recoveries from third parties and/or insurance proceeds.
 - 6 (b) 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.

- 7 (c) 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, Docket UE-960195.
- 8 (d) Deferred costs may be included in the calculation of working capital in future rate proceedings.
- 9 (e) Costs eligible for deferral 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.
- 10 (f) The Company will normalize the tax benefits associated with these costs.
- 11 (g) A maximum amount of \$15 million net costs may be deferred without additional Commission authorization.
- 12 (h) Only costs incurred between November 20, 2002, through December 31, 2012, may be deferred without additional Commission authorization.
- 13 (i) The Company will submit quarterly reports detailing the status of the various remediation projects, activities involving insurance and third party recoveries, and the level of costs being incurred.

FINDINGS AND CONCLUSIONS

- 14 (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.*

- 15 (2) PSE is an electric company and is a public service company subject to the jurisdiction of the Commission.
- 16 (3) WAC 480-09-420(7), allows companies to file a petition including that for which PSE seeks approval.
- 17 (4) Staff has reviewed the petition in Docket UE-021537 and believes the proposed accounting petition requested by PSE, subject to certain conditions described above, is reasonable and should be approved.
- 18 (5) This matter was brought before the Commission at its regularly scheduled meeting on April 30, 2003.
- 19 (6) After examination of the Petition filed in Docket No. UE-021537 by PSE on November 20, 2002, 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:

- 20 (1) Puget Sound Energy, Inc.'s request to defer the costs incurred in connection with the recently added components, "Duwamish River Site" and "Olympia Capacitor Site," to the Company's environmental remediation program and consideration of such costs in determining future rates, is approved.

- 21 (2) This authorization is subject to certain conditions agreed to in discussions between Puget Sound Energy, Inc., and Commission Staff, which are described above.
- 22 (3) This Order shall in no way affect the authority of this Commission over rates, services, accounts, evaluations, estimates, or determination of costs on any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs claimed or asserted.
- 23 (4) The Commission retains jurisdiction over the subject matter and Puget Sound Energy, Inc., to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective this 30th day of April, 2003.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary