BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

In the Matter of the Petition of PUGET SOUND ENERGY, INC. For an Accounting Order Authorizing Accounting Treatment Related to Payments for Major Maintenance Activities	Docket No. UE-13-________ PETITION FOR AN ACCOUNTING ORDER

I. INTRODUCTION

1. In accordance with WAC 480-07-370(b), Puget Sound Energy, Inc. ("PSE" or the "Company") respectfully petitions the Commission for an order that authorizes the accounting treatment detailed in this Petition related to major maintenance expenses on generation plants. PSE is requesting accounting treatment for payments made under an existing Long Term Service Agreement ("LTSA") with General Electric International, Inc. ("GE") for the Mint Farm Combined Cycle Generating Station ("Mint Farm Facility").

2. There are three instances in which PSE would account for prepayments for major maintenance under Accounting Standard Codification ("ASC") 908-360-25 (previously FASB Staff Position, No. AUG AIR-1, Accounting for Planned Major Maintenance Activities, September 8, 2006) ("AUG AIR-1" or "ASC 908-360-25"). They are: 1) an existing LTSA; 2) contracts for major maintenance; or 3) incremental internal costs related to major maintenance.

3. PSE has an existing LTSA with GE for the Mint Farm Facility that is accounted for under ASC 908-360-25. As is discussed in more detail below, PSE is requesting to: defer

maintenance pre-payments made to GE as a regulatory asset on Exhibit D under the PCA mechanism; begin amortizing the deferred amounts when rates for the 2013 power cost only rate case, which is expected to be filed this month, are approved and go into effect; use the same amortizable life of three years that would be used for ASC 980-360 which will end with the next expected maintenance event; treat the rate base and amortization as variable in the PCA mechanism. Under ASC 908-360-25, amortization related to major maintenance begins upon completion of the work and is amortized until the next major maintenance event.

4. PSE is engaged in the business of providing 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 retail rates, service, facilities and practices. Its full name and mailing address are:

> Puget Sound Energy, Inc.
> Attn: Katherine Barnard
> Director, Revenue Requirements & Regulatory Compliance
> P.O. Box 97034
> Bellevue, Washington 98009-9734

5. Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040, RCW 80.28.020 and WAC 480-07-370(b).

II. BACKGROUND

4. In December 2008, PSE purchased the 310 MW Mint Farm Combined Cycle Generating Station from Wayzata Opportunities Fund, LLC ("Wayzata"). The Mint Farm Facility is a combined cycle plant with a natural gas fired GE 7FA combustion turbine ("CT")

driving a generator and a Fuji steam turbine and generator driven by steam produced using the waste heat of the CT exhaust. Wayzata had entered into an LTSA with GE effective June 16, 2004 for planned maintenance services on the gas turbine generating unit. Under this agreement, GE would perform 8 planned major service events over the term of the LTSA, 4 Combustion Inspections ("CI") and 4 Hot Gas Path Inspections ("HGP"). PSE assumed the contract with the acquisition of the plant. The term of the LTSA is expected to expire in 2026.

5. Major maintenance events under the contract occur roughly every 12,000 hours based upon maintenance intervals established by GE. Accordingly, the actual timing is dependent upon the facilities capacity factor (hours run/hours in period). Mint Farm, like Goldendale, is a base load plant. Base load plants tend to have fairly stable operating profiles. The table below lists the actual maintenance dates and intervals for the Mint Farm and Goldendale facilities. Both plants are combined cycle base load plants equipped with the GE 7FA combustion turbine. Both plants are under long term maintenance agreements with GE.

Mint Farm Scheduled Major Maintenance History

Event	Date	Interval (Months)
MTF Combustion Inspection Capital	6/15/10	
MTF Hot Gas Path Capital	4/22/13	34

Goldendale Scheduled Major Maintenance History

Event	Date	Interval (Months)
CAP-GLD Compressor Failure Repairs	6/15/08	
GLD Hot Gas Path Cap	6/15/11	36
GLD Combustion Inspection Cap	6/15/14	36

6. In April of this year, GE will perform an HGP at the Mint Farm Facility. The work is scheduled to begin April 22, 2013 and last approximately 35 days.

7. The HGP entails the disassembly of combustion and turbine sections of the CT so that parts may be inspected, and repaired or replaced as necessary. The combustion section of the CT is where the natural gas is combined with compressed air and burned. The turbine section of the CT is where mechanical energy is extracted from the high speed flow of hot combustion gases exiting the combustion chambers.

8. Payments to GE under the Mint Farm LTSA are made quarterly and are based upon the hours the plant was run during the quarter ("Factored Fired Hours" or "FFH"). GE's billings are received in the third month of each quarter and are based upon the actual hours for the first two months of the quarter and an estimate of the run hours for the third month. Any difference between the actual and billed run hours in the third month is "trued up" in the following quarter's billing. The FFHs are multiplied by an hourly fee that is contractually adjusted for price escalation in July of each year. PSE follows ASC 980-360 when accounting for its major maintenance. Activities and materials provided by GE within the scope of the LTSA consist of three cost categories: 1) capital, units of property; 2) current maintenance support; and 3) prepaid maintenance expense (parts refurbishment). PSE allocates 37% of the hourly fee to prepaid maintenance expense. This percentage is based on a work study that was performed at the inception of the contract and which studied the type of services to be performed over the term of the contract. The portion of each quarterly payment allocable to prepaid expense under the Mint Farm LTSA is charged to a prepaid expense account.

9. The balance in the prepaid account will be approximately $1.9 million at the time of the upcoming Hot Gas Path Inspection. Based on the table presented earlier in the petition, a three year amortization period will be used for ASC 980-360 deferral accounting.

10. In the filing of its 2009 General Rate Case under Docket No. UE-090704, PSE proposed to change the way it recovers major maintenance expense. Prior to the 2009 General Rate Case, PSE calculated rate year maintenance costs for facilities under LTSA's based upon actual test year costs plus the normalized rate year major maintenance costs. Normalized major maintenance costs reflected the cost of the contracts over the contract's remaining term. Additionally, cost recoveries calculated up to the rate year were netted against these normalized costs. The net costs were then divided by the expected run times for the machines over the contract life and the resulting hourly rate was applied to the rate year generation. Beginning with the implementation of ASC 980-360, this calculation was defined as an accrue-in advance method which was no longer allowed under AUG AIR-1. Therefore, in the 2009 general rate case, for maintenance expenses under contract, PSE proposed using the deferral method that was acceptable under ASC 980-360. Commission Staff opposed the use of forecasts and recommended representative historical data when making pro forma adjustments and proposed the use of a five-year average of historical costs. PSE agreed to the use of historical data to determine O&M costs but argued that a five-year average did not reflect more current expense trends. The Commission ruled that the historical data proposed by PSE did not require any normalizing adjustments and accepted in principle the use of a deferral methodology for major

plant maintenance expenses but left the finer points of this methodology to a future rate proceeding.

11. For PSE's original filing in the 2011 General Rate Case under Docket No. UE-111048, PSE included test year amortization and deferrals associated with contract major maintenance in production O&M expense as representative of rate year costs and proposed to include the amortization amounts in the power cost baseline rate on the production regulatory asset amortization line which is a variable cost line on Schedule A-1 in the PCA Mechanism. PSE also requested automatic authorization to add new major maintenance deferrals and amortizations as variable regulatory assets once completed. Commission Staff argued against PSE's proposal to include the amortization amounts in the power cost baseline rate on Schedule A-l as a variable cost in the PCA mechanism. They recommended that planned major maintenance accounted for under the deferral method should be treated as a regulatory asset in accordance with the PCA and that expenses and balances be adjusted to rate year amounts. Commission Staff further argued that the projected events that would occur in the rate year were not known and measurable, and therefore, no new events could be added for rate recovery. Commission Staff also objected to PSE's proposal to automatically add new major maintenance deferrals as a regulatory asset once completed and argued that deferred costs of major maintenance should first receive Commission approval for designation as a regulatory asset in a general rate case or similar proceeding. PSE argued against using rate year amounts for contract major maintenance claiming that, although test year amounts would be fully amortized before the

start of the rate year, other similar maintenance events with costs that would coincide with the test year amounts would replace the expiring major maintenance contracts.

12. The Commission determined in paragraph 320 of Order 8 in Dockets UE-111048 and UG-111049 that PSE provided no substantive reason to treat the costs of major maintenance accounted for under the deferral method in a different fashion than the amortization expenses and balances of other regulatory assets and liabilities and rejected PSE's proposal to use test year amortization and deferrals for contract major maintenance. The Commission also stated in paragraph 321 of the final order that the PCA is not a mechanism for adding regulatory assets to rate base between rate cases. The Commission advised the Company that it could seek recovery of such costs by filing an appropriate accounting petition that, if approved, would stipulate terms of costs allowed for recovery on a prospective basis relative to the date of the filing. As stated in paragraphs 319 through 321 on pages 111 and 112 of Order No. 08, PSE's automatic deferral on Exhibit D of the PCA mechanism of new major maintenance deferrals that occur between rate cases is no longer allowed. Although PSE is allowed under GAAP to defer these costs as a long-term asset and amortize these costs over time, PSE is now required to expressly request PCA rate base treatment through an accounting petition or a rate filing.

II. PROPOSED ACCOUNTING TREATMENT

13. For the April 2013 planned maintenance event at the Mint Farm Facility to be performed by GE under the LTSA, PSE is requesting to:

(1) treat the $1.9 million of deferred maintenance pre-payments made to GE associated with the April 2013 maintenance event as a regulatory asset on Exhibit D under the PCA mechanism; and

(2) begin amortizing the deferred amounts when rates for the 2013 power cost only rate case, which is expected to be filed this month, are approved and go into effect

(3) use the same amortizable life that would be used for ASC 980-360 which will end with the next expected maintenance event. Based on historical experience and expected run times, the next event is expected to be April 30, 2016. This would result in an amortizable life of 36 months; and

(4) treat the rate base and amortization as variable in the PCA mechanism.

(5) if the Commission is not agreeable to allowing amortization to commence with the effective date of new rates in the 2013 power cost only rate case, then PSE requests that the amortization that will commence in June 2013 over a 36 month period under ASC 980-360 be treated as variable in the PCA mechanism.

The details of the proposed accounting are shown for the original deferral and first month's amortization in Exhibit A to this Petition. An example of the resulting amortization schedule for the regulatory asset is included in Exhibit B to this Petition.

IV. PRAYER FOR RELIEF

14. Based on the foregoing, PSE respectfully requests that the Commission issue an Accounting Order approving the requested treatment as outlined above associated with the

deferral of the planned maintenance for the April 2013 hot gas path inspection at PSE's Mint Farm Facility. PSE respectfully requests that the Commission approval be provided no later than May 31, 2013.

DATED this 23rd day of April, 2013.

Puget Sound Energy, Inc.

By Katherine J. Barnard
Katherine J. Barnard
Director, Revenue Requirements and Regulatory Compliance

VERIFICATION

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

Katherine Barnard, being first duly sworn, on oath deposes and says:

That she is Director of Revenue Requirement & Regulatory Compliance with Puget Sound Energy, Inc., that she has read the foregoing Petition of Puget Sound Energy, Inc. for An Accounting Order, that she knows the contents thereof, and that she believes the same to be true to the best of her knowledge and belief.

Katherine J. Barnard

Katherine J. Barnard

SUBSCRIBED and SWORN to before me this 23 day of April, 2013.

DENISE K. SCHROEDER
NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES
AUGUST 1, 2013

Denise K Schroeder

Print Name: Denise K Schroeder

Notary Public in and for the State of Washington,

residing at SNOQUALMIE, WA

My commission expires: 8-1-2013