

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

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| In the Matter of the Application of |) | DOCKET NO. UE-980454 |
| |) | |
| PUGET SOUND ENERGY, INC., |) | |
| |) | |
| Applicant, |) | |
| |) | |
| For the Sale and Transfer of Assets to |) | |
| Puget Western, Inc., a wholly owned |) | ORDER AUTHORIZING SALE AND |
| subsidiary |) | TRANSFER OF ASSETS |
| |) | |

BACKGROUND

- 1 On March 20, 1998, Puget Sound Energy, Inc., (“PSE” or “Company”) filed an application for sale and transfer of assets pursuant to the provisions of Chapter 80.12 RCW. The Application was also filed pursuant to the Stipulation approving the merger of Puget Sound Power & Light Company and Washington Natural Gas Company, Docket Nos. UE-951270 and UE-960195, (Fourteenth Supplemental Order issued February 10, 1997.) The Stipulation states as follows: “PSE will file an application with the Commission to obtain any necessary regulatory approvals for the transfers of two properties, the GO parking lot and the OBC land.” Merger Stipulation, Section III.A.4.d (page 9.) “OBC Land” refers to the land beneath the building (One Bellevue Center) in which PSE leased space for its headquarters until June 2003 while “GO Parking Lot” is the land adjacent to PSE General Office building in downtown Bellevue.
- 2 PSE transferred the properties to Puget Western Inc., (a wholly owned subsidiary, a.k.a. “PWI”) in 1995. PWI in turn sold the properties to third parties.
- 3 Property transfers were a contested issue in Puget's 1989 rate proceeding (Docket No. U-89-2688- T). Puget appealed the Commission's decision and the issue was resolved pursuant to a settlement agreement ("Property Transfer Agreement," or “Agreement”) among Puget, the Commission and Public Counsel. The Property Transfer Agreement specifies the procedures to be followed when Puget disposes of real property and prescribes how any gains are to be allocated between shareholders and customers. The Property Transfer Agreement requires Puget to have a property appraised by an independent appraiser when it is transferred to its subsidiary, Puget Western, Inc. The gain is the difference between the book value of the real property and the appraised value.

Puget followed the required procedures set forth in the Agreement and all of the gain was allocated to customers in the manner provided in the Agreement.

- 4 The gains calculated by PSE upon the transfer of the two properties to PWI were included in rates in the 2001 rate case (UE-011570, Electric Adjustment 2.17.)

FINDINGS AND CONCLUSIONS

- 5 (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 energy companies. *RCW 80.01.040; Chapter 80.04 RCW; Chapter 80.12 RCW and Chapter 80.28 RCW.*
- 6 (2) Puget Sound Energy, Inc., is engaged in the business of furnishing electric and gas service within the State of Washington as a public service company subject to the jurisdiction of the Commission.
- 7 (3) This matter was brought before the Commission at its regularly scheduled meeting on August 13, 2003.
- 8 (4) The Company's rates as determined in Docket No. UE-011570 include the gains from the transfers of these land parcels.

- 9 (5) The application meets the requirements of Chapter 80.12 RCW and the rules and regulations of the Commission adopted pursuant thereto. *Chapter 480-143 WAC.*
- 10 (6) After review of the application filed in Docket UE-980454 by PSE on March 20, 1998, and giving due consideration, the Commission finds that Application for the Transfer of utility system assets by PSE to PWI is consistent with the public interest and should be authorized.

ORDER

THE COMMISSION ORDERS:

- 11 (1) The Commission hereby authorizes the Sale and Transfer consistent with the application in accordance with RCW 80.12.020.
- 12 (2) This Order shall in no way affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 13 (3) The Commission retains jurisdiction over the subject matter and Puget Sound Energy, Inc., to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this 13th day of August, 2003.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner