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BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

In the Matter of the)	
)	
PETITION OF PUGET SOUND)	
ENERGY, INC.,)	Docket No. UE-991796
)	
For an Order Regarding the)	
Accounting Treatment for Costs of)	ORDER AUTHORIZING
its Electric Environmental)	ACCOUNTING TREATMENT
Remediation Program)	
.....)	

B A C K G R O U N D

On November 19, 1999, Puget Sound Energy, Inc., ("PSE" or the "Company") filed a Petition with this Commission under WAC 480-09-420(7) seeking an order 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 component, White River "Buckley Headworks." A detailed description of the White River Buckley Headworks site is included as Exhibit A to this petition. Costs so deferred would be amortized during the next succeeding five-year time period commencing on the date that all costs net of recoveries become known per Merger Order UE-960195, issued on February 5, 1997 (Merger Order).

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 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.

According to the Petition, the Company currently has underway an environmental remediation program in response to federal and state laws regarding hazardous wastes.

In its Petition, the Company states that per Commission Order No. UE-911476, issued April 1, 1992, 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.

After discussion with the Commission Staff, the Company agreed that the environmental remediation costs deferred pursuant to the requested accounting order would be subject to the following conditions:

- a. Any unamortized costs existing at the time of the Company's general rate proceedings would be subject to review. Any costs shown to be imprudent will be subject to disallowance for rate recovery purposes.
- b. Any amortization expense and unamortized balance at the time of the next general rate proceeding will be considered in determining rates;
- c. Any unamortized costs will be included in the calculation of working capital in future rate proceedings.
- d. Costs eligible for such accounting treatment would include only those amounts paid to outside vendors or contractors (i.e., investigation and feasibility studies, sampling, evaluation, monitoring, materials, remediation and removal) and would not include internal employee expenses and legal costs; and
- e. 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.
- f. The Company will normalize the tax benefits associated with these costs.
- g. The Company will submit quarterly reports detailing the status of the various remediation activities, insurance and third party recoveries, and the level of costs being incurred.

FINDINGS

THE COMMISSION FINDS:

1. PSE is a public service company furnishing electric and gas service primarily in the Puget Sound region of the State of Washington and is subject to the regulatory authority of the Commission as to its rates, service, facilities and practices.
2. On November 19, 1999, PSE filed with the Commission a Petition for an order regarding the accounting treatment for costs it incurs in connection with its White River "Buckley Headworks" environmental remediation program.
3. The accounting treatment proposed by PSE, subject to certain conditions described above, is reasonable and should be approved.

ORDER

THE COMMISSION ORDERS:

1. Authorization is hereby given for PSE to:
 - a. Defer the costs incurred in connection with the recently added component, White River “Buckley Headworks,” to the Company’s environmental remediation program; and
 - b. Amortize such costs deferred over a five-year period commencing on the date that all costs net of recoveries become known, consistent with the Merger Order.
2. Such deferral and amortization of costs incurred pursuant to its electric environmental remediation program are subject to the above conditions agreed to in discussions between PSE and Commission Staff.
3. 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.
4. The Commission, under its general ratemaking authority, has the ability in subsequent PSE general rate proceedings to evaluate the reasonableness of the Company’s expenditures associated with the electric environmental remediation program. The Company bears the burden of proof in any such proceeding regarding these matters. Any costs determined to be unreasonable or imprudent in such proceedings are subject to disallowance.
5. The Commission retains jurisdiction to effectuate the provisions of this Order.

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

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary