



PUGET  
SOUND  
ENERGY

September 17, 2001

Ms. Carole J. Washburn  
Executive Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
P.O. Box 47250  
Olympia, WA 98504-7250

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STIPULATION  
UTIL. AND TRANSPORTATION  
COMMISSION

Dear Ms. Washburn:

In accordance with paragraph 4.d. of the Terms of Approval in the joint Stipulation submitted by Puget Sound Power & Light Company, Washington Natural Gas Company, Commission Staff, and Public Counsel, approved by the Commission in its Fourteenth Supplemental Order Accepting Stipulation: Approving Merger, Docket No. UE-960195, dated February 5, 1997, Puget Sound Energy ("the Company") is reporting an intended property sale that is a direct result of the merger. Per paragraph 4.d. such transactions shall be reported to the Commission and Public Counsel before they are formally recorded as a gain or loss in the Company's books. The gain associated with this transaction shall be included in current earnings of Puget Sound Energy.

This property was identified for disposal as a direct result of the merger in the Deloitte & Touche study, identified as exhibit T-13 to staff in Docket No. UE-960195 and in a letter pertaining to gains from transfers of real property dated September 10, 1997. Accordingly, pursuant to WAC 480-143-100 the Company requests a waiver of the requirement to file an application for commission determination that the property is not necessary or useful, prior to disposing of such property, as required by WAC 480-143-180. Upon written request, WAC 480-143-100 provides for the waiver or modification by the commission of the application of any rule to a public service company except when such provisions are fixed by statute.

The Company plans to transfer to Puget Western, Inc. the surplus Kent Operating Base located at 7260 S. 224<sup>th</sup> St., Kent, WA 98032. It is planned that PWI, a wholly owned subsidiary of the Company, will subsequently sell the property. The natural gas street crews which operated from this location have been relocated to the Company's South King Service Center in the effort to consolidate that function. Although the facility is now temporarily occupied by Quanta personnel, they will move to the Kent Fleet Facility in order to perform construction activities as agreed to in our master service agreement.

Based on the 2001 property tax assessment, the calculation of the estimated pre-tax gain is set forth below:

Property Tax Assessed Value	\$ 809,700
less: Net Book Value	( 536,909)
Estimated Sale Costs	<u>( 161,900)</u>
Computed Pre-Tax Gain	<u>\$ 110,891</u>

In addition to the requested waiver, the Company seeks permission to transfer its surplus property located at 7260 S. 224<sup>th</sup> St., Kent, to PWI, Inc., at net book value and record any gain from its subsequent sale in current earnings on the Company's books.

A proposed order granting an application and determination exception from the requirements in WAC 480-143-180 and authorizing surplus property to be transferred at net book value is attached hereto as Exhibit A.

Please contact me in Bellevue at (425) 456-2797 if there are any questions.

Sincerely,



Karl R. Karzmar  
Manager, Revenue Requirements

cc Simon J. ffitc  
Assistant Attorney General  
Public Counsel Section  
900 4<sup>th</sup> Ave., Suite 2000  
Seattle, WA 98164-1012

Lisa Steel	WUTC Assistant Director, Energy
Merton Lott	WUTC Gas Industry Coordinator
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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of	)	
	)	
PUGET SOUND POWER & LIGHT	)	
COMPANY and WASHINGTON	)	DOCKET NO. UE-960195
NATURAL GAS COMPANY	)	
	)	
for an Order Authorizing Merger of	)	
WASHINGTON ENERGY COMPANY	)	
and WASHINGTON NATURAL	)	TWENTY-_____ SUPPLEMENTAL
GAS COMPANY with and into PUGET	)	ORDER (PROPOSED) WAIVING
SOUND POWER & LIGHT COMPANY,	)	WAC 480-143-180 ALLOWING
and Authorizing the Issuance of	)	RECORDING OF SALE PROCEEDS
Assumptions of Obligations, Adoption	)	IN COMPANY BOOKS
of Tariffs, and Authorizations in	)	
Connection Therewith	)	
. . . . .	)	

**BACKGROUND**

- 1 This is a consolidated proceeding in which the Commission has approved the merger of Puget Sound Power & Light Company and Washington Natural Gas Company into Puget Sound Energy. A merger joint stipulation was approved in the Fourteenth Supplemental Order. Paragraph 4.d. of the terms of approval in the joint stipulation provides, in general, that gains or losses on property sales made by the merged company are to be deferred, in the same manner as sales governed by an earlier settlement agreement, and considered in the company's next general rate case. One exception is allowed in Paragraph 4.d. If a property sale is a direct result of the merger, and if neither the Commission Staff nor Public Counsel objects to the sale, then Puget Sound Energy may directly record a gain or loss in the Company's books.
  
- 2 This matter was brought before the Commission at its regularly scheduled open meeting on September \_\_, 2001. The Commissioners, having been fully advised in the matter, and having determined the following order to be consistent with the public interest, directed the Secretary to issue the following order and related provisions.

**MEMORANDUM**

- 3 By letter dated September 17, 2001, Puget Sound Energy informed the Commission that it plans to transfer to Puget Western, Inc., a wholly-owned subsidiary of Puget Sound Energy, surplus property, including a building and land, known as the Kent Operating Base located at 7260 S. 224<sup>th</sup> St., Kent Washington. The company seeks permission to transfer the property to Puget Western, Inc. at net book value.
  
- 4 The company notes that an exception in paragraph 4.d. of the terms of approval in the

joint stipulation submitted and approved in the 14th Supplemental Order in this proceeding allows the company to include the gains or losses from property sales that are a direct result of the merger in current earnings. The Company asserts that the consolidation and integration of certain operating functions which occurred after the merger preclude the need for the Kent Operating Base. The Company considers the operating efficiencies were achieved as a direct result of the merger and invokes paragraph 4.d of the Merger Stipulation which allows the transfer of the property without Commission approval.

- 5 PSE seeks a waiver, in accordance with WAC 480-143-100, of the requirement to file an application for Commission determination that the property is not necessary or useful, prior to disposing of the property. WAC 480-143-180 requires such an application.
- 6 The Commission Staff and Public Counsel express no objection to the waiver request.
- 7 The Commission will treat the September 17, 2001, letter as seeking an exemption from WAC 480-143-180, and will grant the exemption.

### **ORDER**

#### **THE COMMISSION ORDERS:**

- 8 Puget Sound Energy is granted an exemption from the requirement in WAC 480-143-180 that it file an application for Commission determination that the property is not necessary or useful prior to disposing of the surplus property, including a building and land, known as the Kent Operating Base located at 7260 S. 224<sup>th</sup> St., Kent, WA.
- 9 Puget Sound Energy may transfer its surplus property known as the Kent Operating Base located at 7260 S. 224<sup>th</sup> St., Kent, WA. to Puget Western, Inc. at net book value.

DATED at Olympia, Washington, and effective this \_\_\_\_ day of September, 2001.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**CAROLE J. WASHBURN,  
Secretary**