



PUGET  
SOUND  
ENERGY

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STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

November 22, 2004

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

**Re: UE-042019 Proposed Transfers of the General Office and Crossroads Office buildings**

Dear Ms. Washburn:

On November 10, 2004, in accordance with WAC 480-143-120 Transfers of property and WAC 480-143-180 Disposal and determination of necessary or useful property, Puget Sound Energy ("the Company") filed a letter reporting the intended property transfer of the General Office and Crossroads buildings. In the above referenced docket number UE-042019, the Company is now filing an application and proposed order.

Please contact me in Bellevue at (425) 462-3885 if there are any questions.

Sincerely,

John H. Story  
Director Cost and Regulation

Enclosure

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

Roger Braden	WUTC Assistant Director, Energy
James Russell	WUTC Regulatory Analyst
Thomas Schooley	WUTC Regulatory Analyst
Roland Martin	WUTC Regulatory Consultant, Energy

BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of  
PUGET SOUND ENERGY, INC.

For an Accounting Order authorizing treatment of the net gain from the sale of the General Office and Crossroads buildings and determination that the property is not necessary or useful.

Docket No. UE-042019

**APPLICATION**

**I. INTRODUCTION**

1. Puget Sound Energy, Inc. ("PSE" or the "Company") plans to sell the General Office building located at 10608 NE 4th Street Bellevue, WA and the Crossroads Office building located at 805 156th Avenue Bellevue, WA. Both locations will no longer be "necessary or useful" as a direct result of the Company's effort to consolidate the General Office and Crossroads Office to the corporate office, the Summit Building in Bellevue.

PSE files this Application to obtain an Accounting Order authorizing treatment of the resulting gain, of the sale proceeds versus the book value of the structures and land, to be recorded as salvage with the retired structure in FERC Acct. 108, consistent with the FERC Uniform System of Accounts instruction. PSE also seeks the Commission's determination that the General Office and the Crossroads Office buildings will no longer be necessary or useful, pursuant to WAC 480-143-180.

2. This Application brings into issue the following statutes and regulations: WAC 480-143-180, and WAC 480-143-190.

## II. THE TRANSACTION

### **The Applicant: PSE**

3. PSE is an investor-owned electric and gas utility serving approximately 990,000 electric customers and 650,000 natural gas customers primarily in Western Washington. The full and correct name and business address for PSE are as follows:

Puget Sound Energy, Inc.  
The PSE Building  
10885 N.E. Fourth Street  
Bellevue, WA 98004-5579

4. PSE requests that all notices, correspondence and pleadings with respect to this Application be sent to:

For PSE:

John Story  
Director, Rates and Regulation  
Puget Sound Energy, Inc.  
The PSE Building  
10885 N.E. Fourth Street, Suite 800  
Bellevue, WA 98004-5579  
Tel. (425) 462-3885  
Fax (425) 462-3414 Email: john.story@pse.com\_\_\_\_\_

Please also send electronic copies of data requests to karl.karzmar @pse.com.

## III. JURISDICTION AND AUTHORITY REGARDING SALE

### **Commission Approval of the Sale of PSE's General Office and Crossroads Office buildings**

5. WAC 480-143-180 provides:

**WAC 480-143-180 Disposal and determination of necessary or useful property.** A public service company must not dispose of any property necessary or useful to perform its public duties unless it first applies for, and obtains, written authority from the commission.

Necessary or useful includes all property except items that:

- (1) Are substituted with or replaced by items of equal or greater value or usefulness;
- (2) Are surplus and unneeded assets for which full value is received;
- (3) Are obsolete; or
- (4) Are excluded from the public service company's rate base by commission order, or otherwise.

The public service company must file an application for commission determination that the property is not necessary or useful, prior to disposing of such property, if the property to be disposed of has a market value that exceeds the greater of .1% of the public service company's rate base (for the applicable utility service) last established by commission order, or \$20,000.

6. Both the General Office and Crossroads Office buildings will be: (1) substituted with or replaced by items of equal or greater value or usefulness and (2) they are surplus and unneeded assets for which full value be received.

7. PSE is filing a request for a determination by the Commission that the General Office and Crossroads Office buildings will no longer be necessary or useful. The amount of market value for the General Office building and land exceeds "the greater of 0.1% of the public service company's rate base (for the applicable utility service) last established by commission order, or \$20,000." WAC 480-143-180. PSE's rate base for electric and gas are as set forth below:

<u>Plant</u>	<u>Rate Base</u>	<u>1/10% Auth.</u>	<u>1/100% FMV Filing</u>	<u>Docket No.</u>
Electric	\$ 2,640,107,211	> 2,640,107	<> 264,011	UE-011570 +UE-031725
Gas	\$ 974,041,859	> 974,042	<> 97,404	UG-011571
Common	\$ 3,605,544,725	> 3,605,545	<> 360,554	UE/G-01157X

The indicated market value of the General Office building and land is \$9,500,000; above the threshold. The indicated market value of the Crossroads Office building and land is \$3,450,000; just below the threshold required for a Commission determination pursuant to WAC 480-143-180 for common plant.

#### **IV. ACCOUNTING TREATMENT**

8. As described above, the resulting gain, of the sale proceeds versus the book value of the structures and land, will be recorded as salvage with the retired structure in FERC Acct. 108, consistent with the FERC Uniform System of Accounts instruction.

#### **V. EXHIBITS**

##### **Exhibits to Application**

9. The exhibits that accompany this Application are:
- (a) Application Exhibit No. 1: Acquisition Value, Accumulated Depreciation and Net Book Value of Assets to be Transferred;
  - (b) Application Exhibit No. 2: Appraisal Letter of the General Office building and land; and
  - (c) Application Exhibit No. 3: Appraisal Letter of the Crossroads Office building and land.

#### **VI. REQUEST**

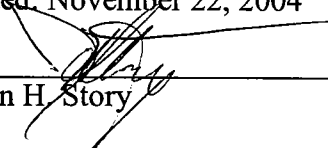
10. PSE requests a Commission order:
- (a) Determining that the General Office and Crossroads Office will no longer be necessary or useful.
  - (b) Approving the accounting treatment proposed by PSE, whereby the resulting gain, of the sale proceeds versus the book value of the structures and land, will be recorded as salvage with the retired structure in FERC

Acct. 108, consistent with the FERC Uniform System of Accounts instruction.

VERIFICATION

The undersigned hereby certifies that the information set forth in the foregoing Application is true and correct to the best of the signer's information and belief under penalty of perjury as set forth in RCW 9A.72.085.

Dated: November 22, 2004

  
\_\_\_\_\_  
John H. Story

Puget Sound Energy, Inc.  
Application Exhibit No. 1: Acquisition  
Value, Accumulated Depreciation and Net  
Book Value of Assets to be Transferred

**Puget Sound Energy, Inc.**  
**Bellevue G.O. and Crossroads Office Net Book Value**  
**(Land and Structures Only)**  
**As of 6/30/2004**

Super Number	FERC	Description	Acquisition Value	Accumulated Depreciation	Net Book Value
<b>GENERAL OFFICE</b>					
GPL-GEN	C389	Land & Land Rights	225,609.44	-	225,609.44
GPL-GEN	C390	Structures & Improvements	7,333,545.54	(2,604,633.29)	4,728,912.25
<b>GPL-GEN</b>		<b>TOTAL GENERAL OFFICE</b>	<b>7,559,154.98</b>	<b>(2,604,633.29)</b>	<b>4,954,521.69</b>
<b>CROSSROADS OFFICE</b>					
GPL-XRD	C389	Land & Land Rights	48,726.08	-	48,726.08
GPL-XRD	C390	Structures & Improvements	5,269,037.25	(2,374,789.49)	2,894,247.76
<b>GPL-XRD</b>		<b>TOTAL CROSSROADS OFFICE</b>	<b>5,317,763.33</b>	<b>(2,374,789.49)</b>	<b>2,942,973.84</b>
<b>TOTALS</b>			<b>12,876,918.31</b>	<b>(4,979,422.78)</b>	<b>7,897,495.53</b>



Puget Sound Energy, Inc.  
Application Exhibit No. 2: Appraisal Letter  
of the General Office building

## ***Bruce C. Allen & Associates Inc.***

*Real Estate Appraisers and Consultants*

*Bruce C. Allen, MAI, CRE, President*

*Denise M. Lane, MAI, Vice President*

*Murray Brackett, MAI, Vice President*

*Darin A. Shedd, MAI, Vice President*

April 9, 2003

Mr. Howard A. Strong  
Manager Real Estate  
**Puget Sound Energy**  
One Bellevue Center Building  
411 108<sup>th</sup> Ave N.E. OBC-11N  
Bellevue, Washington 98009-9012

**RE: APPRAISAL OF THE PSE FORMER CORPORATE OFFICE BUILDING  
PROPERTY LOCATED AT 10608 NE 4<sup>TH</sup> STREET IN BELLEVUE,  
WASHINGTON (Our File #23030)**

Dear Mr. Strong:

In response to your request, we have completed an appraisal, presented in *Summary Report* form, of the PSE former Corporate Office Building ("PSE Headquarter Building") property located at 10608 NE 4<sup>th</sup> Street in Bellevue, Washington. The purpose of the appraisal is to arrive at an opinion of the market value range of the fee simple interest in the subject property to assist Puget Sound Energy's management with decision making involving this property.

Briefly, the subject property consists of a 105,711-square-foot (2.43-acre) parcel of land currently improved with an 81,847 square foot 5-level (including basement), Class B-C, office building. The building was constructed in 1956 but has been upgraded and well maintained throughout the term of its physical life. The buildings structure, condition, and interior are comparable to Class B office space in the market; however, its exterior curtain wall and stone veneer, gives a dated impression in relationship to the surrounding office buildings, and the market in general.

Based on building floor plans provided to the appraisers by the Client, the office building has a gross building area of 84,340 square feet and net rentable area of 81,847 square feet as follows:

Based on our investigation and analysis of all relevant data, it is our opinion that the value range of the fee simple interest in the subject property, as of March 31, 2003, is as follows:

\$9,500,000 TO \$11,600,000  
(\$90.00/SF TO \$100.00/SF)

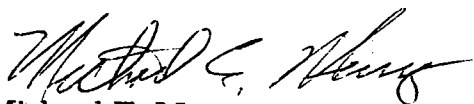
If you have further questions not answered in the accompanying report, please do not hesitate to call.

Sincerely,

**BRUCE C. ALLEN & ASSOCIATES**



Darin A. Shedd, MAI



Michael E. Murray, CCIM

kr  
Enclosures

Puget Sound Energy, Inc.  
Application Exhibit No. 3: Appraisal Letter  
of the Crossroads Office building

## ***Bruce C. Allen & Associates Inc.***

*Real Estate Appraisers and Consultants*

*Bruce C. Allen, MAI, CRE, President*

*Denise M. Lane, MAI, Vice President*

*Murray Brackett, MAI, Vice President*

*Darin A. Shedd, MAI, Vice President*

May 20, 2003

Mr. George Lertkantitham  
Real Estate Representative  
**Puget Sound Energy**  
P.O. Box 97034 OBC-11N  
Bellevue, Washington 98009-9734

**RE: APPRAISAL OF PUGET SOUND ENERGY CROSSROADS OFFICE  
BUILDING LOCATED AT 805 156<sup>TH</sup> AVENUE NE IN BELLEVUE,  
WASHINGTON (Our File #23092)**

Dear Mr. Lertkantitham:

In response to your request, we have completed an appraisal of the Puget Sound Energy Crossroads Office Building located at 805 156<sup>th</sup> Avenue NE in Bellevue, Washington. The purpose of the report is to arrive at an opinion of the market value of the fee simple interest in the subject property for internal planning purposes.

The subject property is a 30,596-square-foot, 1-story + basement, Class C office building. The main floor area contains 15,796 square feet of good-quality office space. The basement area contains approximately 14,800 square feet of office space with a lunchroom, storage area, and large mechanical room. The building was constructed in two phases with the original building, consisting of the eastern half of the structure, constructed in 1966. The newer western portion was constructed in 1985. The interior of the entire upper level, as well as a portion of the lower level of the building was remodeled in 2001. The improvements are situated on a large, 3.67-acre site at the northwest corner of NE 8<sup>th</sup> Street and 156<sup>th</sup> Avenue NE in Bellevue. The site is well landscaped and has surface parking for 195 cars. Of the subject's 3.67 acres, approximately 36,500 square feet at the western portion of the site is considered excess.

This appraisal was made in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) and is intended to conform with the appraisal standards of the entity requesting this appraisal. Complete descriptions and photographs of properties used for comparison are included in this report, as well as all of our analyses and conclusions. The value estimates herein are given

subject to the specific assumptions and limiting conditions stated immediately following this transmittal letter.

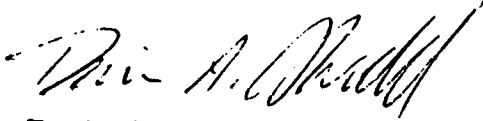
Based on our investigation and analysis of all relevant data, it is our opinion the market value of the fee simple interest in the subject property, as of April 22, 2003, is:

**THREE MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS**  
**(\$3,450,000)**

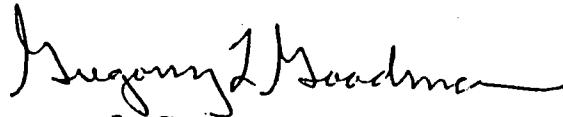
If you have further questions not answered in the accompanying report, please do not hesitate to call.

Sincerely,

**BRUCE C. ALLEN & ASSOCIATES, INC.**



Darin A. Shedd, MAI



Gregory L. Goodman, Associate

kr  
Enclosures

**BEFORE THE  
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Application of

PUGET SOUND ENERGY, INC.

For an Accounting Order authorizing treatment of the net gain from the sale of the General Office and Crossroads buildings and determination that the property is not necessary or useful.

Docket No. UE-042019

ORDER (PROPOSED)

**MEMORANDUM**

1. On November 22, 2004, Puget Sound Energy, Inc. ("PSE" or "the Company") submitted an Application relating to the proposed sale of the General Office and Crossroads Office buildings.
2. In the Application, PSE requested an order:
  - (a) Determining that the General Office and Crossroads Office buildings will no longer be necessary or useful.
  - (b) Approving the accounting treatment proposed by PSE, whereby the resulting gain, of the sale proceeds versus the book value of the structures and land, will be recorded as salvage with the retired structure in FERC Acct. 108, consistent with the FERC Uniform System of Accounts instruction.

### **Proposed Accounting Treatment of Gains**

3. In its application, PSE proposes that the resulting gain, of the sale proceeds versus the book value of the structures and land, will be recorded as salvage with the retired structure in FERC Acct. 108, consistent with the FERC Uniform System of Accounts instruction.

### **FINDINGS**

4. PSE is engaged in the business of furnishing electric and gas service within the state of Washington as a public service company, and is subject to the jurisdiction of this Commission.

5. On November 19, 2004, PSE submitted an Application requesting:

- Determination that the General Office and Crossroads Office buildings will no longer be necessary or useful.
- Approval of the accounting treatment proposed by PSE, whereby the resulting gain, of the sale proceeds versus the book value of the structures and land, will be recorded as salvage with the retired structure in FERC Acct. 108, consistent with the FERC Uniform System of Accounts instruction.

### **ORDER**

WHEREFORE, THE COMMISSION HEREBY ORDERS:

5. The following determinations are made with regard to the proposed sale of the General Office and Crossroads Office buildings:

- Allowing the sale of the General Office building.
- Allowing the sale of the Crossroads Office building.

6. PSE shall use the following accounting treatment: any resulting gain, of the sale proceeds versus the book value of the structures and land, will be recorded as salvage with the



retired structure in FERC Acct. 108, consistent with the FERC Uniform System of Accounts instruction.

7. This order shall in no way affect the authority of this Commission over rates, services, accounts, evaluations, estimates, or determination of cost or 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.

8. The Commission retains jurisdiction over the subject matter of the Application and PSE to effect the provisions of this order.

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

\_\_\_\_\_  
MARILYN SHOWALTER, Chairwoman

\_\_\_\_\_  
RICHARD HEMSTAD, Commissioner

\_\_\_\_\_  
PATRICK J. OSHIE, Commissioner