



Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

June 5, 2008

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504

Re: Puget Sound Energy, Inc.'s Petition for Accounting Order
Bellingham Manufactured Gas Plant Site
(Electric Environmental Remediation Program)

Dear Ms. Washburn:

Enclosed are an original and twelve copies of the Petition of Puget Sound Energy, Inc. ("the Company") for an Accounting 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.

This petition is being submitted via the Washington Utilities and Transportation Commission's Records Center Web Portal electronic-filing system and by overnight mail

If you have any questions regarding this filing, please contact me at (425) 456-2797.

Very truly yours,

A handwritten signature in black ink, appearing to read 'K. Karzmar', is written over a horizontal line.

Karl R. Karzmar
Director, Regulatory Relations

Enclosures

cc: Bob Cedarbaum
Simon ffitich

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

Petition of

PUGET SOUND ENERGY, INC.

For an order Regarding the Accounting
Treatment for Costs of its Electric
Environmental Remediation Program

Docket No. UE-08____

PETITION

In accordance with WAC 480-07-370(1)(b). Puget Sound Energy, Inc. (“PSE” or “the Company”) respectfully petitions the Washington Utilities & Transportation Commission (the “Commission”) for 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. Specifically, the Company requests that the Commission issue an order which:

authorizes the Company to defer the costs incurred in connection with the recently added component to the Company’s environmental remediation program related to the Bellingham Manufactured Gas Plant Site. A description of the site is included as Exhibit A to this petition. Costs so deferred, net of third party recoveries, would be recovered in rates consistent with the Commission’s Order in Docket No. UE-911476, issued on April 1, 1992, and the Merger Order in Docket No UE-960195.

The order requested in this Petition 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 requested accounting order would allow the Company to avoid the negative financial impact that would otherwise be required in accounting for these costs under current financial reporting requirements.

In support of this Petition, the Company states as follows:

INTRODUCTION AND BASIS FOR REQUESTING ORDER

1. The Company 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 regulatory authority of the Commission as to its rates, service, facilities and practices. Its full name and mailing address for purposes of this proceeding are:

Karl R. Karzmar, Director – Regulatory Relations
Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, Washington 98009-9734

2. Statutes and rules that may be at issue in this Petition include RCW 80.01.040 and WAC 480-07-370(1)(b)

3. The Company has underway an electric environmental remediation program in response to federal and state laws regarding hazardous wastes.

4. Per Commission Order No. UE-911476, issued April 1, 1992, the Company was authorized to defer certain costs associated with its electric environmental remediation program. The order identified the particular components of its electric environmental remediation program to which the requested accounting treatment would apply as: (a) the three sites for which the Company had identified as a potentially responsible party (“PRP”) under CERCLA, (b) its Electron site, and (c) its underground storage tank programs. The order authorized deferral accounting treatment and stated that this treatment was considered to be appropriate in light of the variability and unpredictability of environmental expenditure and recoveries of insurance or third party offsetting proceeds. The variable and unpredictable nature of environmental expenditures has not changed and is not expected to change in the future.

REQUESTED ORDER

5. By this Petition, the Company requests that the Commission, with respect to costs incurred in connection with its electric environmental remediation program, approve the accounting treatment of deferring costs incurred related to its Bellingham Manufactured Gas Plant Site. Costs so deferred, net of third party recoveries, would be recovered in rates to be established in future rate proceedings consistent with the Commission's Order in Docket No. UE-911476, issued on April 1, 1992, and the Merger Order in Docket No UE-960195.

Approval of Accounting Treatment

6. The Company proposes to defer the costs associated with its electric environmental remediation program with respect to this site. Costs so deferred, net of third party recoveries, would be recovered in rates to be established in future rate proceedings consistent with the Commission's Order in Docket No. UE-911476 and the Merger Order in Docket No UE-960195.

7. The Company proposes that all electric environmental remediation costs deferred pursuant to the requested accounting order would be subject to the following conditions:


- (a) Any deferred costs existing at the time of the Company's general rate proceedings would be subject to review and net deferred costs shown to be imprudent or inappropriate will be subject to disallowance for rate recovery purposes. Net deferred costs as detailed in (d) below are the total project expenditures less any recoveries from third parties and or insurance proceeds;
- (b) Any allowed net deferred costs will be amortized over a five-year period commencing on the date that all costs net of recoveries become known, consistent with the Merger Order in Docket No. UE-960195;

- (c) Any deferred costs will be included in the calculation of working capital in future rate proceedings;
- (d) Costs eligible for such deferred 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;
- (e) Costs that are deferred will be reduced by any insurance proceeds or payments from other responsible third parties received by the Company in respect of such costs;
- (f) The Company will normalize the tax benefits associated with these costs; and
- (g) The Company will submit quarterly reports detailing the status of the various remediation projects and the level of costs being incurred.

WHEREFORE, the Company respectfully requests that the Commission enter an order in the form attached as Exhibit B (1) approving the Company's accounting treatment for costs incurred in connection with its recently added component of its electric environmental remediation program prior to the date of and after such order, and (2) authorizes the Company to defer the costs incurred in connection with the electric environmental remediation program described in this Petition

DATED: June 5, 2008

PUGET SOUND ENERGY, INC.

By 

Karl R. Karzmar
Director, Regulatory Relations

STATE OF WASHINGTON)
)ss.
COUNTY OF KING)

KARL R. KARZMAR, being first duly sworn, on oath deposes and says:

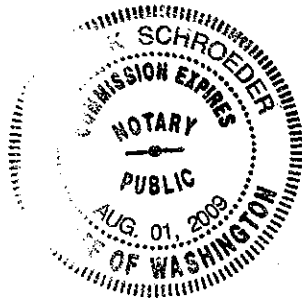
That he is Director, Regulatory Relations of Puget Sound Energy, Inc., that he has read the foregoing Petition for an Order Regarding the Accounting Treatment for Costs of its Electric Environmental Remediation Program, that he knows the contents thereof, and that he believes the same to be true and the best of his knowledge and belief.




KARL R. KARZMAR

State of WASHINGTON
County of KING

SUBSCRIBED AND SWORN to before me this ___th day of June, 2008.




Notary Public in and for the State of
Washington, residing at Ingaqualmie
My appointment expires 8-1-09

PUGET SOUND ENERGY
ELECTRIC ENVIRONMENTAL REMEDIATION PROGRAM
RECENTLY ADDED COMPONENT

Bellingham Manufactured Gas Plant (Boulevard Park) Site

On April 7th 2008, Puget Sound Energy received a notice letter from counsel representing the City of Bellingham alleging that contamination identified at the City of Bellingham Boulevard Park and the nearby sediments are attributable to the operation of a manufactured gas plant that operated at that location by the Bellingham Bay Gas Co. It is the opinion of the City that PSE is the ultimate corporate successor to the Bellingham Bay Gas Co. PSE is investigating the merits of this claim.

Known history for the property is summarized below.

- In 1890, the Bellingham Bay Gas Co. constructed a coal gasification plant on the property now known as the City of Bellingham's Boulevard Park.
- The site operated under various ownerships until the mid 1950's when natural gas became available replacing the need for the plant to operate.
- In the late 1970's the City of Bellingham purchased the property and developed the Boulevard Park
- In 2005, The City was identified by the Washington Department of Ecology as a Potentially Liable Party.
- The City is in the process of negotiating with Ecology to enter into an Agreed Order to investigate the site.
- The City of Bellingham currently estimates the remediation costs at \$8 million.

PSE has met with representatives from the City of Bellingham, including the Assistant City Attorney and outside counsel for the City. During this meeting, the City discussed the need to move the project forward under the direction of the Washington Department of Ecology (WDOE). Counsel for the City of Bellingham indicated that he would draft both a memorandum of understanding and an interim allocation to facilitate a joint remedial effort with at least the City of Bellingham and PSE.

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

PETITION OF PUGET SOUND ENERGY, INC. |

For an Order Regarding the Accounting
Treatment for Costs of its Electric
Environmental Remediation Program

| Docket No. UE-08 ____

| ORDER (PROPOSED)

On June __, 2008, Puget Sound Energy, Inc. ("PSE" or the "Company") filed a Petition with this Commission under WAC 480-07-370(1)(b) 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 to the Company's environmental remediation program related to the Bellingham Manufactured Gas Plant Site. A detailed description of the site was included as Exhibit A to the petition. Costs so deferred, net of third party recoveries, would be recovered in rates to be established in future rate proceedings consistent with the Commission's Order in Docket No. UE-911476, issued on April 1, 1992, and the Merger Order in Docket No UE-960195.

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, that 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.

In its Petition the Company proposed that the requested order pertaining to such deferred costs incurred pursuant to its environmental remediation program be subject to the following conditions:

- (a) Any deferred costs existing at the time of the Company's general rate proceedings are subject to review and net deferred costs shown to be imprudent or inappropriate will be subject to disallowance for rate recovery purposes. Net deferred costs as detailed in (d) below are the total project expenditures less any recoveries from third parties and or insurance proceeds.
- (b) Allowed net deferred costs will be amortized over a five-year period commencing on the date that all costs net of recoveries become known, consistent with the Merger Order in Docket No. UE-960195;
- (c) Any deferred costs will be included in the calculation of working capital in future rate proceedings.

- (d) Costs eligible for such deferred accounting treatment will include only those amounts paid to outside vendors or contractors (i.e., investigation and feasibility studies, sampling, evaluation, monitoring, materials, remediation and removal) and will not include internal employee expenses and legal costs.
- (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 projects and the level of costs being incurred.

FINDINGS AND CONCLUSIONS

THE COMMISSION FINDS:

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 electric companies. RCW 80.01.040; Chapter 80.04 RCW and Chapter 80.28 RCW.
2. 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.
3. On May __, 2008, PSE filed with the Commission a Petition for an order regarding the accounting treatment for costs it incurs in connection with its electric environmental remediation program. WAC 480-07-370, allows companies to file a petition including that for which PSE seeks approval.

4. Staff has reviewed the petition in Docket UE-08____ and believes the proposed accounting petition requested by PSE, subject to certain conditions described above, is reasonable and should be approved.

5. This matter was brought before the Commission at its regularly scheduled meeting on _____.

6. After examination of the Petition filed in Docket No. UE-08____ by PSE on May __, 2008, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed, subject to certain conditions described above, 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 to the Company's environmental remediation program related to the Bellingham Manufactured Gas Plant Site. in accordance with the Petition, and
 - b) Recover such costs in future rates as described in this Petition.
 - c) Such deferral of costs incurred pursuant to its electric environmental remediation program shall be subject to the herein-contained conditions proposed by the Company in its Petition.
2. 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. The Commission, under its general ratemaking authority, will have the ability in subsequent PSE general rate proceedings to evaluate the reasonableness of the Company's expenditures associated with the electric environmental remediation program.

4. The Commission retains jurisdiction to effectuate the provisions of this Order.
DATED at Olympia, Washington, and effective this ____ day of _____.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK SIDRAN, Chairman

PHILLIP JONES, Commissioner

PATRICK OSHIE, Commissioner