

1
2 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
3
4 In the Matter of the Application of)
5)
6 PUGET SOUND ENERGY, INC.,) DOCKET NO. UE-990267
7 for (1) Approval of the Proposed sale of the)
8 Colstrip Generating Units, and) __ SUPPLEMENTAL ORDER
9 (2) Authorization to Amortize Gain Over a) RE: EWG DETERMINATION
10 Five-Year Period.) (PROPOSED)
11 _____)
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13 On March 4, 1999, Puget Sound Energy, Inc. ("PSE") filed an Application for an Order
14 under RCW Chapter 80.12 authorizing the proposed sale of PSE's ownership interest in the
15 Colstrip Generating Units 1, 2, 3, and 4 to PP&L Global, Inc., together with associated
16 transmission assets (the "Colstrip Facilities"). The Application also seeks authorization for a five
17 year amortization of any gain realized from the proposed sale.

18 As set forth in the Application, PP&L Global intends to seek FERC approval to own and
19 operate the Colstrip Facilities with exempt wholesale generator status. Because the Colstrip
20 Facilities are currently in PSE's rate base for its jurisdictional sales of electricity in this state, 15
21 U.S.C. § 79z-5a(c) requires that PP&L Global include with its EWG application to FERC a
22 statement that this Commission has determined that allowing the plant to be a wholesale facility
23 operated by an EWG: "(1) will benefit consumers; (2) is in the public interest; and (3) does not
24 violate State law."

25 This order addresses only the EWG determination. This order explicitly does not address
26 any other issues, nor does it preclude the parties or the Commission from raising, addressing or
27 resolving any other issues, including, without limitation, the standard to be applied in resolving

1 whether to approve the proposed sale or the appropriate regulatory treatment for any gain realized
2 as a result of the sale. This order has no precedential effect with respect to approval of the
3 proposed sale, the standard to be applied in resolving whether to approve the proposed sale or
4 any issues other than the issue specifically addressed by the order, i.e., the Commission making
5 an EWG determination conditioned upon final approval of the proposed sale.

6 **I. BACKGROUND**

7 A. Assets Proposed to Be Sold

8 The assets proposed to be sold by PSE are set forth in the Asset Purchase Agreement
9 dated November 1, 1998, by and between PSE and PP&L Global, Inc. and include:

- 10 • PSE's 50% ownership interest in Colstrip Units 1 & 2 (net capacity 307 MW)
- 11 • PSE's 25% ownership interest in Colstrip Units 3 & 4 (net capacity 370 MW)
- 12 • PSE's ownership interest in the 500 kV line from Colstrip to Broadview (746 MW) and
13 from Broadview to Townsend (759 MW)

14 B. Description of the Purchaser

15 PP&L Global, Inc. is a Pennsylvania corporation engaged in the development, operation,
16 and maintenance of electric generation and distribution facilities and companies worldwide.

17 PP&L Global, Inc. is a subsidiary of PP&L Resources, Inc., an exempt public utility holding
18 company. PP&L Resources, Inc.'s subsidiaries include PP&L, Inc., an electric utility franchised
19 to serve approximately 1.2 million homes and businesses in 29 counties of central and eastern
20 Pennsylvania. PP&L, Inc. owns generation capacity in excess of 8,000 MW and markets and
21 trades wholesale energy within the United States and Canada.

22 Although PP&L Global, Inc. negotiated and signed the agreements with PSE, PP&L

1 Global, Inc.'s wholly owned subsidiary, PP&L Colstrip I will complete the transaction. PP&L
2 Colstrip I was created for this purpose and will take title to the PSE facilities being sold.

3 C. Asset Purchase Agreement

4 The Asset Purchase Agreement, dated November 1, 1998, by and between PSE and
5 PP&L Global provides for the sale of the above described Colstrip Facilities. Pursuant to the
6 Asset Purchase Agreement, PP&L Global must obtain all required regulatory approvals with
7 respect to the Colstrip Facilities, including a final order of FERC certifying PP&L Colstrip I as
8 an exempt wholesale generator pursuant to section 32 of the Public Utility Holding Company Act
9 of 1935 for both the generation and the transmission assets. In the event PP&L Global does not
10 obtain such EWG certification with respect to the acquisition of the PSE transmission assets,
11 then PP&L Global will not purchase such transmission assets. In no event will PP&L Global
12 own or operate the Colstrip generation assets without obtaining EWG certification with respect
13 to the acquisition of the PSE Colstrip generation assets.

14 To obtain FERC approval to own and operate the Colstrip Facilities with exempt
15 wholesale generator status, PP&L Global must file a copy of a determination from this
16 Commission which states that allowing the facility to be an eligible facility: (1) will benefit
17 consumers; (2) is in the public interest; and (3) does not violate state law.

18 **II. FINDINGS OF FACT**

19 1. PSE is engaged in the business of furnishing electric and gas service within the
20 state of Washington as a public service company. PSE filed an Application on March 4, 1999,
21 for an order under RCW Chapter 80.12 authorizing the sale of PSE's ownership interests in the

1 determination under 15 U.S.C. § 79z-5a(c), conditioned upon a Commission order approving the
2 proposed sale of the Colstrip Facilities. If the proposed transaction is ultimately approved,
3 allowing the Colstrip Facilities to be a wholesale facility operated by an EWG: (1) will benefit
4 consumers; (2) is in the public interest; and (3) does not violate state law.

5 **IV. ORDER**

6 THE COMMISSION ORDERS:

7 1. PSE's application for a determination under 15 U.S.C. §79z-5a(c) is granted,
8 conditioned upon a Commission order approving the proposed sale of the Colstrip Facilities. If
9 the Commission does not ultimately issue an order approving the proposed sale, this EWG
10 determination will be null and void.

11 2. The Commission retains jurisdiction over the subject matter and PSE to effectuate
12 the provisions of this order.

13 DATED at Olympia, Washington, and effective this ____ day of June, 1999.

14 WASHINGTON UTILITIES AND
15 TRANSPORTATION COMMISSION

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18 MARILYN SHOWALTER, Chairman

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21 RICHARD HEMSTAD, Commissioner

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24 WILLIAM R. GILLIS, Commissioner