

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

<p>In the Matter of the Petition of PUGET SOUND ENERGY, INC. For an Accounting Order Authorizing Accounting Treatment Related to Payments for Major Maintenance Activities</p>	<p>DOCKET UE-130583</p>
<hr/> <p>WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, INC. Respondent.</p>	<p>DOCKET UE-130617</p>
<hr/> <p>In the Matter of the Petition of PUGET SOUND ENERGY, INC. For an Accounting Order Authorizing Accounting for the Sale of the Water Rights and Associated Assets of the Electron Hydroelectric Project in Accordance with WAC 480-143 and RCW 80.12</p>	<p>DOCKET UE-131099 PSE'S RESPONSE TO COMMISSION STAFF'S MOTION FOR CONSOLIDATION</p>

I. INTRODUCTION

1 Puget Sound Energy, Inc. (“PSE” or “the Company”), files this response to Commission Staff’s Motion For Consolidation in the above referenced dockets, pursuant to the Notice of Opportunity to Respond, issued by the Commission on July 18, 2013. As

stated in the Motion For Consolidation, Commission Staff seeks a Commission order consolidating three matters filed by PSE: (1) Docket UE-130583 ("Major Maintenance Accounting Petition"); (2) the accounting and ratemaking issues in Docket UE-131099 (Application Related to Property Transfer – Electron); and (3) Docket UE-130617 (Power Cost Only Rate Case ("PCORC")). According to Commission Staff, "[t]he issue of whether to approve the property transfer in Docket UE-131099 relating to the Electron project would remain in that docket for resolution by the Commission."

2 As discussed in more detail below, PSE does not object to the consolidation of Electron (Docket UE-131099), in its entirety, with the PCORC. However, PSE requests that the Commission deny the Motion For Consolidation with respect to Commission Staff's request to consolidate the Major Maintenance Accounting Petition (Docket UE-130583) with the PCORC.

3 WAC 480-07-320 – Consolidation of Proceedings gives the Commission *discretion* to consolidate proceedings in which facts or principles of law are related, but the Commission is not *required* to consolidate such proceedings. PSE filed the Major Maintenance Accounting Petition in compliance with the Commission's Final Order in Dockets UE-111048 and UG-111049. The accounting petition provides for a reasonable approach for PSE to recover its prepaid maintenance expense associated with the April 2013 hot gas inspection on the Mint Farm Combined Cycle Generating Stations ("Mint Farm Facility"). There has been ample time for review of the accounting petition. The Major Maintenance Accounting Petition should be approved without further delay.

II. DISCUSSION

A. Electron

4 If the Commission determines it is necessary to consolidate the ratemaking treatment of the Electron sale with the PCORC, then PSE requests that the Commission consolidate the entire Electron application, including the approval of the sale. PSE filed an application seeking the determination of both the approval of the sale and the ratemaking treatment of the sale. The Commission should consider these together rather than bifurcating the issues into separate proceedings. PSE does not want to be in the position of finalizing the sale now, without knowing the ratemaking treatment associated with the sale.

B. Major Maintenance Accounting Petition

5 The Major Maintenance Accounting Petition, filed more than three months ago, allows PSE to fully recover the prepaid expenses associated with the hot gas path inspection at its Mint Farm Facility in a manner consistent with the Commission's direction in PSE's last general rate case. Accordingly, the accounting petition should be approved, rather than consolidated with PSE's PCORC.

1. History of Major Maintenance Recovery

6 In PSE's 2009 general rate case, Commission Staff and Public Counsel advocated that the "deferral method" PSE was following for GAAP purposes associated with major maintenance events performed for PSE under long term service agreements or contract service agreements, should also be used for rate recovery purposes. This "deferral method" is the method prescribed under the AICPA Guide for Airlines, which is incorporated into the Financial Accounting Standards Board Accounting Standards

Codification Section 908, Airlines, (“ASC 908”). The Commission in Paragraph 163 of Final Order No. 11 in the 2009 general rate case approved the use of the deferral methodology and stated that:

All parties advocate that major plant maintenance should be handled using the “deferral method,” though it appears the parties may have some different ideas about what this means in practice. While we accept in principle the use of a deferral methodology for major plant maintenance expenses, we have no need to decide its finer points here. This undoubtedly will be brought before the Commission in some future proceeding when such costs are incurred and it will then be ripe for decision.

7 Based on its interpretation of the 2009 general rate case Commission Order, PSE began including amounts booked under the ASC 908 deferral method in variable PCA regulatory assets and amortization for purposes of determining the PCA deferral at the time a maintenance event occurred and amortization under GAAP commenced.

8 In its 2011 general rate case, PSE requested to use the test year level of rate base and amortization associated with its existing ASC 908 deferrals as a proxy for the rate year. In response, Commission Staff did not argue that PSE was not allowed to recover these ASC 908 deferrals. Rather, Commission Staff argued that, if the deferrals were to be treated as variable regulatory assets in the PCA mechanism, they should be included in rates at their rate year levels – and that essentially no rate year events were considered known and measurable. Thus, Commission Staff’s proposal did not allow any deferrals that did not exist in the rate year to be included for recovery. Furthermore, Commission Staff argued that PSE should not be given blanket authority to add ASC 908 deferrals to PCA variable regulatory assets and amortization between rate cases. Therefore, the only arguable point in the 2011 general rate case associated with the recoverability of ASC 908 deferrals was

related to *how* they were to be included in the PCA mechanism for recovery, not whether or not they should be included in the PCA mechanism.

9 The Commission in Paragraph 321 of Final Order No. 08 in the 2011 general rate case ordered that:

The Company can protect itself from any arguable inability to recover such costs by filing an appropriate accounting petition that, if approved, will relate back to the date of filing in terms of costs allowed for recovery on a prospective basis. . . . The PCA is not a mechanism for adding regulatory assets to rate base between rate cases or outside of power cost only rate cases.

10 Based on these prior proceedings related to ASC 908 deferrals, there is no issue as to the recoverability of these production related expenditures through the PCA mechanism. Prudently incurred costs to maintain PSE's thermal plant assets are without question allowed to be recovered through PSE's PCA mechanism. A general rate case or power cost only rate case is the avenue through which these costs will be reviewed and deemed to be prudently incurred. The accounting petition – *which is advised by Commission Order* – merely serves as the initial step as recommended to PSE to allow these costs to even be considered in a PCORC or general rate case. The PCORC or general rate case is the environment in which these costs will be either approved or not approved for recovery, based on the prudence of the costs incurred – not based on whether or not they qualify as PCA related costs.

2. The Accounting Petition Is Consistent With the Commission's Direction

11 Based on the above, PSE filed its accounting petition and requested recovery of the cost of this major maintenance event, in a manner consistent with the direction from the Commission. There is no reason to require that the accounting petition, which is the initial step that has been recommended to PSE, be consolidated with the pending PCORC

filing. PSE's PCORC filing stands on its own related to the issue of ASC 908 deferrals as it has included an adjustment that mirrors the treatment requested in the accounting petition.

12 Moreover, Commission Staff has had ample time to review this accounting petition. PSE filed the accounting petition on April 23, 2013—more than three months ago. There is no reason for this accounting petition to be further delayed by consolidating it with the PCORC, which may not be resolved before December 2013.


13 Commission Staff suggests that the alternative to consolidating the Major Maintenance Accounting Petition with the PCORC is to set the accounting petition for hearing. The more reasonable approach is to approve the accounting petition as filed and address amortization and any prudence concerns related to the hot gas path inspection in the PCORC.

III. CONCLUSION

14 For the foregoing reasons, the Commission should consolidate all issues in Docket UE-131099 (Application Related to Property Transfer – Electron) with Docket UE-130617 (PCORC). The Commission should approve the Major Maintenance Accounting Petition and deny Commission Staff's request to consolidate it with the PCORC.

Respectfully submitted this 25th day of July, 2013.

PERKINS COIE LLP


Sheree Strom Carson, WSBA #25349
Donna L. Barnett, WSBA #36794
Attorneys for Puget Sound Energy Inc.