

OCT 25 2000

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Petition of)
)
 PUGET SOUND ENERGY, INC.,)
) Docket No. UE-001157
 For an Order Regarding the Authorization)
 to Sell Sulfur Dioxide Emission Allowances) ORDER
 and an Associated Accounting Order)
)

BACKGROUND

On July 27, 2000, Puget Sound Energy, Inc. ("PSE" or the "Company") filed a Petition with this Commission under RCW 80.12.020 and WAC 480-143-120 seeking an order regarding the authorization to sell excess sulfur dioxide (SO₂) emission allowances if and to the extent excess allowances are available to be sold. The Petition also requests an accounting order setting forth the proper regulatory reporting of the proceeds from the SO₂ allowance transactions for which regulatory authority is being sought.

The Company's Petition states that it is subject to Environmental Protection Agency (EPA) laws. The Petition states that to avoid a penalty under such laws or to avoid costs related to the purchase of additional allowances, its plants are limited to the level of emissions allowed by Title IV of the Clean Air Act Amendments of 1990. The Petition states further that as a result of conservation efforts by the Company and emission reduction activities of the Company and its Colstrip Project partners within the State of Montana, emission allowances held by the Company are deemed to be in excess of its emission allowance needs from time to time.

In its Petition, the Company states that the Commission has previously issued orders UE-961156, UE-940466, and UE-940947 authorizing Washington Water Power (Avista) and PacifiCorp, respectively, to sell excess SO₂ allowances and to set forth the accounting for such transactions.

In addition the Company's Petition states that it is requesting authorization to sell SO₂ allowances, which are deemed to be excess. The Petition states that a minimal amount of the Company's allowances withheld by the EPA have been sold by the EPA prior to this request. Per the Petition, the allowances were sold by the EPA from 1993 to 1999 for approximately \$147,900. The Company requests that the accounting set forth also be applied to the previously conducted sales activity.

This matter was brought before the Commission at its regularly scheduled open meeting on October 25, 2000. 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 enter the following order and related provisions.

FINDINGS

THE COMMISSION FINDS:

- 1. PSE is a public service company within the State of Washington and is subject to the regulatory authority of this Commission.
- 2. On July 27, 2000, PSE filed with the Commission a Petition for an order regarding the authorization to sell SO₂ emission allowances and an associated accounting order.
- 3. It is consistent with the public interest to grant PSE authorization under RCW 80.12.020, to sell excess SO₂ emission allowances.
- 4. It is consistent with the public interest for PSE to record the proceeds associated with selling excess SO₂ emission allowances by crediting FERC Account 254 - Other Regulatory Liabilities and amortizing the deferred credits to FERC Account 411.8 - Gains from Disposition of Allowances.

ORDER

THE COMMISSION ORDERS:

- 1. Authorization is hereby given for Puget Sound Energy, Inc. to:
 - a. Sell excess SO₂ emission allowances.
 - b. Defer the gain associated with the sale of excess SO₂ emission allowances with the unamortized balance included in the rate base.
 - c. Amortize the associated gains over a ten-year period. An equal amount shall be amortized annually beginning with the month of each sale, except that the allowances sold by the EPA from 1993 to 1999 shall be amortized beginning with the effective date of this order.
 - d. Taxes associated with the sale of excess SO₂ emission allowances to be deferred to match the amortization period of the sales.
- 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, Inc.

3. The Commission, under its general ratemaking authority has the ability in subsequent Puget Sound Energy's general rate proceedings to evaluate the reasonableness of the Company's sales of excess SO₂ emission allowances. The Company bears the burden of proof in any such proceeding regarding these matters.

4. The Commission retains jurisdiction to effectuate the provisions of this Order.

DATED at Olympia, Washington and effective this 25th day of October, 2000.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



Carole J. Washburn,
Executive Secretary