



PUGET  
SOUND  
ENERGY

UE-991796  
(P)

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STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

November 16, 1999

Ms. Carole J. Washburn, Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
P.O. Box 47250  
Olympia, WA 98504-7250

**Re: Petition for Accounting Order for Environmental Remediation Costs**

Dear Ms. Washburn:

Enclosed for filing are an original and nineteen (19) copies of the Petition of Puget Sound Energy for an order regarding the accounting treatment for costs of its environmental remediation program.

The objective of the requested accounting treatment is to insulate the Company's customer's 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.

Thank you for your assistance.

Very truly yours,

PUGET SOUND ENERGY, INC.

By 

Karl R. Karzmar  
Manager, Revenue Requirements

Enclosures

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

Petition of		
PUGET SOUND ENERGY, INC.		Docket No. UE-99 _____
For an order Regarding the Accounting Treatment for Costs of its Electric Environmental Remediation Program		PETITION

In accordance with WAC 480-09-420(7). 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, White River “Buckley Headworks”. A detailed description of the White River Buckley Headworks site is included as Exhibit A to this petition. Costs so deferred would be amortized during the next succeeding five year time period commencing on the date that all costs net of recoveries become known per Merger Order UE-960195 , issued on February 5, 1997 (Merger Order).

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.
2. The Company has underway an electric environmental remediation program in response to federal and state laws regarding hazardous wastes.
3. 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 recently added component, White River "Buckley Headworks". All costs so deferred, will be amortized during the next succeeding five year time period commencing on the date that all costs net of recoveries become known in accordance with the Merger Order. Any unamortized costs that exist at the time of the next general rate proceeding will be considered in determining rates.

### **Approval of Accounting Treatment**

7. The Company proposes to defer the costs associated with its electric environmental remediation program which it incurs prior to the issuance of such order as well as prospectively. Costs so deferred would be amortized during the next succeeding five year period commencing on the date that all costs net of recoveries become known per the Merger Order. Any unamortized costs that exist at the time of the next general rate proceeding will be considered in determining rates.

8. 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 unamortized costs existing at the time of the Company's general rate proceedings would be subject to review.
- (b) Any unamortized costs at the time of the next general rate proceeding will be amortized and recovered in rates using an appropriate method as determined in such proceedings;
- (c) Any unamortized costs will be included in the calculation of working capital in future rate proceedings.
- (d) Costs eligible for such 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 legal costs; and
- (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 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 and amortize them over the next subsequent five year period consistent with the Merger Order, after the date of such order in connection with the electric environmental remediation program described in this Petition

DATED: November 17, 1999

PUGET SOUND ENERGY, INC.

By 

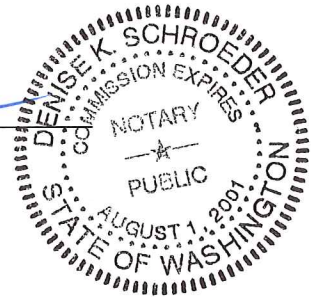
Karl R. Karzmar  
Manager, Revenue Requirements

STATE OF WASHINGTON )  
 )ss.  
COUNTY OF KING )

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


That he is Manager, Revenue Requirements 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 17 day of November   , 1999.

  
Notary Public in and for the State of  
Washington, residing at BELLEVUE  
My appointment expires 8-1-2001

## EXHIBIT A

### PUGET SOUND ENERGY ELECTRIC ENVIRONMENTAL REMEDIATION PROGRAM RECENTLY ADDED COMPONENT

#### **White River “Buckley Headworks”**

The site is located within the FERC boundary of the licensed White River Hydroelectric Project and is near the project dam and flume in Buckley, Washington. The potential for contamination was discovered in 1997 during an internal audit of the White River facility. Contamination at the Buckley Headworks site resulted from historic activities which included treating wood and storing treated wood. In the past, PSE used the site to treat wood with chemical preservatives for the construction and maintenance of the White River Project flume. Wood treating activities were discontinued in the late 1970s or early 1980s.

In 1998 and 1999, GeoEngineers conducted a preliminary site evaluation and a comprehensive site characterization study. Based on these studies, GeoEngineers estimates that 7,200 (in place) cubic yards or 13,000 tons of soil contains contaminants including polycyclic aromatic hydrocarbons (PAH's), arsenic, pentachlorophenol and dioxins in concentrations exceeding Model Toxics Control Act (MTCA) Method A cleanup levels.

On June 21, 1999 PSE met with representatives of the Washington Department of Ecology (WDOE) to discuss the findings and review proposed cleanup strategies. PSE is proposing to excavate the contaminated soil and transport it off site to appropriate disposal facilities. WDOE agreed that this was an appropriate strategy for the site. The cost of the cleanup project will depend upon a number of factors including how much of the contaminated soil is classified as an F listed waste under Washington State's Dangerous Waste Regulations. WDOE will make this determination based on historical information provided by PSE.

On June 29, 1999 PSE met with the City of Buckley Planning and Community Development Director to discuss the project and submit permit applications for cleanup of the site. Because the site is located within 200 feet of the White River, a shorelines permit will be required for the cleanup project. PSE plans to conduct the remediation project in the summer and fall of 2000.

Total Project Cost Estimate

\$1,000,000 - \$3,500,000

**EXHIBIT B**

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-99____   ORDER (PROPOSED) 

On November \_\_, 1999, Puget Sound Energy, Inc. ("PSE" or the "Company") filed a Petition with this Commission under WAC 480-09-420(7) 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, White River "Buckley Headworks". A detailed description of the White River Buckley Headworks site is included as Exhibit A to this petition. Costs so deferred would be amortized during the next succeeding five year time period commencing on the date that all costs net of recoveries become known per Merger Order UE-960195 , issued on February 5, 1997 (Merger Order).

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 unamortized costs existing at the time of the Company's general rate proceedings would be subject to review.
- (b) Any unamortized costs at the time of the next general rate proceeding will be amortized and recovered in rates using an appropriate method as determined in such proceedings;
- (c) Any unamortized costs will be included in the calculation of working capital in future rate proceedings.
- (d) Costs eligible for such 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 legal costs; and
- (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 submit quarterly reports detailing the status of the various remediation projects and the level of costs being incurred.

### FINDINGS

#### THE COMMISSION FINDS:

1. 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.
2. On November 16, 1999, 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.
3. The accounting treatment proposed by PSE is reasonable and 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, White River "Buckley Headworks", to the Company's environmental remediation program, and
  - b) amortize such costs deferred over a five year period commencing on the date that all costs net of recoveries become known consistent with the Merger Order.
2. Such deferral and amortization 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.
3. 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 November, 1999.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner