

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

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| In the Matter of the Petition of |) | DOCKET NO. UE-021577 |
| |) | |
| Puget Sound Energy, |) | |
| |) | |
| Petitioner, |) | |
| |) | |
| For An Accounting Order Regarding |) | |
| the Treatment for Certain Regulatory |) | ORDER GRANTING |
| Study Costs |) | ACCOUNTING PETITION |
| |) | |

BACKGROUND

- 1 On November 27, 2002, Puget Sound Energy, (PSE or Company) filed a petition for an Accounting Order under WAC 480-09-420(7) seeking deferred accounting treatment of costs incurred by the Company related to certain studies required by the Federal Energy Regulatory Commission (FERC). The studies are required to maintain the Company's licenses at its Baker and White River hydroelectric plants. On December 30, 2002, PSE revised its petition to reflect an agreement with Staff to begin amortization of such deferrals within one year, rather than at the conclusion of the Company's next general rate case.

- 2 These regulatory studies are required by the Federal Energy Regulatory Commission under the FERC Code of Federal Regulations, Part 12 (FERC Part 12), Safety of Water Power Projects and Project Works, to maintain the Company's licenses for hydroelectric plants. FERC Part 12 requires that the Company submit reports regarding the design and operation of certain water power projects as well as any condition affecting the safety of a project or any plan of corrective measures after inspection by an independent consultant. After reviewing the report, FERC may require the Company to implement corrective measures as deemed appropriate. Under this code, FERC has required PSE to perform seismic and sinkhole studies at its Baker River Project and perform

inspection and stress testing at its White River Project. PSE has estimated that it will spend approximately \$1.7 million to perform the three studies as outlined in Exhibit A to its petition. These costs will be incurred during calendar years 2003 and 2004.

- 3 According to the FERC Uniform System of Accounts instructions, regulatory study costs must initially be charged to account 183, Preliminary Survey and Investigation Charges. If construction ultimately results from such studies, then an equitable portion of regulatory study costs must be capitalized along with the project. The amount of regulatory study costs **not** related to construction are to be transferred to account 182.2, Unrecovered Plant and Regulatory Study Costs, and amortized (through account 407) over a period specified by the Commission, or charged to the appropriate operating expense account.
- 4 PSE requests authority to ultimately transfer the “non-construction” related regulatory study costs from account 183 to account 182.2 and amortize the amounts over a period of five years; commencing within one year after transfer. PSE states that this accounting treatment is consistent with how the Commission ordered the accounting of costs associated with a prior regulatory study in Docket U-85-53, issued May 16, 1996. PSE also committed in its petition to submit annual reports detailing the status of the identified regulatory studies and the level of costs being incurred.

FINDINGS AND CONCLUSIONS

- 5 (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.*

- 6 (2) PSE is an electric company and is a public service company subject to the jurisdiction of the Commission.
- 7 (3) WAC 480-09-420(7), allows companies to file a petition including that for which PSE seeks approval.
- 8 (4) Staff has reviewed the petition in Docket UE-021577, including related workpapers. Staff believes the proposed accounting petition and reporting requested by PSE is reasonable and should be approved, subject to a maximum amount of \$1.7 million in non-recurring regulatory study costs ultimately transferred from account 183 to account 182.2, and only for such costs incurred between November 27, 2002, through December 31, 2004.
- 9 (5) This matter was brought before the Commission at its regularly scheduled meeting on February 12, 2003.
- 10 (6) After examination of the petition filed in Docket UE-021577 by PSE on November 27, 2002, and as revised on December 30, 2002, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition, as amended, should be granted.

ORDER

THE COMMISSION ORDERS:

- 11 (1) Puget Sound Energy's request to defer non-construction related regulatory study costs and to amortize such amounts over a five-year period, beginning within one year from the time it is determined that the costs are not construction related, is approved.

- 12 (2) Authorization is granted for a maximum amount of \$1.7 million in non-recurring regulatory study costs ultimately transferred from account 183 to account 182.2, and only for such costs incurred between November 27, 2002, through December 31, 2004.
- 13 (3) This Order shall in no way affect the authority of this Commission over rates, services, accounts, evaluations, estimates, or determination of costs on any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs claimed or asserted.
- 14 (4) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective this 12th day of February, 2003.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary