

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

In the Matter of the Petition of)	DOCKET UE-081016
)	
PUGET SOUND ENERGY, INC.)	ORDER 01
)	
Petitioner,)	
)	
For An Accounting Order Regarding)	
the Accounting Treatment for Costs of)	
its Electric Environmental)	ORDER GRANTING ACCOUNTING
Remediation Program)	PETITION
.....)	

BACKGROUND

1 On April 16, 2007, Puget Sound Energy, Inc., (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under [WAC 480-07-370\(1\)\(b\)](#) authorizing 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 a recently added site, “Bellingham Manufactured Gas Site”.

2 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 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. The lag between the time the expenses are incurred and the recovery of those expenses would result in negative financial impacts. Staff has independently reviewed and verified that the environmental remediation costs are variable and the facts in the petition are true and correct.

- 3 In its petition, the Company states that the Commission's order in Docket UE-911476, entered on April 1, 1992, authorized deferred accounting treatment associated with particular components of its electric environmental remediation program costs. The Company asserts the order stated that deferred accounting treatment was appropriate in light of the variability and unpredictability of environmental expenditures.
- 4 Staff agrees that the Company should defer its costs due to environmental remediation for the reasons the Company asserts. Staff proposes changing the terms for authorizing deferred accounting for such costs to eliminate the need for filing environmental remediation accounting petitions in the future. Under Staff's proposal, future remediation deferrals in the Company's electric and gas business units will be treated similarly. All prior remediation deferrals will continue to be governed by the orders granting the accounting deferral.
- 5 The Company supports conditioning Commission approval on the following conditions:
- (a) The Company will record the deferred costs in Account number 186, Other Miscellaneous Deferred Debits. Once the net costs are known and the deferral is ready to be amortized, the Company will file with the Commission an accounting petition to transfer to Account number 182.3, Other Regulatory Assets.
 - (b) Deferred accounting will only be allowed for environmental remediation projects that fall under the jurisdiction of the Washington Department of Ecology's Model Toxics Control Act (MTCA) and/or the federal Environmental Protection Agency's Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).
 - (c) Any net deferred costs existing at the time of the Company's general rate proceedings will be subject to review and net deferred costs shown to be imprudent or inappropriate will be subject to disallowance for rate recovery purposes.

- (d) Costs that are deferred will be reduced by any insurance or third party proceeds before being eligible for amortization.
- (e) Allowed net deferred costs will be amortized over a five year period on the date all costs net of recoveries become known and declared prudent. The deferrals will be consistent with the Commission's Merger Order in Docket UE-960195.
- (f) Costs eligible for deferred accounting treatment will include only those amounts paid to outside vendors or contractors, i.e., investigation and feasibility studies, sampling, evaluation, monitoring, remediation, and removal, and will not include internal employee salaries, other employee incidental costs, such as, hotel, meals, etc., or outside legal expenses.
- (g) The Company will normalize the tax benefits associated with these costs.
- (h) Environmental remediation projects deferred in previous orders will continue to meet the terms of the order granting the deferral.
- (i) Prudency review will be determined in the future once net costs are known and the project is ready to be amortized.
- (j) The Company will not accrue interest to the remediation deferral projects. The projects will be eligible for working capital treatment.
- (i) The Company will continue to file quarterly reports for environmental remediation deferrals. Notification of new remediation sites will be made in the quarterly reports.

FINDINGS AND CONCLUSIONS

- 6 (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, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28*
- 7 (2) PSE is an electric company and a public service company subject to the jurisdiction of the Commission.
- 8 (3) WAC 480-09-420(7), allows companies to file a petition including that for which PSE seeks approval.
- 9 (4) Staff has reviewed the petition in Docket UE-070724 and believes the proposed accounting petition requested by PSE is reasonable and should be approved, subject to the conditions (a) through (i) in paragraph 5 of this Order. The deferred accounting treatment for such costs is considered to be appropriate in light of the variability and unpredictability of the environmental remediation expenditures.
- 10 (5) This matter was brought before the Commission at its regularly scheduled meeting on October 8, 2008.
- 11 (6) After reviewing the petition PSE filed in Docket UE-070724 on April 16, 2007, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the petition should be approved, subject to the conditions set forth above.

ORDER

THE COMMISSION ORDERS:

- 12 (1) Puget Sound Energy, Inc.'s request in Docket UE-081016 to defer the costs incurred in connection with the environmental remediation site referred to as the "Bellingham Manufactured Gas Site," and consider such costs in

determining future rates, is granted, subject to the conditions (a) through (i) in paragraph 5 of this Order.

- 13 (3) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 14 (4) The Commission retains jurisdiction over the subject matter and Puget Sound energy, Inc., to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective October 8, 2008.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner