

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

Application of

PUGET SOUND ENERGY, INC.

For an Order Authorizing the Transfer of
White River Assets and an Order Waiving
Prior Approval of the Transfer of Surplus
Property

Docket No. UE-09_____

ORDER (PROPOSED)

BACKGROUND

1. On March 13, 2009, in accordance with RCW 80.12.020 and WAC 480-143-120, Puget Sound Energy, Inc. ("PSE" or the "Company") filed an Application for Authorization To Transfer Assets of the White River Hydroelectric Project ("Application"), which sought approval of the sale of certain assets related to the Company's White River Hydroelectric Project (the "Project") to the Cascade Water Alliance ("CWA"). PSE also requested in its Application that the Commission waive RCW 80.12.020 and WAC 480-143-120 with regard to certain surplus property ("Surplus Property") related to the Project, which PSE expects to sell in the near future but which is not part of the CWA transaction. PSE did not request an accounting order in its Application; rather PSE stated that it will bring the issue of the application of proceeds from the sale and disposition of all Project proceeds—including the sale of surplus property—to the

Commission for consideration in PSE's next rate case after the sale of all the Project assets and Surplus Property is completed.¹ Likewise, PSE will address the reasonableness of the sale and transfer of the Surplus Property in a future general rate proceeding.

2. PSE requested in its Petition that the Commission take the following action:

- (a) approve the sale of certain assets related to the Project to the CWA, and
- (b) waive the requirements of RCW 80.12.020 and WAC 480-143-120 with regard to the Project's Surplus Property.

3. PSE stated in its Application that it operated the Project without a federal license from 1911 to 1983. In December 1997, FERC issued an Original License to the Project, and PSE appealed based on economic consequences associated with implementing the License. In November 2003, the NOAA Fisheries issued a revised draft biological opinion containing mandatory conditions that made Project economics infeasible. In December 2003, PSE notified FERC that it intended to reject the 1997 license; and on January 15, 2004, hydropower operations ceased at White River.²

4. PSE stated that it pursued efforts to recoup its investment in non-hydro alternatives and dispose of the White River assets in a manner consistent with the public interest. CWA agreed to purchase the Project assets but not the Surplus Property. On April 23, 2008, PSE and CWA executed an Asset Purchase Agreement (“Agreement”), in which PSE agreed to

¹ See *In the Matter of the Petition of Puget Sound Energy, Inc., For an Accounting Order Authorizing Deferral and Recovery of Investment and Costs Related to the White River Hydroelectric Project*, Docket No. UE-032043 (consolidated), Order No. 6 at ¶¶251-253.

sell Project assets to CWA in exchange for \$30,000,000. PSE states that the closing for the transaction is anticipated to occur no later than the third quarter of 2009, 45 business days following satisfaction of all conditions to closing as set forth in Section 4.2 of the Agreement. Commission approval of the sale of the Project assets to CWA is one of several conditions to closing.

5. The Surplus Property consists of approximately 2,400 acres of undeveloped real property along the White River, real property that PSE held during the pendency of the FERC licensing proceeding as wildlife mitigation lands. While PSE has not executed a purchase and sale agreement for the Surplus Property, PSE states that it has identified at least two interested parties, and it anticipates executing purchase and sale agreements for the Surplus Land in 2009.

FINDINGS AND CONCLUSIONS

6. 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.

7. PSE is an electric company and is a public service company subject to the jurisdiction of the Commission.

8. RCW 80.12.020 and WAC 480-143-120 require public service companies to file an application or petition including that for which PSE seeks approval.

² See *id.* at ¶251.

9. Staff has reviewed PSE's Application and related exhibits. Staff believes the proposed transfer of property proposed by PSE is reasonable and should be approved. Staff believes the waiver of RCW 80.12.020 and WAC 480-143-120 with regard to the Surplus Property is appropriate and should be approved.

10. This matter was brought before the Commission at its regularly scheduled meeting on _____.

11. After examination of PSE's Application, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Application filed should be approved.

DETERMINATION AND ORDER

WHEREFORE, THE COMMISSION HEREBY ORDERS:

(1) Puget Sound Energy, Inc.'s request to sell certain assets related to the Company's White River Hydroelectric Project to the Cascade Water Alliance ("CWA") is approved.

(2) The Company will bring the issue of the application of proceeds from the sale and disposition of all Project proceeds—including the sale of surplus property—to the Commission for consideration in PSE's next rate case after the sale of all the Project assets and Surplus Property is completed.

(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.

(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 this ____ day of _____, ____.

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner