

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL**

DATE: JANUARY 9, 2015

**SUBJECT: ROCKY MOUNTAIN POWER'S APPLICATION FOR APPROVAL OF A
TRANSACTION TO CLOSE DEER CREEK MINE AND FOR A
DEFERRED ACCOUNTING ORDER; CASE NO. PAC-E-14-10**

On December 15, 2014, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") filed an Application with the Idaho Public Utilities Commission ("Commission"), pursuant to *Idaho Code* § 61-328, for approval of a transaction to close the Deer Creek Mine located near Huntington, Utah, and for a deferred accounting order. The Company attached the direct testimony of several witnesses, Cindy A. Crane, Seth Schwartz, and Douglas K. Stuver, to its Application.

The mine is currently operated by Energy West Mining Company ("Energy West"), a wholly owned subsidiary consolidated with PacifiCorp for regulatory purposes. This Application is filed by PacifiCorp, on its own and on behalf of Energy West.

THE APPLICATION

The Company says that the closure of the Deer Creek Mine consists of four main aspects: (1) the Company will permanently close the Deer Creek Mine and incur direct closure costs (Closure); (2) Energy West will withdraw from the United Mine Workers of America (UMWA) 1974 Pension Trust, incurring a withdrawal liability; (3) the Company will sell certain mining assets as defined later in the Application (Mining Assets); and (4) the Company will execute a replacement coal supply agreement (CSA) for the Huntington power plant and an amended CSA for the Hunter power plant. Energy West has also settled its retiree medical obligation related to Energy West union participants (Retiree Medical Obligation). Together, the

components of the Closure and settlement of the Retiree Medical Obligation constitute the transaction to close the Deer Creek Mine (Transaction).

Additionally, the Company requests approval from the Commission for an accounting order authorizing the Company to: (1) defer the costs associated with the Closure for future recovery; (2) transfer the remaining plant balances for the Deer Creek Mine and Mining Assets from electric plant in service and establish a regulatory asset to recover these costs for continuing recovery; (3) defer all payments associated with the withdrawal from the 1974 Pension Trust for future recovery; (4) defer any settlement losses associated with the Retiree Medical Obligation for future recovery; and (5) defer the difference between the costs associated with the status quo (operating the Deer Creek Mine) currently reflected in rates through base net power costs and the incremental costs associated with the new Huntington power plant and amended Hunter power plant CSAs, including any fuel costs to supply the Huntington and Hunter power plants.

The Company requests that the Commission determine that the Company's decision to consummate the Transaction is "prudent." The sale of the Mining Assets and the execution of the CSAs are contractually contingent upon regulatory approval and Transaction closure on or before May 31, 2015. The Company requests that the Commission issue its Order by May 27, 2015, allowing the Company two business days prior to the deadline for closing the Transaction, and Commission approval represents the last expected regulatory action needed to complete the Transaction.

The Company states that it will promptly provide information requested by the Commission or interested parties and will participate in technical conferences and hearings as required by the Commission or as requested by interested parties to facilitate issuance of an order on or prior to May 27, 2015.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application and a Deadline for Intervention in this case?

/s/ Neil Price

Neil Price
Deputy Attorney General

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