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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF PACIFICORP dba UTAH POWER &) CASE NO. PAC-E-03-05
LIGHT COMPANY FOR A DEFERRED)
ACCOUNTING ORDER) APPLICATION
) OF PACIFICORP

Pursuant to I.C. §61-524, PacifiCorp dba Utah Power & Light Company ("PacifiCorp" or the "Company") applies to the Idaho Public Utilities Commission ("Commission") for an accounting order allowing PacifiCorp to defer, for regulatory purposes. (a) excess costs incurred for forward power purchases made for the summer of 2002, and (b) federal and state payments made in 2002 resulting from Internal Revenue Service income tax audits. In support of this Application, PacifiCorp states as follows:

1. PacifiCorp is an electrical corporation and public utility in the state of Idaho and is subject to the jurisdiction of the Commission with regard to its public utility operations. PacifiCorp also provides retail electricity service in the states of California, Oregon, Utah, Washington and Wyoming.

2. This Application is filed pursuant to I.C. §61-524, which authorizes the Commission to prescribe the accounting to be used by public utilities subject to its jurisdiction.

3. Communications regarding this Application should be addressed to:

Bob Lively
PacifiCorp
201 South Main Street, Suite 2300
Salt Lake City, Utah 84140
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4. As a normal and integral part of its operation as a public utility, PacifiCorp purchases electricity from independent suppliers in the wholesale market. Such purchases, as well as sales in the wholesale market, are taken into account in setting PacifiCorp's retail rates through the inclusion of net power costs in the Company's jurisdictional revenue requirement.

5. Starting in April 2001, the Company prudently bought forward approximately 492,000 MWh of power in the wholesale market at an average price of approximately \$152 per MWh. The energy was purchased to meet expected load requirements for July, August and September, 2002, and to protect customers from the exceedingly high wholesale prices and volatility that were experienced in the WECC region starting May 2000 and which were expected to continue through the 2002 summer

season. PacifiCorp's situation in this regard is similar to a number of other utilities in the West which made forward purchases that afterward turned out to be above market.

6. The excess forward purchase costs which PacifiCorp proposes to defer are calculated as shown in Exhibit 1, attached hereto. Exhibit 1 shows the dollar and MWH breakdown of the 2002 Summer Forward purchases and the calculation of out of market costs. The out of market cost is \$56 million on a total Company basis, and approximately \$2.5 million allocated to Idaho.

7. PacifiCorp proposes to account for the excess forward purchase costs in the following manner for regulatory purposes: Excess forward purchase costs will be credited to Account 555, Purchased Power, thereby decreasing the recorded power supply expenses, and debiting Account 182.399, Regulatory Assets.

8. PacifiCorp also requests approval of deferred regulatory accounting for federal and state income tax payments made in 2002 resulting from the conclusion of Internal Revenue Service income tax audits for tax years 1994 through 1998, in which the IRS made its final determination of the adjustments to the Company's income tax obligations. Such payments attributable to PacifiCorp's regulated utility operations amounted to approximately \$68 million. These IRS audit-related payments are a legitimate cost of doing business, as previously recognized by the Commission. (*See e.g., Re Utah Power & Light Co.*, Case No. U-1009-157, Order No. 20523 (May 29, 1986), in which the Commission determined that if the Company could show it paid a liability arising from an IRS audit, "we will allow it to submit tariffs to recover this alleged liability from its ratepayers as a legitimate expense.") The makeup of the \$68 million,

and the allocation to the Company's Idaho jurisdiction, is shown in Exhibit 2, attached hereto.

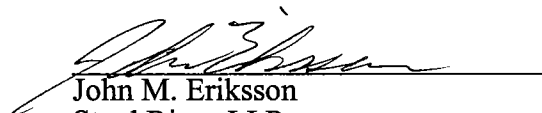
9. PacifiCorp proposes to account for the federal and state income tax payments, for regulatory purposes, in the following manner: Income tax payments will be credited to Account 409, Income Taxes, thereby decreasing the recorded income tax expense, and debiting Account 182.399, Regulatory Assets.

10. Deferred accounting treatment for regulatory purposes is an appropriate, just and reasonable means of providing the Company an opportunity to seek recovery of the extraordinary forward purchased power costs and IRS audit-related income tax payments incurred by the Company. PacifiCorp does not request a determination at this time of prudence or ratemaking treatment of the costs it seeks authority to defer hereunder. Any such determinations will be made in a future rate proceeding.

WHEREFORE, PacifiCorp respectfully requests that the Commission consider this matter under Modified Procedure pursuant to IPUCRP 201-204 and enter its Order authorizing the deferral of the Company's excess forward purchase costs, and the federal and state income tax payments, as requested herein.

DATED this 28th day of March, 2003.

Respectfully submitted,


John M. Eriksson
Stoel Rives LLP

Attorneys for PacifiCorp

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of March, 2003, I caused to be served, via Federal Express, a true and correct copy of the foregoing **Application of PacifiCorp** to the following:

Scott Woodbury
Deputy Attorney General
Idaho Public Utilities Commission
472 W. Washington
Boise, Idaho 83720-0074

A handwritten signature in black ink, appearing to read "John E. Johnson", is written over a horizontal line.

PacifiCorp

Exhibit 2

2002 Federal and State Tax Audit Determination Payments

	Total Co. Amount (000s)	Idaho Alloc. Factor	Idaho Amount (1) (000s)
Federal:			
July 2002 (1994-98 tax years)	\$ 66,570	5.06%	\$ 3,368
State:			
Sep-Nov 2002 (1994-98 tax years)	\$ 1,801	5.06%	\$ 91
Total Audit Determination Payments:	<u>\$ 68,371</u>		<u>\$ 3,460</u>

(1) Pre-tax amounts prior to adjustment to reflect revenue requirement impact.