

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PACIFICORP FOR A DEFERRED) CASE NO. PAC-E-06-03
ACCOUNTING ORDER TO DEFER THE)
COST OF LOANS MADE TO GRID WEST,)
THE REGIONAL TRANSMISSION) ORDER NO. 30156
ORGANIZATION)**

On March 31, 2006, PacifiCorp dba Rocky Mountain Power filed an Application requesting an accounting order from the Commission authorizing the deferral of costs the Company incurred relating to the development of a regional transmission organization (RTO). PacifiCorp participated in efforts to develop an RTO, called Grid West, pursuant to orders issued by the Federal Energy Regulatory Commission (FERC). PacifiCorp states it provided initial funding for the development of the RTO starting in June 2000, and since that date has loaned a total of \$2.7 million to Grid West, including accrued interest. PacifiCorp estimates that the Idaho jurisdiction portion of the total deferred amount is approximately \$174,000. Because "Grid West now appears unlikely to function in a manner that would permit it to repay PacifiCorp's loan," PacifiCorp requests authorization to defer the amount it loaned to Grid West, with interest, in the development process. Application p. 3. PacifiCorp also requested authorization of a carrying charge at a rate equal to its weighted cost of capital.

On June 29, 2006, the Commission issued a Notice of Application and Notice of Modified Procedure, establishing a deadline for filing written comments. Only Commission Staff filed comments.

Staff reviewed the Company's Application as well as relevant FERC Orders. Staff stated that PacifiCorp's participation in Grid West complied with FERC Orders and FERC's attempt to develop a market for wholesale electric energy, which ultimately might provide a benefit to retail customers. Staff recommended that the Commission authorize PacifiCorp to book the principal amount of the funding agreements with Grid West to account 182.3 (Other Regulatory Assets), and that a separate sub-account be maintained to provide details on the total system cost, as well as the amount of \$174,000 allocated for PacifiCorp's Idaho jurisdictional services. Staff also recommended that the Company begin amortization of the deferred balance

at the conclusion of its next general rate case or on January 1, 2010, whichever occurs first, and that the amortization period should be five years.

The Commission finds, on the record presented, that it is appropriate to approve PacifiCorp's Application insofar that it requests authorization to defer the principal amount that it loaned to Grid West. As Staff noted in its comments, FERC orders placed a requirement on utilities that owned transmission facilities to develop an RTO or explain why an RTO could not be created. PacifiCorp's response to FERC's orders, and its participation in the development of Grid West and the loans it made to that effort, are prudent and in the public interest. It would be unfair to disallow deferral of the amount PacifiCorp loaned to Grid West.

The Commission also finds, however, that PacifiCorp is not entitled to defer for future recovery interest charges on the loans, nor is the Company entitled to a carrying charge on the deferral account. As PacifiCorp notes in its Application, one of the purposes of a deferral order is "to appropriately match the costs borne by and benefits received by ratepayers." Application p. 3. PacifiCorp's Application does not identify how its retail customers benefited from the Company's effort to develop an RTO, especially now that the effort was unsuccessful. The Application states only that PacifiCorp "has been seeking to develop an independent regional electric transmission entity that would manage certain operational functions of the transmission grid and plan for necessary expansion," and that Grid West was "established as a non-profit corporation to serve the public interest." Application p. 2. Regulatory accounting principles provide that expenditures, to be included in customer rates, must be used and useful; that is, beneficial to customers. The expenditures must also be incurred for a reasonable purpose at a reasonable amount. PacifiCorp's assertions are not enough for the Commission to conclude that its retail customers should pay interest and carrying charges for the Company's participation in the Grid West effort.

PacifiCorp was compelled to participate in the RTO development process by FERC, and under the circumstances it would be unfair to disallow deferral of the principal amount PacifiCorp loaned to the project. The Commission does not find it reasonable to allow deferral of anticipated interest on the loans or a carrying charge on the deferral account. We also find Staff's recommendation of a five-year amortization period to be reasonable, and direct that the amortization begin as of January 1, 2007.

ORDER

IT IS HEREBY ORDERED that PacifiCorp is authorized to defer in a separate sub-account the principal amount that it loaned to Grid West, specifically the amount attributable to its Idaho jurisdiction. PacifiCorp is authorized to amortize the deferral over a five-year period, beginning January 1, 2007.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 24th day of October 2006.



PAUL KJELLANDER, PRESIDENT

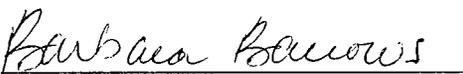


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Barbara Barrows
Assistant Commission Secretary

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