

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF PACIFICORP (DBA ROCKY MOUNTAIN)	CASE NO. PAC-E-06-5
POWER) FOR AN ACCOUNTING ORDER)	
TO DEFER THE RATE CREDITS IN THE)	
MIDAMERICAN-PACIFICORP)	
ACQUISITION COMMITMENTS I27 AND)	ORDER NO. 30076
I31)	

On April 28, 2006, PacifiCorp (dba Rocky Mountain Power) filed an Application requesting that the Commission issue an accounting order. Rocky Mountain requested authority to book and defer the rate credits arising as a result of Commitments I27 and I31 approved by the Commission in the MidAmerican-PacifiCorp acquisition proceeding, Case No. PAC-E-05-8. *See* Order No. 29998. On May 17, 2006, the Commission issued a Notice of Modified Procedure requesting that interested parties submit comments in this matter no later than June 14, 2006. The only comments received were submitted by the Commission Staff and it recommended approval of the Application. Based upon our review of the Application and the Staff's comments, we grant Rocky Mountain's request for an accounting order as outlined in greater detail below.

THE APPLICATION

A. Background

In the MidAmerican-PacifiCorp acquisition proceeding, the Commission adopted numerous state-specific commitments including I27 and I31. In Commitment I27, MidAmerican and PacifiCorp committed to reduce the annual non-fuel costs of the West Valley lease by an expected \$3.7 million in 2006, \$5 million in 2007, and \$2.1 million in 2008 on a total Company basis. This adjustment would reduce costs by \$417,000 per month (total company). Commitment I27 also provided that: "Beginning with the first month after the close of the transaction . . . , Idaho's share of the monthly rate credit will be deferred for the benefit of [Idaho] customers and accrue interest at PacifiCorp's authorized rate of return." Order No. 29998, Idaho Commitments at p. 17.

In Commitment I32, MidAmerican and PacifiCorp agreed to reduce the total Company administrative and general (A&G) costs by \$500,000 per month and to provide

(subject to offset provisions) a total Company rate credit in that amount. *Id.* at pp. 18-19. On an annual basis, A&G costs would be reduced in FERC Accounts 920 through 935 by \$6 million. This commitment also provided that Idaho's share of the monthly rate credit will be deferred for the benefit of Idaho customers and accrue interest at PacifiCorp's authorized rate of return.

B. The Accounting Treatment

In its Application, Rocky Mountain proposed to book and defer the rate credits beginning on April 1, 2006. The Company proposed to allocate the deferrals relating to the West Valley lease (I27) among the six states based upon the "seasonal system generation combustion turbine" (SSGCT) allocation factor for the 12 months ending March 31, 2006. The amount of the deferral accounting related to the A&G cost savings in Commitment I31 will be allocated among the six states based upon the system overhead (SO) allocation factor for the 12 months ending March 31, 2006. Application at ¶ 5.

Rocky Mountain proposed to account for these rate credits by charging the general cost savings to Account 400 (Operating Revenues) with the credits being recorded in Account 254 (Other Regulatory Liabilities). The Company proposed that the amortization of the balances "would be accomplished by debiting Account 254 and crediting Account 400." *Id.* at ¶ 6.

Rocky Mountain did not request a determination of ratemaking treatment for these rate credits at this time. Instead, the Company proposed to address these issues associated with the rate credits in the Company's next general rate case.

STAFF COMMENTS

After reviewing the Company's proposed accounting treatment, the Staff agreed that the rate credit created by the Commitments should be deferred as set forth in the Company's Application. The Staff also agreed that the appropriate date for beginning the deferral accounts is April 1, 2006. Staff Comments at 3. While the specific amounts of the deferral credits cannot be determined at this time, the Staff agreed with the Company that the credits should be allocated to Idaho based upon the SSGCT and the SO allocation factors.

In addition to the deferral credits, Rocky Mountain agreed that the deferral accounts will accrue interest at its authorized rate of return and will continue to accrue interest until the Commission determines the ratemaking treatments of the rate credits in the next general rate case. Staff proposed that the appropriate interest rate should be 8.827% based upon the Staff's

1999 audit. Staff indicated in its comments that Rocky Mountain agrees that this is the appropriate interest rate. *Id.* at 4.

DISCUSSION

After reviewing the Application and the Staff's comments, we grant Rocky Mountain's Application for an accounting order. Consistent with the two Commitments approved in our acquisition Order No. 29998, Rocky Mountain should begin to record the deferral rate credits beginning April 1, 2006. We further find that the deferral credits should accrue interest at a rate of 8.827%. The rate credits shall be deferred with interest until the Commission determines the appropriate ratemaking treatment in Rocky Mountain's next general rate case.

ORDER

IT IS HEREBY ORDERED that the Application for an accounting order submitted by PacifiCorp (dba Rocky Mountain Power) is granted.

IT IS FURTHER ORDERED that Rocky Mountain book the deferred rate credits caused by the two Idaho Commitments as set out in its Application. The Company shall begin its deferral accounting effective April 1, 2006.

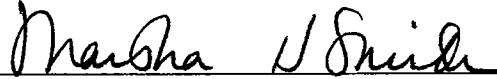
IT IS FURTHER ORDERED that the deferral accounts shall accrue interest at a rate of 8.827%. The rate credits shall continue to be deferred with interest until the Commission determines the appropriate ratemaking treatment in Rocky Mountain's next general rate case.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. PAC-E-06-5 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

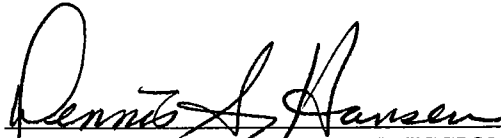
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th
day of June 2006.



PAUL KJELLANDER, PRESIDENT

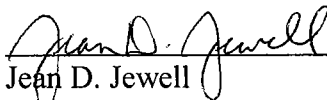


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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