

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF

FROM: DON HOWELL

DATE: MAY 12, 2006

SUBJECT: PACIFICORP'S APPLICATION FOR A DEFERRED ACCOUNTING ORDER TO DEFER RATE CREDITS ADOPTED BY THE COMMISSION IN THE RECENT MIDAMERICAN-PACIFICORP ACQUISITION CASE, CASE NO. PAC-E-06-5

On April 28, 2006, PacifiCorp (dba Rocky Mountain Power) filed an Application requesting that the Commission issue a deferred accounting order. More specifically, Rocky Mountain seeks an accounting order to 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 Nos. 29973 and 29998.

BACKGROUND

In Order No. 29998, 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 would reduce costs by \$417,000 per month total company and provide (subject to offset provisions) a total Company rate credit in that amount. In addition, I27 provides 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 ¶ 17.

In Commitment I32, MidAmerican and PacifiCorp commit 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 p. 18-19. On an

annual basis, A&G costs would be reduced in FERC Accounts 920 through 935 by \$6 million. This commitment also provides 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.

THE APPLICATION

In its Application, Rocky Mountain proposes to defer the rate credits beginning on April 1, 2006. The deferral relating to the West Valley Lease (I 27) will be allocated 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 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.

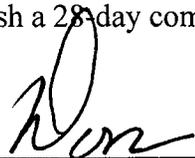
Rocky Mountain proposed to account for these rate credits by charging the general cost savings to Account 400 (Operating Revenues) with the credits being recorded in Account 254 (Other Regulatory Liabilities). The Company proposes that the amortization of the balances "would be accomplished by debiting Account 254 and crediting Account 400." *Id.* at ¶ 6. Rocky Mountain states that it will accrue interest expense on the unamortized balance at a rate equal to its weighted average cost of capital most recently approved by the Commission. *Id.*

At this time, Rocky Mountain does not request a determination of ratemaking treatment for these rate credits. Instead, the Company proposes to address issues associated with the rate credits in the Company's next general rate case. The Company anticipates filing its next rate case no later than May 31, 2006.

Although the Company does not recommend a procedure for processing its request for a deferred accounting order, Staff believes that Modified Procedure is appropriate. Staff recommends that the Commission process this Application via Modified Procedure with a 28-day comment period.

COMMISSION DECISION

Does the Commission find it appropriate to process this Application via Modified Procedure? Does the Commission wish to establish a 28-day comment period?



Don Howell

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