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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP (DBA ROCKY MOUNTAIN POWER) FOR AN ACCOUNTING ORDER TO DEFER THE RATE CREDITS IN THE MIDAMERICAN-PACIFICORP ACQUISITION COMMITMENTS I 27 AND I 31	**CASE NO. PAC-E-06-5** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Donald L. Howell, II, Deputy Attorney General, submits the following comments in response to Order No. 30043, the Notice of Application and Notice of Modified Procedure issued on May 17, 2006.

BACKGROUND

On April 28, 2006, PacifiCorp (dba Rocky Mountain Power) filed an Application requesting that the Commission issue an accounting order. More specifically, Rocky Mountain seeks an accounting order to book and defer the rate credits arising as a result of Commitments I 27 and I 31 approved by the Commission in the MidAmerican-PacifiCorp acquisition proceeding, Case No. PAC-E-05-8. *See* Order No. 29998.

COMMITMENT TEXT

The text of the commitments creating the credits that are the bases for the Company's Application for an accounting order is stated below. These commitments are taken from Order No. 29998, the final order in the MidAmerican-PacifiCorp acquisition proceeding, Case No. PAC-E-05-8.

I 27.

a) MEHC and PacifiCorp commit to reduce the annual non-fuel costs to PacifiCorp customers of the West Valley lease by $0.417 million per month (total company) or an expected $3.7 million in 2006 (assuming a March 31, 2006 transaction closing), $5 million in 2007 and $2. 1 million in 2008 (the lease terminates May 31, 2008), which shall be the amounts of the total company rate credit. Beginning with the first month after the close of the transaction to purchase PacifiCorp, Idaho's share of the monthly rate credit will be deferred for the benefit of customers and accrue interest at PacifiCorp's authorized rate of return. (This commitment is reflected in Row 1 of Appendix 2.)

b) This commitment is offsetable, on a prospective basis, to the extent PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case that such West Valley non-fuel cost savings:
   i) are reflected in PacifiCorp's rates; and
   ii) there are no offsetting actions or agreements by MEHC or PacifiCorp for which value is obtained by PPM or an affiliated company, which, directly or indirectly, increases the costs PacifiCorp would otherwise incur.

I 31.

a) MEHC and PacifiCorp commit that PacifiCorp's total company A&G costs as reflected in FERC Accounts 920 through 935 will be reduced by $6 million annually from a baseline amount of $228. 8 million. The maximum amount of the total company rate credit in any year is $6 million per year. This commitment expires December 31, 2010. Beginning with the first month after the close of the transaction, Idaho's share of the $0.5 million monthly rate credit will be deferred for the benefit of customers and accrue interest at PacifiCorp's authorized rate of return. This Commitment is in lieu of Commitments 22 and U 23 from the Utah settlement, and a state must choose between this Commitment I 31 and Commitments 22 and U23.

b) The credit will be offsetable, on a prospective basis, for every dollar that PacifiCorp demonstrates to the Commission s satisfaction, in a subsequent general rate case, that total company A&G expenses included in PacifiCorp's rates (including any adjustments adopted by the Commission to these categories) are less than $6 million above the "Stretch Goal" and have not been shifted to other regulatory accounts. The 2006 Stretch Goal will be $222. 8 million. Subsequent Stretch Goals shall equal the 2006 Stretch Goal multiplied by the ratio of the Global Insight's Utility Cost Information Service (UCIS)-Administrative and General- Total Operations and Maintenance Index (INDEX CODE Series JEADGOM), for the test period divided by the 2006 index value. If another index is adopted in a future PacifiCorp case, that index will replace the aforementioned index and will be used on a prospective basis only. If this occurs, the Stretch Goal for future years will equal the Stretch Goal from the most recent full calendar year multiplied by the ratio of the new index for the test period divided by the new index value for that same most recent full calendar year.

STAFF ANALYSIS

These commitments create two obligations on the part of the Company prior to any evaluation or offsets which would be recognized in the next general rate case. First, the Company is to defer rate credits in deferral accounts. Second, the Company is to pay interest on those deferred amounts at the Company's authorized rate of return until the accounts are considered and balanced in a general rate case.

This Application is the process for creating the deferral account to book the rate credits until they are considered in a rate case. Staff has reviewed the Company's proposed accounting treatment and is in agreement that the rate credits as created by the commitments should be deferred in the manner and method as set forth by the Company in the Application. The appropriate date for beginning the deferral is April 1, 2006.

The specific amount of the credit deferral allocated to Idaho cannot be determined at this time. The total company credit for Commitment I 27 is correctly stated at $417,000 per month. The total company credit for Commitment I 31 is correctly stated in the Application as $500,000 per month. These credits will be allocated to Idaho based on two allocation factors (SSGCT for I 27 and SO for I 31)[1] that can change over time. These allocation factors are the same factors used by the Company to allocate the specific expenses to Idaho that are associated with the credits. Therefore, the non-fuel expenses of the West Valley lease are appropriately allocated to Idaho on the basis of the SSGCT factor; and the Company's administrative and general costs are allocated to Idaho on the basis of the SO factor.

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[1] SSGCT is the "seasonal system generation combustion turbine" allocation factor and SO is the "system overhead" allocation factor. Order No. 30043 at 2.

It is the Company's commitment that the amounts accruing to these deferral accounts will accrue interest at the Company's authorized rate of return and will continue to accrue interest until the Commission determines the ratemaking treatment of rate credits in the Company's next general rate case. In Idaho the proposed interest rate is 8.827% based upon Staff's 1999 audit. It is Staff's understanding that Rocky Mountain agrees with this interest rate.

RECOMMENDATION

The Commission should authorize Rocky Mountain to defer the rate credits as requested in the Application. The Company should begin this deferral accounting as of April 1, 2006. Staff agrees that deferred credits should accrue interest at a rate equal to 8.827%. Finally, the rate credits should continue to be deferred with interest until the Commission determines the appropriate ratemaking treatment in Rocky Mountain's next general rate case.

Respectfully submitted this 14th day of June 2006.

Donald L. Howell, II
Deputy Attorney General

Technical Staff: Joe Leckie
Terri Carlock

i:umisc/comments/pace06.5dhtcjl

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14TH DAY OF JUNE 2006, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-06-5, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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