

DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: WELDON STUTZMAN
DEPUTY ATTORNEY GENERAL

DATE: JUNE 16, 2008

SUBJECT: CASE NO. PAC-E-08-02
PACIFICORP'S REQUEST FOR AN ACCOUNTING ORDER
AUTHORIZING THE COMPANY TO ESTABLISH A
REGULATORY ASSET

On April 11, 2008, Rocky Mountain Power a division of PacifiCorp filed an Application for an accounting order authorizing the Company to establish a regulatory asset for a payment made to the owner of a generation facility. The \$8.7 million payment gives PacifiCorp an exclusive opportunity to negotiate for the purchase of all tangible and intangible assets, contracts, permits and other rights associated with the generation facility. The payment also is a deposit toward the total purchase price.

On May 1, 2008, the Commission issued a Notice of Application and Notice of Modified Procedure to establish a period for interested parties to file comments. Written comments were filed only by Commission Staff.

The Company's request in this filing is limited to the exclusivity payment. The Company did not ask for approval of any term or condition relating to the transaction, or for recognition that the acquisition of the plant is reasonable and prudent. The Company will record the exclusivity payment in Account 182.3 (Other Regulatory Assets). The total purchase price will ultimately be credited to "Electric Plant in Service" and will be included in rates only after all approvals are completed and the proper rate treatment has been determined by the Commission. Until the amount is included in the "Electric Plant in Service" account it will remain on the Company's books as a regulatory asset. The Commission has previously

determined that an account similar to this should not accrue any interest. (See Case No. AVU-E-07-10, Order No. 30492).

The Company maintains that acquiring the facility is consistent with its current generating portfolio, its IRP and the industry's general direction of new generation. The prudence of the acquisition will be part of a more extensive review of the generating facility acquisition prior to the investment being included in rate base in a future rate case. Allowing the Company to defer the exclusivity payment permits the total cost of the facility and the prudence of all the costs to be reviewed by the Commission in a future rate proceeding.

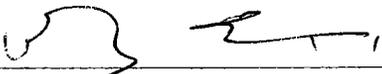
STAFF RECOMMENDATION

Staff recommends approval of Rocky Mountain Power Company's Application for an accounting order authorizing the Company to establish a regulatory asset for a payment made for the right to an exclusive period to negotiate with a third party for the purchase of a generating facility subject to the following conditions and reservations: That the cost of the exclusivity payment be booked to a regulatory asset account and remain separate from the Electric Plant in Service account until the facility is owned by the Company, and that the regulatory asset not accrue any interest or carrying charges.

The Commission should note in its Order that the exclusivity payment will not be considered in a ratemaking proceeding until such time as the total cost of the facility is considered in a future rate case, and that the Commission reserves the right to review the prudence and proper ratemaking treatment for the total cost of the facility when the Company proposes these costs be included in rates.

COMMISSION DECISION

Should Rocky Mountain Power's Application for authorization to establish a regulatory asset for an \$8.7 million payment toward acquisition of a generating facility be approved, with the conditions that the payment be booked to a regulatory asset account and remain separate from the Electric Plant in Service account until the facility is owned by the Company, and that the regulatory asset not accrue interest on carrying charges?



Weldon B. Stutzman
Deputy Attorney General

b1s/M:PAC-E-08-02_ws2