ROCKY MOUNTAIN
POWER
A DIVISION OF PACIFICORP

201 South Main, Suite 2300
Salt Lake City, Utah 84111

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IDAHO PUBLIC
UTILITIES COMMISSION

October 12, 2009

VIA OVERNIGHT DELIVERY

Idaho Public Utilities Commission
472 West Washington
Boise, ID 83702-5983

PAC-E-09-08

Attention: Jean D. Jewell
Commission Secretary

Re: ACCOUNTING ORDER AUTHORIZING THE DEFERRAL COAL MINE STRIPPING COSTS.

Rocky Mountain Power, a division of PacifiCorp, hereby submits for filing an original and seven (7) copies of its application for an accounting order for the above referenced matter. Rocky Mountain Power respectfully requests authorization to defer coal mine stripping costs and amortize them as coal is removed from the mine rather than expense them when incurred.

Any informal inquiries related to this application should be directed to:

Daniel E. Solander	Ted Weston
Rocky Mountain Power	Rocky Mountain Power
201 South Main Street	201 South Main Street
Suite 2300	Suite 2300
Salt Lake City, UT 84111	Salt Lake City, UT 84111
daniel.solander@pacificorp.com	ted.weston@pacificorp.com

In addition, the Company respectfully requests that all data requests regarding this matter be addressed to one or more of the following:

By e-mail **(preferred)** datarequest@pacificorp.com

By regular mail
Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Sincerely,

Jeffrey Larsen / TW

Jeffrey K. Larsen
Vice President, Regulation

Enclosure

Daniel E. Solander
Rocky Mountain Power
201 South Main Street
Suite 2300
Salt Lake City, UT 84111
Telephone: (801) 220-4014
Facsimile: (801) 220-3798
daniel.solander@pacificorp.com

Attorney for Rocky Mountain Power

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BEFORE THE IDAHO PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR AN ACCOUNTING ORDER AUTHORIZING THE DEFERRAL OF COSTS ASSOCIATED WITH COAL MINE STRIPPING ACTIVITIES	**CASE NO. PAC-E-09-08** **APPLICATION**

Rocky Mountain Power, a division of PacifiCorp ("Rocky Mountain Power" or the "Company") hereby applies to the Idaho Public Utilities Commission for approval of an Accounting order authorizing the Company to record a regulatory asset associated with the costs of removal of overburden and waste materials at its affiliate coal mines in accordance with Idaho Code 61-524 and RP 52. In support of this Application, Rocky Mountain Power states as follows:

I. Introduction

1. Rocky Mountain Power is authorized to do and is doing business in the state of Idaho. The Company provides retail electric service to approximately 69,000 customers in

the state of Idaho and is subject to the jurisdiction of the Commission.

2. Rocky Mountain Power owns and operates coal-fired power plants located throughout the west. To supply coal to these plants, the Company employs a diversified strategy that includes a mix of third-party multi-year contracts, spot market purchases, and coal from the Company's affiliate mines, which include Bridger Coal Mine, Deer Creek Mine and Trapper Mine (referred to collectively hereafter at times as the "Mines").

3. Depending on certain geological and other conditions, the Mines typically extract coal by utilizing various underground and surface mining techniques. Surface mining requires the removal of soil, rock or "overburden" on seams of coal which lie near the surface. After the coal is exposed and fragmented, it is removed utilizing a loader and truck fleet. The costs of removing overburden and waste materials are referred to as "stripping costs."

4. Pursuant to Financial Accounting Standards Board ("FASB") Emerging Issues Task Force standard 04-6 ("EITF 04-6"), stripping costs incurred during production are considered a component of inventory when incurred, without consideration of future potential benefits. In contrast, the coal itself must be extracted from its original location in order to qualify as inventory. Mines were first required to comply with EITF 04-6 in 2006.

5. This accounting requirement significantly increases operating cost variability resulting from an inherent mismatch of stripping costs with coal inventory balances. To illustrate, activities in a given period may result in a mine removing overburden, uncovering coal, and only extracting a minor amount of the coal uncovered during the period. In this illustration, the entire stripping costs incurred during the period will be considered in the cost

of only the extracted coal. Conversely, during the next period the Company could extract the remaining amount of coal uncovered in the prior period and only incur minimal extraction costs with this coal. As a result, under the accounting requirement, customers could pay for the costs of uncovering coal well before it is extracted from the mine for use in the power plants to generate electricity.

6. This mismatch of stripping costs to coal uncovered and extracted significantly increases fuel cost variability to the Company and its customers. For example, in 2010, the Company is expected to incur stripping costs at its Bridger Coal Mine for coal that will remain in the mine and be extracted in later years. As a consequence, the cost will be higher for the coal actually extracted in 2010 because it will include all the stripping costs. This situation will be the first time the Company has had to deal with significant stripping costs since the issuance of EITF 04-6.

7. As a result of Bridger Coal Mine transitioning from a predominantly surface mine to a surface/underground mining complex, under the Company's long term least cost mine plan there is increasing disparity between periods when stripping costs are incurred and when coal is extracted. In future periods, the magnitude of the disparity will fluctuate depending on the amount of coal extracted.

8. This Application seeks to match the costs of coal stripping with the extraction of the coal. This will benefit customers by aligning these costs, reducing customers' exposure to the volatile nature of EITF 04-6 treatment of stripping expenses. In essence, the result of this proposed accounting order would undo the effect of EITF 04-6 and allow the Company

to employ the accounting method utilized prior to 2006 (the first year EITF 04-6 was required).

II. Proposed Accounting Treatment

9. Rocky Mountain Power is requesting that the upfront coal stripping costs be recorded as a regulatory asset serving much like a fuel inventory account and expensed as the coal is extracted from the mine and delivered to Rocky Mountain Power for use at its plants. Rocky Mountain Power proposes to account for these costs by recording them in Account 182.3, Other Regulatory Assets and expensing through Account 501, Fuel Expense based on "extracted" coal delivery.

10. If authorized, the regulatory asset would eliminate the expensing of coal stripping costs when incurred as required by EITF 04-6. The purpose of this proposed accounting treatment is to match the expensing of these stripping costs with the coal usage to smooth the expense over the period based on coal delivered from the mines to the plants to generate electricity and to achieve intergeneration equity among customers.

III. Modified Procedure

11. Rocky Mountain Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing, in accordance with RP 201 *et seq*.

12. The Company respectfully requests that the Commission approve this Application by November 30, 2009, to allow the Company to incorporate the accounting change.

IV. Communications and Service Pleadings

13. Communication and service of pleadings with reference to this Application should be sent to the following:

Daniel E. Solander
Rocky Mountain Power
201 South Main Street
Suite 2300
Salt Lake City, UT 84111
daniel.solander@pacificorp.com

Ted Weston
Rocky Mountain Power
201 South Main Street
Suite 2300
Salt Lake City, UT 84111
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By e-mail **(preferred)**	datarequest@pacificorp.com
By regular mail	Data Request Response Center PacifiCorp 825 NE Multnomah, Suite 2000 Portland, OR 97232

V. Request for Relief

14. Rocky Mountain Power respectfully requests that the Commission issue an accounting order: (1) authorizing that this matter may be processed by Modified Procedure; and (2) authorizing the Company to record a regulatory asset associated with coal stripping costs at its Mines.

DATED: October 12, 2009.

Daniel Solander (sw)

Daniel E. Solander
Attorney for Rocky Mountain Power