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

April 2, 2010

IDAHO PUBLIC
UTILITIES COMMISSION

VIA OVERNIGHT DELIVERY

Jean Jewell
Idaho Public Service Commission
472 W. Washington Street
P.O. Box 83720
Boise, Idaho 83720-0074

RE: Case No. PAC-10-04, Application of Rocky Mountain Power for an Accounting Order
Regarding Post-Retirement Prescription Drug Coverage Tax Benefits

Dear Ms. Jewell:

Enclosed for filing in the above captioned matter, please find the original and seven (7) copies of Rocky Mountain Power's Application of Rocky Mountain Power for an Accounting Order Regarding Post-Retirement Prescription Drug Coverage Tax Benefits.

Please contact Daniel Solander at (801)220-4014 if you have any questions.

Very truly yours,

A handwritten signature in black ink that reads "Jeffrey K. Larsen" followed by a stylized flourish or initial.

Jeffrey K. Larsen
Vice President, Regulation

Enclosures

Mark C. Moench
Daniel E. Solander
201 South Main, Suite 2300
Salt Lake City UT 84111
Telephone: (801) 220-4014
Email: daniel.solander@pacificorp.com
Mark.moench@pacificorp.com

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UTILITIES COMMISSION

Attorneys for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
ROCKY MOUNTAIN POWER FOR AN) CASE NO. PAC-E-10-04
ACCOUNTING ORDER REGARDING POST-)
RETIREMENT DRUG COVERAGE TAX) **APPLICATION**
BENEFITS)

COMES NOW, Rocky Mountain Power, a division of PacifiCorp (the “Company”), and in accordance with RP 052 and RP 201, *et. seq.*, hereby applies to the Idaho Public Utilities Commission (the “Commission”) for an accounting order authorizing the Company to record a regulatory asset associated with tax benefits previously reflected in rates that will no longer be realized for certain costs incurred for post-retirement prescription drug coverage as the result of the Patient Protection and Affordable Care Act (the “Act”). In support of the Petition, the Company states:

1. PacifiCorp is an electrical company and public service company in the state of Idaho, subject to the jurisdiction of the Commission with regard to its rates, service and accounting practices. PacifiCorp also provides retail electricity service in the states of Oregon, California, Utah, Washington and Wyoming. PacifiCorp’s address is 201 S. Main St., Salt Lake City, Utah 84111.
2. This Application is filed pursuant *Idaho Code* §§ 61-301, -307, -622, and -

623. In particular, Idaho Code § 61-623 empowers the Commission to determine the propriety of proposed rate schedules, §§ 61-307 and -622 require Commission approval prior to any increase in rates.

3. Communications regarding this Application should be addressed to:

Ted Weston
Manager, Idaho Regulatory Affairs
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, UT 84140
Telephone: (801) 220-2963
E-mail: Ted.Weston@PacifiCorp.com

Daniel Solander
Senior Counsel
Rocky Mountain Power
201 South Main, Suite 2300
Salt Lake City UT 84111
Telephone: (801) 220-4014
E-mail: Daniel.Solander@PacifiCorp.com

In addition, PacifiCorp respectfully requests that all data requests regarding this matter be addressed to:

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

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 800
Portland, OR 97232

Informal inquiries may be directed to Ted Weston at (801) 220-2963.

4. On March 23, 2010, the Patient Protection and Affordable Care Act was signed into law. The Act changes the deductibility of certain costs incurred for post-retirement prescription drug coverage. The purpose of this Application is to request authorization for the recording of a regulatory asset for tax benefits previously reflected in rates that will no longer be realized as the result of the Act. The Company proposes to

amortize the regulatory asset over a period of four years beginning January 1, 2011, and reflect the amortization expense in the Company's next general rate case.

5. Designed to encourage employers to continue providing high quality prescription drug coverage, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 contains provisions for a federal subsidy for employers offering post-retirement prescription drug coverage to its retirees that is at least as valuable as the Medicare Part D standard drug benefit. Under the current rules, employers are permitted to deduct the entire cost of providing the coverage, even though a portion is offset by the subsidy.

6. For taxable years beginning after December 31, 2012, the Act repeals the current rule permitting deduction of the portion of the expense that is offset by the subsidy.

7. The employer's promise to provide post-retirement prescription drug coverage is recorded as a component of the other post-employment benefit ("OPEB") obligation reflecting this future liability. On a gross basis, the OPEB obligation includes a pre-subsidy liability for the future benefits to retirees offset by a subsidy receivable from the federal government. The net amount is actuarially determined.

8. For ratemaking purposes, the Company does not include the OPEB obligation (liability) in rate base. However, the actuarially determined level of OPEB expense is included in the Company's annual expenses in its revenue requirement/cost of service, and the Company has treated the OPEB expense as deductible for income tax purposes, including the portion that is offset by the federal subsidy.

9. With the change in law, the subsidy receivable will remain not taxable, but a corresponding amount of OPEB related costs will become non-deductible for income tax purposes, or approximately \$30.0 million on a system-wide basis. If authorized by

regulators, the Company will avoid a one-time charge for additional income tax expense for the change in law of approximately \$11.4 million in the first quarter of the calendar year ended December 31, 2010. The establishment of the regulatory asset for the \$11.4 million on a system-wide basis grossed up for tax effects would allow for the reasonable recovery of these costs over a four-year period.

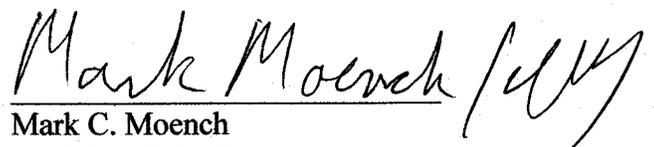
10. The \$11.4 million regulatory asset when amortized and grossed up for tax effects, results in a revenue requirement impact of approximately \$18.5 million on a total company basis amortized over four years. Idaho's share of the regulatory asset will be established based on the system overhead (SO) allocation factor, resulting in approximately \$1.0 million.

11. Rocky Mountain Power is not requesting a final decision on rate recovery through this Application.

WHEREFORE, PacifiCorp respectfully requests an accounting order authorizing it to record a regulatory asset to FERC Account 182.3 (Other Regulatory Assets) and a credit to FERC Account 410.1 (Deferred Tax Expense) to recover the Idaho portion of the tax benefits previously reflected in rates that will no longer be realized as the result of the Act. Additionally, the Company requests authorization to amortize the regulatory asset to expense over a four-year period beginning January 1, 2011.

DATED: April 2, 2010.

Respectfully submitted,



Mark C. Moench

Daniel E. Solander

Attorneys for Rocky Mountain Power