

**BEFORE THE PUBLIC SERVICE COMMISSION
OF UTAH**

In the Matter of the Application of)	
PACIFICORP for Approval of the)	APPLICATION OF PACIFICORP
Intercompany Administrative)	
Services Agreement with MidAmerican)	DOCKET _____
Energy Holdings Company)	

Pursuant to the Commission’s January 27, 2006 Order in Docket No. 05-035-54, PacifiCorp hereby requests approval from the Utah Public Service Commission (the “Commission”) of the Intercompany Administrative Services Agreement (“IASA”) between MidAmerican Energy Holdings Company (“MEHC”) and its subsidiaries. Following the acquisition of PacifiCorp by MEHC – a transaction that closed on March 21 following Commission approval in Docket No. 05-035-54 – PacifiCorp became an MEHC subsidiary that will be subject to the IASA. In support of this Application, PacifiCorp represents as follows:

1. Background

In its January 27, 2006 Order in Docket No. 05-035-54, the Commission approved the acquisition of PacifiCorp by MEHC, subject to a Consolidated List of Commitments specified in a stipulation among several parties to the proceeding. In its March 14, 2006 Order in Docket No. 05-035-54, the Commission adopted an amended Consolidated List of Commitments. Included in this Consolidated List is MEHC’s and PacifiCorp’s commitment regarding the filing of the IASA. Specifically, Commitment U 21 provides that:

MEHC and PacifiCorp will request Commission approval, for cost allocation and affiliate transaction purposes, of the IASA and any amendments filed pursuant to Commitment 13.

Thus, in accordance with Commitment U 21, the IASA is submitted herewith for Commission approval. A copy of the IASA is included as Exhibit A. Consistent with Commitment U 21, approval for ratemaking purposes is not requested in this filing. The reasonableness of payments

under the IASA by PacifiCorp to MEHC and its subsidiaries will be considered in subsequent rate proceedings.

2. Communications and Notices

All notices and communications with respect to this application should be addressed to:

Douglas Larson
Vice President, Regulation
PacifiCorp
201 South Main Street, Suite 2300
Salt Lake City, UT 84111-2300
Tel. (801) 220-2190
Fax (801) 220-3116
doug.larson@pacificorp.com

Edward Hunter
Stoel Rives LLP
201 South Main Street, Suite 1100
Salt Lake City, UT 84111-4904
Tel. (801) 578-6936
Fax (801) 578-6999
eahunter@stoel.com

Mark C. Moench
Senior Vice President and General Counsel
Utah Power
201 South Main Street, Suite 2300
Tel. (801) 220-4459
Fax (801) 220-4804
mark.moench@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, Oregon 97232

By facsimile

(503) 813-6060

Informal inquires may also be directed to Dave Taylor, Manager, Regulation at (801) 220-2923.

3. Description of IASA

The IASA governs the provision of administrative services between and among MEHC and its subsidiaries, and includes administrative services that are provided by: MEHC to its subsidiaries, the subsidiaries to MEHC, and MEHC subsidiaries to other MEHC subsidiaries.

Article 1 of the IASA. Administrative services include, but are not limited to: legal services, government and corporate affairs, tax services, financial and accounting services, risk management, human resource services, environmental services, and other services. *Id.*

a. Charges for Administrative Services

Costs and billings originating at MEHC will be accounted for using MEHC's existing system of accounts. The MEHC system of accounts provides details on the type of cost activity involved and the area responsible for incurring the charge. As a regulated public utility, MEC is required to use and account for costs using the FERC uniform system of accounts. In addition to the FERC primary accounts, MEC utilizes an additional three-digit "sub-account" field to provide more descriptive detail of the type of cost activity involved. Both MEHC and MEC utilize a responsibility center field in the code block to establish budgetary control of amounts charged and provide an audit trail to the department originally incurring the charges. Other segments of the code block used by MEC capture cost elements (descriptive of the nature of costs, *e.g.*, labor, payables, etc.) and project numbers. Both the MEHC and MEC code blocks accommodate a high degree of flexibility and capability in tracking and reporting costs.

Shared services, whether directly billed or allocated, will be charged at fully loaded actual cost by the entity providing the service ("Providing Party"). This means that only the actual cost of providing the service, with no markup for profit, will be charged. Labor, for example, will include such items as loadings for benefits, paid absences and payroll taxes attributable to such labor for actual time spent providing the service. Non-labor costs will be directly billed or allocated at actual amounts incurred by the Providing Party. MEHC and its subsidiaries will not earn profits on such services. All such shared services costs incurred by the Providing Party will be directly charged when the benefiting organization can be specifically identified, and any residual indirect amounts will be allocated each month to all benefiting subsidiaries.

The IASA provides that charges for administrative services will be calculated on the basis of direct charges, service charges, or pursuant to an allocation methodology (in the case of

costs incurred for the general benefit of the entire corporate group). *Article 2 of the IASA*. These methods of determining charges are described briefly as follows:

Direct Charges: The Party receiving the benefit of Administrative Services (“Recipient Party”) is charged for the operating costs incurred by the Providing Party, including, but not limited to, allocable salary and wages, incentives, paid absences, payroll taxes, payroll additives (insurance premiums, health care and retirement benefits and the like), direct non-labor costs, if any, and similar expenses, and reimbursement of out-of-pocket third party costs and expenses.

Service Charges: These are costs that are impractical to charge directly but for which a cost/benefit relationship can be reasonably identified. A practical allocation method will be established by Providing Party that allocates the cost of this service equitably and consistently to the Recipient Party.

Allocations: These are costs incurred for the general benefit of the entire corporate group for which direct charging and service charges are not practical. An allocation methodology will be established and used consistently from year to year.

b. Cost Allocation Methodology

The IASA identifies the principles that will be followed in any cost allocation methodology used for assigning corporate and affiliate costs. *Article 2 of the IASA*. These principles are consistent with the principles to which MEHC and PacifiCorp committed in Commitment 14, which states that:

Any proposed cost allocation methodology for the allocation of corporate and affiliate investments, expenses, and overheads, required by law or rule to be submitted to the Commission for approval, will comply with the following principles:

- a) For services rendered to PacifiCorp or each cost category subject to allocation to PacifiCorp by MEHC or any of its affiliates, MEHC must be able to demonstrate that such service or cost category is necessary to PacifiCorp for the performance of its regulated operations, is not duplicative of services already being performed within PacifiCorp, and is reasonable and prudent.
- b) Cost allocations to PacifiCorp and its subsidiaries will be based on generally accepted accounting standards; that is, in general, direct costs will be charged to specific subsidiaries whenever possible and shared or indirect costs will be allocated based upon the primary cost-driving factors.

- c) MEHC and its subsidiaries will have in place positive time reporting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to PacifiCorp.
- d) An audit trail will be maintained such that all costs subject to allocation can be specifically identified, particularly with respect to their origin. In addition, the audit trail must be adequately supported. Failure to adequately support any allocated cost may result in denial of its recovery in rates.
- e) Costs which would have been denied recovery in rates had they been incurred by PacifiCorp regulated operations will likewise be denied recovery whether they are allocated directly or indirectly through subsidiaries in the MEHC group.
- f) Any corporate cost allocation methodology used for rate setting, and subsequent changes thereto, will be submitted to the Commission for approval if required by law or rule.

c. Other Provisions of the IASA

The IASA also includes requirements regarding payment arrangements (*Article 3(b)*), the maintenance of books and records necessary to support the charges for administrative services (*Article 6*), and the treatment of confidential information (*Articles 15 and 16*).

WHEREFORE, for the reasons set forth above, PacifiCorp respectfully requests that the Commission issue an order approving the IASA.

DATED: March __, 2006.

Respectfully submitted,

Edward Hunter
STOEL RIVES LLP
201 South Main Street, Suite 1100
Salt Lake City, UT 84111-4004
Of Attorneys for PacifiCorp

CERTIFICATE OF SERVICE

I hereby certify that on this 31st day of March, 2006, I caused to be served, via electronic mail, a true and correct copy of the foregoing Application to the following:

Michael Ginsberg
Patricia Schmid
ASSISTANT ATTORNEY GENERAL
500 Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84111
mginsberg@utah.gov
pschmid@utah.gov
Attorneys for Division of Public Utilities

Reed Warnick
Paul Proctor
ASSISTANT ATTORNEY GENERAL
160 East 300 South, 5th Floor
Salt Lake City, UT 84111
rwarnick@utah.gov
pproctor@utah.gov
Attorneys for Committee of Consumer Services

Gary A. Dodge
Hatch James & Dodge
10 West Broadway, Suite 400
Salt Lake City, UT 84101
gdodge@hjdllaw.com

F. Robert Reeder
Vicki Baldwin
PARSONS BEHLE & LATIMER
One Utah Center
201 South Main Street, Suite 1800
P.O. Box 45898
Salt Lake City, UT 84145-0898
BobReeder@pblutah.com
VBaldwin@pblutah.com
Attorneys for UIEC

Utah Ratepayers Alliance
c/o Betsy Wolf
Salt Lake Community Action Program
764 South 200 West
Salt Lake City, UT 84101
bplenk@igd.org

Peter J. Mattheis
Shaun C. Mohler
BRICKFIELD, BURCHETTE, RITTS,
STONE
1025 Thomas Jefferson Street, N.W.
800 West Tower
Washington, D.C. 20007
PJM@bbrslaw.com
Attorneys for Nucor Steel

Arthur F. Sandack
8 East Broadway, Ste 510
Salt Lake City, Utah 84111
asandack@msn.com

Doug Larson
PACIFICORP
201 South Main, Suite 2300
Salt Lake City, Utah 84140-0023
Telephone: (801) 220-2190
Fax: (801) 220-3116
doug.larson@pacificorp.com

Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 800
Portland, OR 97232
datarequest@pacificorp.com

Lee R. Brown
US Magnesium
238 North 2200 West
Salt Lake City, UT 84116
Telephone: 801 532-2043
Facsimile: 801 534-1407
lbrown@usmagnesium.com

Major Craig Paulson
Utility Litigation Team
AFLS/ULT
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319
craig.paulson@tyndall.af.mil

David F. Crabtree
Deseret Generation & Transmission
10714 S. Jordan Gateway, Suite 300
South Jordan, UT 84095
Telephone: 801 619-6500
Facsimile: 801 619-6599
Crabtree@Deseretgt.Com

Edward A. Hunter
Jennifer H. Martin
STOEL RIVES LLP
201 South Main Street, Suite 1100
Salt Lake City, Utah 84111
Telephone: (801) 328-3131
Facsimile (801) 578-6999
eahunter@stoel.com
jhmartin@stoel.com

Rick Anderson
Kevin Higgins
Neal Townsend
ENERGY STRATEGIES
215 South State Street, Suite 200
Salt Lake City, UT 84111
Telephone: 801.355.4365
Facsimile: 801.521.9142
randerson@energystrat.com
khiggins@energystrat.com
ntownsend@energystrat.com

Sarah Wright
Utah Clean Energy
917 2nd Avenue
Salt Lake City, UT 84103
sarah@utahcleanenergy.org

Michael L. Kurtz
Boehm Kurtz & Lowry
36 E. Seventh Street, Suite 1510
Cincinnati, OH 45202

Matthew F. McNulty III
H. Michael Keller
Sam Meziani
50 South Main Street, Suite 1600
P.O. Box 45340
Salt Lake City, UT 84144-0450
Telephone: 801 532-3333
Facsimile: 801 534-0058

Stephen Randle
Randle, Deamer & Lee
139 East South Temple, Suite 330
Salt Lake City, UT 84111-1169
Telephone: 801 531-0441
Facsimile: 801 531-0444
Ulaw@Xmission.Com

Eric Guidry
Western Resource Advocates
2260 Baseline Rd., Suite 200
Boulder, CO 80302
Telephone: (303) 444-1188 ext 226
Facsimile: (303) 786-8054
eguidry@westernresources.org
