

RMP 2014 GRC Filing Requirements

R746-700-22.D.13

Copies of operating and capital budget instructions and directives provided to employees, including assumptions, directives, manuals, policies and procedures, timelines, and descriptions of budget procedures for the budget or forecast for the Test Period and To Date.

Response to R746-700-22.D.13

Please refer to the company's response to R746-700-22.D.13 from the prior GRC filing (2011). Please note that this document is the last one produced (covering the period 2010-2019). The Company no longer produces this document as part of its budget process.

The processes for development of capital placed in-service as used in rate case filings is highlighted below:

Project Identification:

PacifiCorp identifies capital project requirements, large and small as well as short- and long-term, on the basis of specific customer requirements, resource and load forecasts (including specific area loading studies), risk analyses, system reliability standards, state and federal regulatory mandates and technological changes.

- a. PacifiCorp's long-term major capital investment process starts with the integrated resource planning (IRP) process. The PacifiCorp biennial IRP process evaluates long-term load growth and resource requirements, identifying the preferred portfolios made up of market transactions and capital investment in additional generation plant and infrastructure. These are based upon input parameters that include customer requirements, load demand forecasts, risk analyses and state and federal regulatory mandates. Least cost resources are identified that will maximize the project benefits while minimizing rate impacts. The preferred portfolio is selected through extensive analysis and public comment, which is then filed with the state commissions for approval or acknowledgement. An action plan is developed and Requests for Proposal are issued for key components of the portfolio to establish a competitive procurement process. For more information about the IRP, please go to <http://www.pacificorp.com/es/irp.html>.
- b. Ongoing investments in transmission, distribution and generation to maintain system reliability are identified based on load growth, risk assessments and mandated needs.

For all projects identified, the project manager, or estimators, will estimate the scope of work, project costs and expected plant in-service date. The in-service date and costs are what is included in rate case filings.

Project Approval

Once a project is identified, specific project approval must still be obtained before beginning the project. For specific capital expenditures, the initial analysis and evaluation of alternatives is performed by the engineering department. Engineering studies are conducted to ensure that the proposed recommendation and alternatives meet documented electrical engineering standards for safety and reliability. These engineering studies include preliminary project costs estimates, as well as related future operations and maintenance expenses.

For specific projects, a project proposal is prepared by a business project manager or other expert with assistance from investment management staff using a standard project proposal template, including the name of the project, objectives (business need/customer benefit), total investment required, alternatives considered, the project financial analysis including the present value revenue requirement differential between the project presented and the next best alternative, project risk factors, and budget status. The proposal is reviewed by the engineering, business unit management and finance departments, and receives approval at the necessary executive level in conformance with corporate governance policies and procedures, prior to proceeding with the project.

Project Database Updates

Projects are entered in PacifiCorp's capital investment management databases, including the planned scope, cost estimates, and estimated plant in-service. For generation and corporate projects, this is the SAP Investment Management (IM) module. For distribution projects this is the RE-Allocation (REAL) database. The capital investment data is created and maintained by project managers and financial support staff. It contains planning detail for all projects being considered for inclusion within an emerging business plan or rate case filing. Review meetings are held with key stakeholders to gather the most up to date information on individual projects and investment program plans. Typical adjustments are made from these meetings that include updating project in-service dates to reflect current plans, changes for new dollar estimates, or removal of uncertain projects. These adjustments are incorporated in the respective data base.

Rate Case / Budget Updates

Periodically capital data in the databases are accumulated for use in rate cases or 10-year plan development. Based on the period needed, the data is extracted from the database, reviewed, summarized and certified as needed by the respective business unit management. For a rate cases, data is gathered and incorporated into a filing based on the latest and best information on individual projects or investment programs with the objective of providing a data set that represents an

accurate listing of projects and dollars (including AFUDC) that will be placed in-service during the test period.

The annual levels of proposed capital expenditures are evaluated in the 10-year planning process to determine impacts on customer costs and company returns, including operations and maintenance costs, rate increases and cash flows, to determine if the investment program is appropriate. Issues with balancing financial constraints may drive revisions to the capital programs. Changes are incorporated into the respective database as identified. If projects are not incorporated as part of the budget process, they would be excluded from any rate case filing as well.

Once approved, the formal 10-year plan/annual budget is not modified. If a project is identified that was not included in the 10-year plan, but is required due to new mandates, or because a different project provides a greater long-term customer benefit over what was identified in the plan, or due to equipment failure, storm damage, unplanned outages or emergencies, it is subject to additional scrutiny and requires approval by a higher level executive. An unbudgeted project with a cost greater than \$5 million also requires specific approval by PacifiCorp's CEO. These projects, if approved are subsequently added to the respective database and included in any rate case filing.