

DPU Data Request 1.3

With regards to the North Umpqua, Bear River and Lewis River reconciling items in the “Form 1 – ROO Inc. Stmt” tab, which report (FERC Form 1 or Semiannual) is based on cash accounting? Why is one of these reports based on cash accounting instead of accrual accounting?

Response to DPU Data Request 1.3

These items are accounted for on an accrual basis in the FERC Form 1. In regulatory results, these items are included on a cash basis.

For off-project hydro relicensing obligations,¹ GAAP requires at the time the license is issued by FERC and accepted by the company the recording of a liability equal to the present value of the future cash payments required to satisfy the license obligations. Interest on the liability is accreted periodically to state the liability at present values. Cash payments are debited against the liability when incurred. An offsetting intangible asset is established at the time the liability is recorded. The asset is amortized over the term of the FERC license.

For ratemaking purposes, the GAAP accounting as described above is removed and not reflected in regulatory results. Cash payments made to satisfy the off-project hydro relicense obligations are recorded in hydro O&M expense as incurred. This approach ensures that customers pay for these expenditures only as they are incurred. This is similar to the regulatory treatment of capital leases where GAAP entries are removed and cash payments for the lease are included in O&M expense.

¹ Expenditures for off-project obligations are incurred for projects outside the PacifiCorp hydro plant boundary, i.e. not on PacifiCorp owned/leased/licensed property. Examples of off-project expenditures include, but are not limited to, funds directed towards fish and wildlife mitigation and enhancement, irrigation, flood control and recreational purposes, as specified in FERC license requirements.