

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of)
PACIFICORP dba UTAH POWER &)
LIGHT COMPANY for a Deferred)
Accounting Order

DOCKET NO. 01-035-02
REPORT AND ORDER

ISSUED: April 4, 2002

By The Commission:

PROCEDURAL HISTORY

On February 7, 2001, PacifiCorp filed with the Commission an Application for an accounting order allowing PacifiCorp to defer approximately \$26.6 million in costs associated with closing the Trail Mountain Mine. For various reasons set forth in the Application, PacifiCorp contends that it became uneconomic to continue operation of the Trail Mountain Mine. Instead, PacifiCorp was able to secure a long-term coal supply contract at projected costs lower than if it continued to operate the mine. The amount requested to be deferred consists of closing costs and unrecovered investment in the mine. PacifiCorp requested authorization to amortize the deferral of the costs over a five-year period.

The Division of Public Utilities ("Division") filed comments and recommendations on February 20, 2001, April 16, 2001, and May 21, 2001. The Committee of Consumer Services ("Committee") and its consultant on coal issues, Mr. Kevin Cardwell, filed comments and recommendations on May 9, 2001. No other party has sought to intervene or participate in this docket.

A scheduling conference was held on May 30, 2001. Pursuant to the schedule set at that conference, a technical conference was held on June 25, 2001.

On July 10, 2001, PacifiCorp filed an Amendment to Application that stated that mine closure costs of about \$19 million had not been included in the original filing, and requesting authority to defer the total costs of about \$45.8 million over a five year period. The Division filed comments and a recommendation on the amended request on January 15, 2002. The Committee and its consultant filed comments and a recommendation on the amended request on March 22, 2002.

RECOMMENDATIONS OF THE PARTIES

The Division recommends approval of deferred accounting treatment of the Trail Mountain Mine closure costs. Since the mine closed March 15, 2001, the Division recommends a five year amortization starting on April 1, 2001. The Division further recommends that the prudence and reasonableness of all mine closure costs be thoroughly evaluated in PacifiCorp's next general rate case. The Division also recommends that any gain associated with the future disposition of Trail Mountain assets accrue to the benefit of ratepayers.

The Committee, in its final recommendation, supports the five year amortization period and notes that, based on the data provided by PacifiCorp, the potential savings from the replacement coal contract will provide sufficient savings during the five years to outweigh the amortized costs. The Committee also raised issues regarding some of the costs included in PacifiCorp's application and requested that the Commission order an audit to determine the reasonableness of the closing costs. The Committee also recommends that the Commission order that any proceeds from future Trail Mountain transactions accrue to the benefit of ratepayers.

DISCUSSION

All parties agree that an amortization period of five years is appropriate. PacifiCorp's projections indicate that the cost savings from the replacement coal contract will exceed the amortized mine closure costs over that period. It appears, therefore, that an amortization period of five years is in the public interest.

The Committee recommends that the Commission order an independent audit of the expenses now. The Division recommends that the costs be thoroughly looked into in the next general rate case for PacifiCorp. The deferred accounting treatment granted herein only allows PacifiCorp to amortize on its books the costs it claims it incurred as a result of closing the Trail Mountain Mine. This order does not establish that the amortized costs are reasonable and prudent. That issue must be addressed prior to any of these costs being incorporated into rates. We decline to order an audit of the expenses at this time. During the next PacifiCorp rate case with a test year that includes a portion of the amortized costs, the issue of the reasonableness and prudence of these costs should be thoroughly explored and addressed by the parties.

PacifiCorp will still own the mine, and the potential exists that it will either sell the mine, or reopen the mine at some future date. The Division and Committee recommend that the Commission order that any gain associated with the future disposition of Trail Mountain assets accrue to ratepayers. We agree that since this deferred accounting will allow PacifiCorp the opportunity to recover reasonable and prudent mine closure costs, any future gain should accrue to ratepayers.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. PacifiCorp filed an Application for a deferred accounting order on February 7, 2001, seeking authority to defer and amortize costs associated with the closure of the Trail Mountain Mine. On July 10, 2001, PacifiCorp amended its Application to include additional costs claimed associated with the mine closure.
2. On March 15, 2001, the Trail Mountain Mine was closed. PacifiCorp incurred costs associated with the closure, and also had not recovered all of its investment in the mine at that time. PacifiCorp claims that the costs and unrecovered investment total about \$45.8 million.
3. PacifiCorp has entered into a long-term coal supply contract at prices significantly lower than the projected costs of continuing to operate the mine. The savings resulting from this contract are projected to exceed the amortized mine closure costs during the five year amortization period
4. A five-year amortization period is reasonable and in the public interest. It is appropriate that the amortization begin the first day of the month following closure of the mine.
5. Approval of deferred accounting for the Trail Mountain Mine closure costs will not constitute any determination of the rate-making treatment regarding the deferred costs or any determination regarding the prudence, calculation, or method of recovery of the deferred costs.
6. Any gain or proceeds from the future disposition of Trail Mountain assets included in the unrecovered investment amortized pursuant to this order will accrue to the benefit of ratepayers.
7. Deferred accounting treatment is an appropriate, just, and reasonable means of providing the Company an opportunity to seek recovery of the costs being incurred by the Company due to the closure of the Trail Mountain Mine, and is in the public interest.
8. The Commission has the authority to approve deferred accounting of the mine closure costs pursuant to Utah Code Ann. §54-4-23.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Application, as amended, is approved, and PacifiCorp is authorized to defer the costs associated with the closure

of the Trail Mountain Mine. The costs will be amortized over a five-year period beginning April 1, 2001.

2. The approval of the Application does not determine the rate-making treatment for the deferred costs. Any determinations of the prudence, calculation, and method of recovery will be made in a subsequent case.

3. This Report and Order constitutes final agency action on PacifiCorp's Application. Pursuant to Utah Code Ann. § 63-46b-13, an aggrieved party may file, within 20 days after the date of this Report and Order, a written request for rehearing/reconsideration by the Commission. Pursuant to Utah Code Ann. § 54-7-15, failure to file such a request precludes judicial review of the Report and Order. If the Commission fails to issue an order within 20 days after the filing of such request, the request shall be considered denied.

DATED at Salt Lake City, Utah, this 4th day of April, 2002.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

G#28907