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**Memorandum**

TO: Public Service Commission

FROM: Division of Public Utilities  
Philip Powlick, Director,  
Artie Powell, Energy Manager  
Charles Peterson, Technical Consultant

DATE: January 22, 2009

RE: PacifiCorp Annual Acquisition Compliance Report, Docket No. 08-999-02/05-035-54.

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**I. ISSUE**

In a letter dated May 30, 2008 PacifiCorp dba Rocky Mountain Power (Company) filed its annual status report (Report) of the status of the Acquisition commitments made pursuant to Commitment 49 of the Stipulation in Docket No. 05-035-54. The Report covers the status of the commitments as of March 31, 2008, roughly the second anniversary of the Acquisition. This Memorandum provides comments by the Division of Public Utilities (Division) on the status of PacifiCorp's Acquisition Commitments.

**II. RECOMMENDATION (Improvements to subsequent years' Reports)**

Based upon the following review, the Division believes that PacifiCorp is generally in compliance with its Acquisition commitments. The Division recommends that the Company make improvements to future Reports by including any studies or documents that have been created during the preceding year that are the basis of compliance with the Acquisition commitments, or alternatively, make sure the Division had been previously provided with such studies or other documents.

### III. COMMITMENTS REVIEW

Since the close of the Acquisition in March 2006, the Division has followed the compliance of the various general and Utah-specific commitments. A number of the commitments cannot be documented since they would only apply if some event occurs;<sup>1</sup> others have little meaning within the context of the Acquisition;<sup>2</sup> and many commitments were essentially one-time events that occurred in the first year or two following the Acquisition.<sup>3</sup> The remaining commitments are on-going, for which, in the Division's view there has been compliance and, with one exception (for U26, see below), no other interested parties have raised a compliance issue.

The compliance for Commitment U26 (which had to do with an arrearage study for low-income customers along with recommendations for arrearage mitigation) was challenged by advocates for low-income customers. This challenge was dealt with in Docket No. 07-2035-02 and was eventually resolved as a result of the Commission's acknowledgement dated May 27, 2008.

The Division made a data request asking for further information on the compliance for twelve commitments, or subparts of commitments. The following summarizes the responses of the Company to these data requests:

Commitment 4: PacifiCorp clarified that although PacifiCorp's parent companies, MidAmerican Energy Holdings Company (MEHC) and Berkshire Hathaway are not subject to FERC regulation, "both MEHC and Berkshire Hathaway have committed to retain their books and records relative to the business of PacifiCorp consistent with the manner and time periods of the FERC's records retention requirements and continue to do so." (Response to DPU Data Request 5.1)

Commitment 25: The Company indicated that it was suspended for non-compliance to ISO 14001 standards based on an audit on February 15, 2008. The Company clarified that it was removed from suspension on May 28, 2008. (Response to DPU Data Request 5.2)

Commitment 35, parts a, b, c, and d: Commitment 35 generally committed the Company to improve system reliability. Each subpart reflected particular commitments to reliability programs. At the Division's request, PacifiCorp provided details of the monies spent on these programs. (Response to DPU Data Requests 5.3, 5.4, 5.5 and 5.6)

The Division also sought to clarify the nature of the Company's "Asset Risk Program" and asked a series of questions in DPU Data Request 6. Finally, on December 18, 2008, the Division held a telephone conversation with Doug Bennion who is Vice President,

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<sup>1</sup> For example, see commitments 11, 12, U2, U11, U32, and U42.

<sup>2</sup> For example, commitments 2, 7, 28, 30, 31 indicate that PacifiCorp will continue to obey the law and honor its contracts. PacifiCorp cites evidence for commitment 19, but it likely would be difficult to demonstrate that the Company wasn't in compliance.

<sup>3</sup> For example, see commitments 16, 29, 50, 52, 53, U6, U12, U26, U29, U38, and U40.

Engineering Services & Capital Investment with Rocky Mountain Power and is responsible for implementing the program.

Based on the discussion with Mr. Bennion, the Asset Risk Program was started under Scottish Power following the energy crisis in California. The program continued until about 2006 and entailed identifying in detail the physical operating state of the Rocky Mountain Power system. A database of all of the Company's operating equipment was created and an inspection and replacement and repair program was instituted. This program has since evolved into what Mr. Bennion refers to as Reliability Improvement Program and Initiatives. In essence, it is the collection of procedures that the Company uses to manage the physical age of its equipment and improve reliability. Mr. Bennion believes that the program has been successful in that the Company's system is demonstrably making progress as measured by such things as SAIDI and SAIFI.

Commitment 42, parts a and b: For part "a" the Company provided the filing it made with the EPA regarding sulfur hexafluoride emissions. With respect to part "b" the Company informed the Division that the release of an updated draft or final Global Climate Change Action Plan has been delayed indefinitely. (Response to DPU Data Requests 5.7 and 5.8)

Commitment 43: At the Division's request, PacifiCorp provided details on expenditures to date on its efforts to reduce emissions. The Company detailed the expenditure of approximately \$1.4 billion through 2016. The \$1.4 billion estimated expenditure is about \$600 million more than the original commitment of \$812 million. PacifiCorp also detailed the expected emission reductions. (Response to DPU Data Requests 5.9)

Commitment 50: PacifiCorp provided to the Division detailed information on the Company's pension plan related to its answer in the Report. (Response to DPU Data Requests 5.10)

Commitment U45: The Company provided to the Division copies of the studies referenced in the Report. (Response to DPU Data Requests 5.11)

Commitment U46: PacifiCorp provided the requested information relative to the West Valley power plant lease. (Response to DPU Data Requests 5.12)

Based upon the review of the data request documents and the Division's monitoring of the Acquisition commitments since the Acquisition closed, the Division believes that PacifiCorp is substantially in compliance with its Acquisition commitments through March 31, 2008 and has made a good faith effort to keep the Division apprised of the Company's activities related to these commitments.

The Division recommends and requests that the Company provide to the Division in advance, or, at least with, any future annual compliance reports, any studies or other documents created in the preceding year that are used to support ongoing commitment compliance.

cc Dave Taylor, PacifiCorp  
Michele Beck, Committee of Consumer Services