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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for an Accounting Order To Defer the Costs Related to the MidAmerican Energy Holdings Company Transaction)	<u>DOCKET NO. 07-035-04</u>
In the Matter of the Application of Rocky Mountain Power, a Division of PacifiCorp, for a Deferred Accounting Order To Defer the Costs of Loans Made to Grid West, the Regional Transmission Organization)	<u>DOCKET NO. 06-035-163</u>
In the Matter of the Application of Rocky Mountain Power for an Accounting Order for Costs related to the Flooding of the Powerdale Hydro Facility)	<u>DOCKET NO. 07-035-14</u>
)	ROCKY MOUNTAIN POWER'S STATEMENT OF POSITION ON ITS PENDING APPLICATIONS FOR DEFERRED ACCOUNTING TREATMENT

Pursuant to the Scheduling Order issued by the Public Service Commission of Utah (“Commission”) on April 27, 2007, Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or the “Company”), hereby submits its written statement of position regarding its pending applications for deferred accounting treatment with respect to Docket No. 07-035-04, transition costs associated with the MidAmerican Energy Holdings Company’s acquisition of PacifiCorp; Docket No. 06-035-163, costs of defaulted loans that were made to Grid West; and

Docket No. 07-035-14, costs associated with the flooding of the Powerdale Hydro facility.

The Scheduling Order requires the Company to submit a written statement of position on each of the following items:

1) The Company's position with respect to the scope of review that the Commission should undertake with respect to each application.

2) The amortization period that the Company is requesting and when the amortization should start for each application.

3) Why the applications do not violate the 2006 general rate case settlement and the MidAmerican Energy Holdings Company Commitment No. 22 related to its acquisition of PacifiCorp.

4) An explanation of how the Company anticipates treating the Powerdale costs under the multi-state protocol.

Rocky Mountain Power has addressed each of these items separately with respect to each respective application.

I.
Docket No. 06-035-163
Grid West's Default on Loans

A. Commission's Scope of Review.

In the Grid West application, the Company requested that the "Commission issue an order authorizing the Company to defer . . . the Grid West loan costs. . . ." Accordingly, the relief sought by the Company is simply whether it can establish a regulatory asset in Account 182.3, as further described in the application. The Company made this request pursuant to Utah Code Ann. §54-4-23, which authorizes the Commission to prescribe the accounting to be used by a public utility subject to the Commission's jurisdiction. The Company did not request a

determination of ratemaking treatment, whether the costs are appropriate for inclusion in rates, or a determination of the amortization period. As such, there is no reason the scope of review should go beyond the relief requested by the Company. That is, simply whether the Company can establish a regulatory asset in Account 182.3, thus preserving the Company's opportunity to request inclusion of this particular expense in its revenue requirement at the time of the Company's next general rate case.

However, to the extent the Commission decides to expand its scope of review beyond what the Company requested in the application, the Company refers the parties to the following sections for its position on the amortization issues.

B. Length of Amortization Period and Proposed Start Date. As noted above, Rocky Mountain Power did not specifically request a determination of the amortization period and related start date. The Company submits that such request is not necessary because the length of an amortization period and its start date can be determined by the Commission at a later date, which is what the Company proposed in its application.

By proposing to address amortization and recovery in the next general rate case, the Company is proposing that at the time of the next general rate case, in addition to determining the recoverability of the expense - whether it is a proper expense to be included in the Company's revenue requirement, the Commission would determine: (1) the appropriate amortization period and (2) when the amortization period should begin. As such, at the time of the Company's next general rate case, all interested parties may contest the Company's request with respect to recoverability of the expense in rates and amortization, both length and start date.

For instance, if the Commission were to grant Rocky Mountain Power's request to establish a regulatory asset account, only. At the time of the Company's next general rate case,

the Commission would simply determine the appropriate amortization period and when the amortization should begin. If the Commission were to decide that the expense should be amortized over a 3 year period, but the Company should have begun amortizing the expense upon the effective date of the Commission order authorizing the deferral, the Company would simply treat the expense as though it has been being amortized over a 3 year time period beginning on the effective date of the Commission's order in this proceeding and continuing into the future for the remainder of the amortization period. To the extent the amortization continues through the Company's test period in its next general rate case, the Company would be able to request recovery of that amortization expense in rates, assuming the Commission determines the expense is recoverable in rates. As such, a determination of the amortization period and start date are not necessary, but instead, and as proposed by the Company, can be determined at the time of the Company's next general rate case.

Notwithstanding the above, to the extent the Commission determines that it would prefer to address amortization issues at this time, Rocky Mountain Power would propose a 3 year amortization period. The Company submits that a 3 year amortization period is appropriate because given the dollar amount of Utah's share of the defaulted loans, any amortization period longer than 3 years would not be justified.

The Company further submits that the amortization period should begin upon the effective date of an order in this proceeding because that is the date the Commission will have authorized such action by the Company. However, the Company is willing to treat this particular amortization as though it began on January 1, 2007, which is the beginning of the calendar year following the actual write-off of the defaulted loans. The January 1, 2007 beginning date allows for the amortization to begin while current rates are in effect.

C. The 2006 General Rate Case Settlement and the MidAmerican Energy Holdings Company Commitment No. 22.

Rocky Mountain Power submits that the proposed application for deferred accounting does not violate either covenant.

As a purely technical matter, the stay out provision does not preclude the Company from filing an application for deferred accounting or establishing a new regulatory asset. Rather, paragraph 12 of the stipulation only prohibits the Company from filing a general rate case before December 11, 2007, with a rate effective date prior to August 7, 2008. An approval of the Company's application does not impact the rates that were agreed to by the settlement parties in the stipulation because the recoverability of the cost of the Grid West loans in rates will be decided in the Company's next general rate case.

The Company's application is not a ploy to recover an otherwise non-recoverable expense by capturing it in the present period and carrying the entire amount of the expense into the future in an attempt to recover the full amount in a subsequent rate case. To the contrary, the Company is simply requesting to defer and amortize an expense that would normally be properly amortized over a period of time, as opposed to being absorbed in a single period, because of the type of expense - a one-time, non-recurring expense. By amortizing this expense, the Company is amortizing the full amount over an extended period of time and properly matching this year's share of the amortization expense in the present year. Accordingly, approval of the Company's application will not impact current rates, current rates will remain unchanged through August 7, 2008 as contemplated by the stipulation, and by permitting the Company to amortize this expense, the Company is properly matching this year's share of the amortization expense in the present year.

With respect to Commitment 22, the costs associated with Grid West are unrelated to

MEHC's ownership of PacifiCorp, and any recovery of these costs in future rates will have the same impact on customer rates whether PacifiCorp was under MidAmerican or Scottish Power ownership.

II.
Docket No. 07-035-04
Transition Costs

For purposes of clarifying the costs associated with this particular application, the pleading refers to costs related to the MidAmerican Energy Holdings Company transaction, which is somewhat a misnomer because the costs that are the subject of the application pertain to transition costs, not transaction costs. The costs the Company proposes to defer are defined in the application as costs pertaining to severance payments that are the result of a reduction in workforce associated with the change in ownership of the Company.

A. Commission's Scope of Review.

In the MEHC transition cost application, the Company's request was twofold. First, that the Commission grant approval to establish a regulatory asset account by permitting the Company to defer costs pertaining to severance payments associated with the reduction in workforce. Second, the Company requested "authorization to defer and to continue amortizing the Transition Costs that were included in the Company's general rate case in Docket No. 06-035-21." Accordingly, the relief sought by the Company is similar to Grid West, with the exception of the request to continue to defer and amortize the transition costs that were presumed by the Company to be included in the last general rate case settlement, Docket No. 06-035-21.

With respect to the request to establish a regulatory asset account for the costs not included in Docket No. 06-035-21, similar to Grid West, the Company did not request a determination of ratemaking treatment, whether the costs are appropriate for inclusion in rates,

and did not request a determination of the amortization period. As such, there is no reason the scope of review should go beyond the relief requested. That is, simply whether the Company can establish a regulatory asset in Account 182.3, thus preserving the Company's opportunity to request inclusion of this particular expense in its revenue requirement in the next general rate case.

With respect to the request to continue to defer and amortize the transition costs included in Docket No. 06-035-21, the Company is merely seeking clarification of how it should treat the transition costs that were proposed by the Company to be included in the last general rate case. However, as a result of the settlement, it was never articulated how these particular costs should be treated. As such, Rocky Mountain Power is requesting an order from the Commission that confirms the Company's understanding by specifically authorizing the Company to continue to defer and amortize the transition costs that were included in the rate case. Consequently, the Commission's scope of review with respect to this particular request is simply whether the transition costs should have been included in the settlement figures and, if so, whether the Company should continue to amortize those amounts.

However, to the extent the Commission decides to expand its scope of review beyond what the Company requested in the application, the Company refers the parties to the following sections for its position on the amortization issues.

B. Length of Amortization Period and Proposed Start Date.

Similar to the application pertaining to the Grid West loans, the Company requested that the Commission issue an order authorizing the Company to defer the transition costs, only, and did not specifically request a determination of the amortization period and related start date. Instead, the Company proposed to "address amortization and recovery of these costs in

PacifiCorp's next general rate case.”

As described above, it is the Company's position that amortization and start of amortization does not need to be addressed in an application for deferred accounting, but can be addressed when the Commission is determining whether the expense should be included in the Company's revenue requirement. Notwithstanding, to the extent the Commission determines that it would prefer to address amortization periods and start dates at this time, Rocky Mountain Power would propose a 3 year amortization period for Utah's share of the total severance costs. This includes the \$6.4 million (\$2.7 million Utah allocated share) of severance costs known in March 2006 as identified in Docket 06-035-21 and the additional severance costs incurred between March 2006 and May 2007. A 3 year amortization period is consistent with the amortization period proposed for the severance costs included in Docket 06-035-21 and ensures that there are net labor savings each year during the amortization. .

The Company submits that the amortization period should begin on October 1, 2006 for the portion of the transition costs that are already included in base rates from the last general rate case because this treatment is consistent with the inclusion of what would have been the first year of amortization of the known severance expense from that case, and this time period arguably better reflects the period of time over which those particular severance costs were incurred and the labor cost savings began. The Company further submits that with respect to the transition costs that were not included in the last general rate case, the amortization period normally would begin upon the effective date of an order in this proceeding because that is the date the Commission will have authorized such action by the Company.

However, the Company proposes to treat the transition costs that were not included in the general rate case as a true-up to the costs that were included in the general rate case and treat the

amortization for all transition costs as though they began on October 1, 2006. October 1, 2006 is also the mid-point between March 21, 2006 and May 23, 2007, the applicable time frame that employees were severed as part of the change-in-control severance plan, and is arguably the proper time period for purposes of matching costs and savings.

C. The 2006 General Rate Case Settlement and the MidAmerican Energy Holdings Company Commitment No. 22.

Rocky Mountain Power submits that the proposed application for deferred accounting does not violate either covenant.

As discussed above, the stay out provision does not preclude the Company from filing an application for deferred accounting or establishing a new regulatory asset, and the rates that were agreed to by the settlement parties in the stipulation will not be impacted by the requested deferral. The Company's application is not a ploy to recover an otherwise non-recoverable expense by capturing it in the present period and carrying the entire amount of the expense into the future in an attempt to recover the full amount in a subsequent rate case. To the contrary, the Company is simply requesting to defer and amortize an expense that would normally be properly amortized over a period of time, as opposed to being absorbed in a single period, because of the type of expense - a one-time, non-recurring expense. Furthermore, by amortizing this expense, the Company is amortizing the full amount over an extended period of time and properly matching this year's share of the amortization expense in the present year. As previously noted, this treatment is consistent with the settlement agreement because it has no impact on current rates.

MidAmerican Energy Holdings Company Commitment No. 22 related to its acquisition of PacifiCorp states:

22 MEHC and PacifiCorp guarantee that the customers of PacifiCorp will be held

harmless if the transaction between MEHC and PacifiCorp results in a higher revenue requirement for PacifiCorp than if the transaction had not occurred; provided, however, that MEHC and PacifiCorp do not intend that this commitment be interpreted to prevent PacifiCorp from recovering prudently incurred costs approved for inclusion in revenue requirement by the Commission.

With respect to Commitment 22, Rocky Mountain Power submits that the proposed deferral does not violate MidAmerican Energy Holdings Company Commitment No. 22. Customers are held harmless because the 3 year amortization of the severance costs ensures that there are net labor savings, and thus a lower revenue requirement, each year, including the year in which the severance expense is incurred.

III.
Docket No. 07-035-14
Powerdale Hydro Facility

A. Commission's Scope of Review.

Similar to the transition cost application, the application for deferred accounting for Powerdale consists of two parts. First, approval to establish a regulatory asset in Account 182.2, Unrecovered Plant and Regulatory Study Costs, for both the undepreciated net book value of the Powerdale plant and the estimated decommissioning costs. Second, the Company requested a 3 year amortization period beginning upon the effective date of an order in this proceeding for the undepreciated net book value of the plant and beginning upon the inclusion in rates in the next general rate case for the decommissioning costs.

Unlike the prior two applications, the Company requested a specific amortization period and a proposed start date for the amortization because of the unique set of facts surrounding the Powerdale plant. Powerdale was scheduled to be decommissioned in 3 years, beginning in 2010, but was then severely damaged by a flood. Accordingly, the Company knows when the

decommissioning expenses are going to be incurred, the remaining life of the undepreciated net book value of the plant, and when the decommissioning costs will start. Given these unique facts and the timing of the events, the Company proposed a specific amortization period in its application.

Accordingly, the proper scope of review for this application should be whether the Company can establish a regulatory asset in Account 182.2, whether the Company can amortize these costs over a 3 year period, and the date amortization should begin.

B. Length of Amortization Period and Proposed Start Date.

Unlike the other two applications, the Company requested that the Commission issue an order authorizing the Company to establish a regulatory asset account and to amortize these costs over a period of 3 years. As noted in the prior section, Rocky Mountain Power proposed a 3 year amortization period for Utah's share of both the decommissioning costs and the undepreciated net book value of the plant because of the unique factual circumstances and timing surrounding the flooding of Powerdale and its future decommissioning.

In addition, the Company has requested to begin amortizing the remaining undepreciated net book value portion at the time of a Commission order authorizing the transfer of the asset to Account 182.2 at a rate equal to the depreciation rate used for the Powerdale plant, subject to any subsequent changes in the Company's depreciation rates. This coincides with the remaining undepreciated net book value over the remaining life of the plant, and will have no impact on current rates.

With respect to the decommissioning costs, Rocky Mountain Power has requested to begin amortization of these costs upon inclusion in rates following the next general rate case because it has not incurred these costs yet and will not begin incurring them until 2010, which

coincides with the decommissioning of the plant that will begin in 2010. Once again, this treatment will have no impact on current rates.

C. The 2006 General Rate Case Settlement and the MidAmerican Energy Holdings Company Commitment No. 22.

Rocky Mountain Power submits that the proposed application for deferred accounting does not violate either covenant.

As previously noted, the stay out provision does not preclude the Company from filing an application for deferred accounting or establishing a new regulatory asset, and the rates that were agreed to by the settlement parties in the stipulation will not be impacted by the requested deferral. Current rates and current operating expenses will also be unaffected by the deferral and amortization of the remaining net book value as Rocky Mountain Power proposes to amortize the remaining net book value at a rate equal to the depreciation rate used for the Powerdale which is currently included in rates. Current rates will also not be impacted by the deferral of the decommissioning costs. Rocky Mountain Power has not incurred these costs yet and will not begin incurring them until 2010, which coincides with the decommissioning of the plant that will begin in 2010.

With respect to Commitment 22, the costs associated with Powerdale are unrelated to MEHC's ownership of PacifiCorp, and any recovery of these costs in future rates will have the same impact on customer rates whether PacifiCorp was under MidAmerican or Scottish Power ownership.

D. Treatment of the Powerdale Costs under the Multi-State Protocol.

It is the intent of Rocky Mountain Power that all costs associated with the Powerdale will continue to flow through the Owned Hydro Embedded Cost Differential (ECD) Adjustment. Because Powerdale related costs will be charged to some accounts that are not currently included

in the ECD calculation, the calculation will be modified to include the necessary accounts.

IV
Conclusion

The foregoing represents the Company's position on these issues, but is not an exhaustive list of the arguments that may support the Company's with respect to these issues. As such, since these matters are early in the litigation process, the Company reserves the right to assert additional arguments as necessary as this matter proceeds.

DATED this 3rd day of May, 2007.

Respectfully submitted,

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