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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 Regarding Post-Retirement Prescription Drug Coverage Tax Benefits	)	DOCKET NO. 10-035-__ **Application**

APPLICATION OF ROCKY MOUNTAIN POWER FOR AN ACCOUNTING ORDER REGARDING POST-RETIREMENT PRESCRIPTION DRUG COVERAGE TAX BENEFITS

Rocky Mountain Power, a division of PacifiCorp, ("Rocky Mountain Power" or "PacifiCorp"), hereby requests an accounting order from the Public Service Commission of Utah ("Commission") authorizing the Company to record a regulatory asset associated with tax benefits previously reflected in rates that will no longer be realized for certain costs incurred for post-retirement prescription drug coverage as the result of the Patient Protection and Affordable Care Act (the "Act"). In support of this Motion, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp. PacifiCorp is an Oregon corporation that provides electric service to retail customers through its Rocky Mountain Power division in the states of Utah, Wyoming, and Idaho, and through its

Pacific Power division in the states of Oregon, California, and Washington. Rocky Mountain Power is a public utility in the state of Utah and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Utah. The Company serves approximately 760,000 customers and has approximately 2,400 employees in Utah. Rocky Mountain Power's principal place of business in Utah is 201 South Main Street, Suite 2300, Salt Lake City, Utah 84111.

2. Rocky Mountain Power files this petition pursuant to Utah Code Ann. §54-4-1 and §54-4-23 which provide the Commission with general jurisdiction to supervise and regulate, and the power to establish a system of account to be kept by public utilities subject to its jurisdiction.

3. Communications regarding this Application should be addressed to:

David L. Taylor
Manager, Utah Regulatory Affairs
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, UT 84140
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In addition, PacifiCorp respectfully requests that all data requests regarding this matter be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 800
Portland, OR 97232

Informal inquiries may be directed to Dave Taylor at (801) 220-2923.

4. On March 23, 2010, the Patient Protection and Affordable Care Act was signed into law. The Act changes the deductibility of certain costs incurred for post-retirement prescription drug coverage. The purpose of this Application is to request authorization for the recording of a regulatory asset for tax benefits previously reflected in rates that will no longer be realized as the result of the Act. The Company proposes to amortize the regulatory asset over a period of four years beginning January 1, 2011, and reflect the amortization expense in the Company's next general rate case.

5. Designed to encourage employers to continue providing high quality prescription drug coverage, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 contains provisions for a federal subsidy for employers offering post-retirement prescription drug coverage to its retirees that is at least as valuable as the Medicare Part D standard drug benefit. Under the current rules, employers are permitted to deduct the entire cost of providing the coverage, even though a portion is offset by the subsidy.

6. For taxable years beginning after December 31, 2012, the Act repeals the current rule permitting deduction of the portion of the expense that is offset by the subsidy.

7. The employer's promise to provide post-retirement prescription drug coverage is recorded as a component of the other post-employment benefit ("OPEB")

obligation reflecting this future liability. On a gross basis, the OPEB obligation includes a pre-subsidy liability for the future benefits to retirees offset by a subsidy receivable from the federal government. The net amount is actuarially determined.

8. For ratemaking purposes, the Company does not include the OPEB obligation (liability) in rate base. However, the actuarially determined level of OPEB expense is included in the Company's annual expenses in its revenue requirement/cost of service, and the Company has treated the OPEB expense as deductible for income tax purposes, including the portion that is offset by the federal subsidy.

9. With the change in law, the subsidy receivable will remain not taxable, but a corresponding amount of OPEB related costs will become non-deductible for income tax purposes, or approximately $30.0 million on a system-wide basis. If authorized by regulators, the Company will avoid a one-time charge for additional income tax expense for the change in law of approximately $11.4 million in the first quarter of the calendar year ended December 31, 2010. The establishment of the regulatory asset for the $11.4 million on a system-wide basis grossed up for tax effects would allow for the reasonable recovery of these costs over a four-year period.

10. The $11.4 million regulatory asset when amortized and grossed up gross for tax effects, results in a revenue requirement impact of approximately $18.5 million on a total company basis amortized over four years. Utah's share of the regulatory asset will be established based on the system overhead (SO) allocation factor, resulting in approximately $4.7 million.

11. Rocky Mountain Power is not requesting a final decision on rate recovery through this Application.

WHEREFORE, PacifiCorp respectfully requests an accounting order authorizing it to record a regulatory asset to FERC Account 182.3 (Other Regulatory Assets) and a credit to FERC Account 410.1 (Deferred Tax Expense) to recover the Utah portion of the tax benefits previously reflected in rates that will no longer be realized as the result of the Act. Additionally, the Company requests authorization to amortize the regulatory asset to expense over a four-year period beginning January 1, 2011.

DATED: April 1, 2010.

Respectfully submitted,

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