

Rocky Mountain Power

Accounting Order Regarding Post-Retirement Prescription Drug Coverage Tax Benefits Docket Number 10-035-38

July 27, 2010

Background and Agreement

On March 23, 2010, the Patient Protection and Affordable Care Act (the Act), was signed into law¹. The Act changes the deductibility of certain costs incurred for post-retirement prescription drug coverage. On April 1, 2010, the Company filed an accounting application (Docket No. 10-035-38) to request authorization for the recording of a regulatory asset for tax benefits previously recognized that will no longer be realized as the result of the Act. In the application, the Company proposed to amortize Utah's share of the regulatory asset over a period of four years beginning January 1, 2011, and to reflect the amortization expense in the Company's next general rate case. The original filing requested recovery of the anticipated \$11.4 million tax effect, which results in a revenue requirement of approximately \$18.5 million.

The final Amount booked in March 2010 was \$9.7 million on a total company basis, with a revenue requirement impact of \$15.6 million.

Terms of Settlement

1. Adjust the capitalization for January through March 2010, reducing the tax impact to \$9,345,766, with a revenue requirement impact of \$15,207,000. The Utah allocation of this amount is \$6,284,000, using the SO factor of 41.32% filed in Docket No. 09-035-23.

	<u>Original</u>	<u>Adjusted for Jan - Mar 2010 Capitalization</u>
Total Company		
Tax Impact	\$ 9,666,000	\$ 9,435,766
Revenue Requirement Impact	\$ 15,578,000	\$ 15,207,000
Utah Amounts		
Utah Allocation	41.32%	41.32%
Revenue Requirement Impact	\$ 6,437,000	\$ 6,284,000

2. The \$6,284,000 will be booked as a regulatory deferred asset effective October 1, 2010, on a situs Utah basis. Amortization of the \$6,284,000 will commence at that time and continue for a period of 4 years, terminating on September 30, 2014.

¹ Certain provisions of the Act were subsequently modified by the Health Care and Education Reconciliation Act, which was signed into law on March 30, 2010.

Amortization Schedule:	Settlement Proposal	
	Annual Amortization	Balance
Beginning Balance		\$ 6,284,000
2010	\$ 392,750	5,891,250
2011	1,571,000	4,320,250
2012	1,571,000	2,749,250
2013	1,571,000	1,178,250
2014	1,178,250	-

3. Recovery of the amount will occur through the inclusion of the amortization of the regulatory deferred asset in future rate cases for the period the amortization is in effect.
4. The unamortized deferred regulatory asset balance will not be included in rate base.
5. If a major plant additions case is filed in 2014 rather than a general rate case, the Company will offset any major plant surcharge or deferral amount by the monthly amortization amount beginning October 1, 2014.