

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of)
PacifiCorp dba Utah Power for a)
Deferred Accounting Order)
)

DOCKET NO. 06-035-41

REPORT AND ORDER

ISSUED: June 23, 2006

By The Commission:

PROCEDURAL HISTORY

On April 12, 2006, PacifiCorp filed an Application for Deferred Accounting Order (“Application”) seeking Commission authorization to defer certain rate credits associated with MidAmerican Energy Holdings Company’s (“MEHC”) acquisition of PacifiCorp.

On June 12, 2006, the Division of Public Utilities (“Division”) filed a memorandum recommending approval of the Application. No other party has sought to intervene or participate in this docket.

BACKGROUND AND DISCUSSION

In its Application, PacifiCorp notes the Commission’s Order of March 14, 2006, in Docket No. 05-035-54 (“Order”) approved an Amendment to Stipulation which includes commitment U 46 obligating MEHC and PacifiCorp to reduce the annual non-fuel costs of the West Valley lease by \$417,000 per month on a total company basis and to provide, subject to the offset provisions of that commitment, a total company rate credit in that amount. PacifiCorp also notes the Commission’s Order provided: “Within 30 days after the transaction closes PacifiCorp

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is required to file a petition for an accounting order to establish its authority to create deferral accounts, as necessary to make effective the terms of commitment number U 46.”

PacifiCorp proposes to defer the rate credits as of April 1, 2006, the beginning of the first month after the close of the MEHC acquisition of PacifiCorp, for future incorporation in PacifiCorp’s rates. The amount of the deferred account related to the West Valley lease will be \$417,000 monthly on a total Company basis and allocated among the states based upon the Seasonal System Generation Combustion Turbine (“SSGCT”) allocation factor for the twelve months ending March 31, 2006. PacifiCorp proposes to account for these rate credits in the following manner: amounts related to the West Valley lease savings will be charged to Account 400, Operating Revenues, with the credit being recorded in Account 254, Other Regulatory Liabilities. The amortization of the balance would be accomplished by debiting Account 254 and crediting Account 400, Operating Revenues. PacifiCorp will accrue interest expense on the unamortized balance at a rate equal to the average weighted cost of capital approved by the Commission in PacifiCorp’s most recent Utah rate case in Docket No. 04-035-42. Finally, PacifiCorp does not request a determination of rate making treatment of these rate credits, instead proposing to address issues associated with the rate credits in its pending Utah rate case in Docket No. 06-035-21.

The Division recommends approval of the Application and will review the accounting of these rate credits as part of its review of the pending PacifiCorp rate case.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. On April 12, 2006, PacifiCorp filed an Application seeking Commission authorization to defer certain rate credits associated with the MEHC acquisition of PacifiCorp.
2. Commitment U 46 included in the Amendment to Stipulation approved by the Commission in Docket No. 05-035-54 obligates MEHC and PacifiCorp to reduce the annual

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non-fuel costs of the West Valley lease by \$417,000 per month total company and to provide, subject to the offset provisions of the commitment, a total company rate credit in that amount.

3. The proposed deferral is reasonable and in the public interest. It is appropriate that the deferral begin the first day of the month following closure of the acquisition of PacifiCorp by MEHC.

4. Approval of deferred accounting for the subject rate credits does not constitute any determination of the rate-making treatment of these rate credits or any determination regarding the prudence, calculation, or method of recovery of the deferred amounts.

5. Deferred accounting treatment is an appropriate, just, and reasonable means of providing the Company an opportunity to meet its obligations under commitment U 46, and is in the public interest.

6. The Commission has the authority to approve deferred accounting pursuant to Utah Code Ann. §54-4-23.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Application is approved, and PacifiCorp is authorized to defer the rate credits associated with fulfillment of its obligations under commitment U 46 beginning April 1, 2006, as proposed above.

2. Approval of the Application does not constitute a determination of the rate-making treatment for the rate credits. Any determinations regarding prudence, calculation, and method of recovery will be made in the pending rate case in Docket No. 06-035-21.

Pursuant to *Utah Code Annotated* §§ 63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or

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rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of *Utah Code Annotated* §§ 63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 23rd day of June, 2006.

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

G#49427