

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: WELDON STUTZMAN

DATE: AUGUST 24, 2006

**SUBJECT: CASE NO. PAC-E-06-3
PACIFICORP DBA ROCKY MOUNTAIN POWER'S REQUEST TO
DEFER THE COSTS RELATED TO GRID WEST, A REGIONAL
TRANSMISSION ORGANIZATION**

On March 31, 2006, PacifiCorp dba Rocky Mountain Power filed an Application requesting an accounting order from the Commission authorizing the deferral of costs the Company incurred relating to the development of a regional transmission organization (RTO). PacifiCorp participated in efforts to develop an RTO, now called Grid West, pursuant to orders issued by the Federal Energy Regulatory Commission (FERC). PacifiCorp states it provided initial funding for the development of the RTO since June 2000, and since that date PacifiCorp has loaned a total of \$2.7 million to Grid West, including accrued interest. PacifiCorp estimates that the Idaho jurisdiction portion of the total deferred amount is approximately \$174,000. Because it now appears the development of Grid West is unlikely, PacifiCorp requests authorization to defer the amounts it loaned to Grid West, with interest, in the development process.

On June 29, 2006, the Commission issued a Notice of Application and Notice of Modified Procedure, establishing a deadline for the filing of written comments. Comments were filed only by the Commission Staff.

Staff reviewed the Company's Application as well as relevant FERC Orders. Staff stated that PacifiCorp's participation in Grid West complied with FERC Orders and FERC's attempt to protect and provide additional benefits to customers. Staff recommended that the Commission authorize PacifiCorp to book the principal amount of the funding agreements with

Grid West to account 182.3 (Other Regulatory Assets), and that a separate sub-account be maintained for the total system cost, \$174,000 for the Idaho jurisdiction. Staff recommended that the recovery of these costs and the amortization period used for recovery be addressed in the Company's next general rate case filing.

Staff stated that PacifiCorp should not be allowed to defer for future recovery the amount of interest accrued on the promissory notes to Grid West because, had Grid West been successful, the interest on these loans would have been paid by Grid West as a return on PacifiCorp's investment in the RTO. Furthermore, because PacifiCorp never had any cash outlay for the interest portion, Staff believes the return of the actual expenditure without interest is sufficient recovery for the utility.

PacifiCorp also requested authorization of a carrying charge at a rate equal to its weighted cost of capital. Staff recommended PacifiCorp not be allowed a carrying charge on the deferred balance, but if the Commission determines a carrying charge is appropriate, that the rate be the same as the customer deposit rate.

Staff also recommended that the Company begin amortization of the deferred balance at the conclusion of its next general rate case or on January 1, 2010, whichever occurs first. Staff believes that the initial amortization period should be five years unless a different time period is supported by a party in a general rate case and is approved by the Commission.

COMMISSION DECISION

Should the Commission issue an Order authorizing deferral of the amount PacifiCorp loaned to Grid West? If so, should the amount for deferral include interest (thus totaling \$174,000) for PacifiCorp's Idaho jurisdictional services? Should the deferral include a carrying charge?

Should the Order include a date for amortization to begin and the amortization period?



Weldon Stutzman

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