

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF ROCKY MOUNTAIN POWER FOR AN) **CASE NO. PAC-E-07-04**
ACCOUNTING ORDER FOR COSTS)
RELATED TO THE FLOODING OF THE) **NOTICE OF APPLICATION**
POWERDALE HYDRO FACILITY)
) **NOTICE OF**
) **MODIFIED PROCEDURE**
)
) **ORDER NO. 30293**

On March 22, 2007, Rocky Mountain Power (a division of PacifiCorp) filed an Application seeking an accounting order related to the November 2006 flooding of the Powerdale generating facility. Powerdale is located in central Oregon on the Hood River, south of its confluence with the Columbia River. Rocky Mountain requests an accounting order that authorizes the Company to: (1) transfer \$8.9 million in undepreciated net investment from FERC Account 101 (Electric Plant in Service) to FERC Account 182.2 (Unrecovered Plant and Regulatory Study Costs); (2) record \$6.3 million in decommissioning costs to FERC Account 182.2; and (3) establish amortization periods for these amounts.

The Company asserts that the \$8.9 million in Powerdale costs are currently being recovered in the rates of each state where PacifiCorp operates. The Company does not seek any particular rate treatment at this time and maintains that any incremental rate adjustments caused by approval of this Application will be addressed in the Company's next general rate case.¹

NOTICE OF APPLICATION

A. Background

YOU ARE HEREBY NOTIFIED that Powerdale was constructed in 1922-23 and includes a small diversion dam, a 3-mile water conveyance system, and a single 6 MW powerhouse. The facility also contained a 19-pool fish lab and 5 vertical fish screens.

YOU ARE FURTHER NOTIFIED that after initiating the FERC relicensing process for Powerdale in 1995, PacifiCorp subsequently concluded that continued operation of the

¹ On March 30, 2007, Rocky Mountain filed a notice pursuant to procedural Rule 122 that it intends to file for a general rate increase no sooner than 60 days and no later than 120 days.

facility would not be economical. Consequently, the Company filed a decommissioning plan with FERC in 2003. In November 2005, FERC adopted a settlement agreement and issued a "Removal Order" for Powerdale. Exh. 2, Parts 1-2. The Removal Order authorized PacifiCorp to continue operating Powerdale until April 1, 2010 and provided for removal of the facilities by February 29, 2012.

YOU ARE FURTHER NOTIFIED that in November 2006, the Powerdale hydro facility was damaged by flooding and debris flow. Application at 2. Exhibit 1 to the Company's Application contains photographs showing the extensive damage to various components of the facility. In addition, the river's channel was changed by the flood. After conducting another economic analysis, the Company concluded that it is now more cost effective to retire the facility than to repair the flood damage. Application at 3. On February 1, 2007, Rocky Mountain requested authorization from FERC to cease operations immediately and sought approval to initiate decommissioning actions ahead of schedule. Exh. 3, part 1.

YOU ARE FURTHER NOTIFIED that based upon the substantial damage to the Powerdale facility and the change in the river channel, Rocky Mountain asserts that it is no longer economical to repair the Powerdale facilities for the remaining three years of its operating license. After comparing the total cost to repair and operate Powerdale versus the total cost to retire Powerdale, the Company has concluded that retirement "is an overall lower cost-to-customers alternative than repair/operation by approximately \$1.611 million. Therefore, [Rocky Mountain] intends to retire the plant assuming the Commission approves this Petition." Application at 5; Exh. 4-5.

B. Accounting Request

YOU ARE FURTHER NOTIFIED that Rocky Mountain seeks an accounting order addressing two categories of costs: (1) undepreciated investment in Powerdale plant; and (2) decommissioning costs. If approved, the Company's decision to retire Powerdale will result in the potential impairment of the physical and intangible assets in accordance with Financial Accounting Standard (FAS) No. 90, "Regulated Enterprises-Accounting for Abandonments and Disallowances of Plant Costs." The Company states that FAS 90 will require "PacifiCorp to write-off its undepreciated plant investment in the absence of the requested accounting treatment from its commissions." *Id.* at ¶ 8. Rocky Mountain proposes to account for the costs by

recording the decommissioning costs and the undepreciated portion of the plant assets in FERC Account 182.2.

YOU ARE FURTHER NOTIFIED that as of December 31, 2006, Rocky Mountain states that the unallocated net book value of the tangible and intangible plant assets equal approximately \$8.9 million. The actual amount transferred to FERC Account 182.2 “will be the remaining undepreciated net book value as of the date of the transfer.” *Id.* The Company indicates that it will amortize this balance at a rate equal to the depreciation rate used for FERC Account 101, or 4.2% which is currently included in rates.² The Company estimates that the total decommissioning cost will be approximately \$6.3 million subject to final reconciliation and true-up of actual expenditures. The Company requests a three-year amortization period for the deferred decommissioning expenses upon inclusion in rates in the next rate case. “Absent Commission authority, the Company would need to recognize the decommissioning as a current period expense.” *Id.* at 8.

YOU ARE FURTHER NOTIFIED that pursuant to Rocky Mountain’s Revised Protocol,³ hydro-related costs are initially allocated ratably to each of the six state jurisdictions served by PacifiCorp. Rocky Mountain calculates that the Idaho-allocated share of the undepreciated investment in Powerdale is approximately \$557,000, and the Idaho-allocated share of the decommissioning cost is approximately \$393,000. *Id.* at ¶ 11. The Company further states that

Under the Revised Protocol allocation method, subsequent to the initial system-wide allocation, hydroelectric generation-related costs are included in the calculation of the Embedded Cost Differential, which assigns the majority of hydroelectric costs to the western side of the Company’s system. In order to align cost responsibility with benefits received, the costs for which this Application seeks an order would be included in the calculation of the Embedded Cost Differential for future rate-making purposes based on the continued use of the Revised Protocol.

Application at 9.

² The Company anticipates a change in this 4.2% rate after it files a new depreciation study in September 2007. The Company anticipates that the new depreciation rate will become effective as of January 1, 2008. The Company intends to file a three-year amortization period for the remaining balance of the unrecovered net plant balance in that study. Application at ¶ 10.

³ The “Revised Protocol” is Rocky Mountain’s inter-jurisdictional cost allocation methodology utilized in its six state service area.

In summary, Rocky Mountain requests that the Commission issue an accounting order authorizing the Company to transfer the remaining undepreciated net book value of the Powerdale plant to a regulatory asset account; to record the costs related to decommissioning the Powerdale facility to the same regulatory asset account; and to establish amortization periods for these balances.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within twenty-one (21) days from the service date of this Notice. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and the Applicant at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5983

Brian Dickman, Manager
Idaho Regulatory Affairs
Dean Brockbank, Senior Counsel
Rocky Mountain Power
201 S. Main Street, Suite 2300
Salt Lake City, UT 84111
E-Mail: brian.dickman@pacificorp.com
dean.brockbank@pacificorp.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Rocky Mountain Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's Website at www.puc.idaho.gov under the "File Room" and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* § 61-524. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

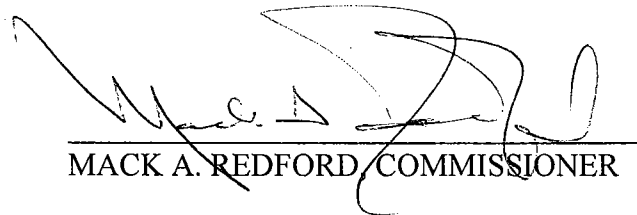
ORDER

IT IS HEREBY ORDERED that this matter be processed under Modified Procedure pursuant to the Commission's Rules 201 through 204, IDAPA 31.01.01.201-204. Persons interested in submitting written comments in this case must do so no later than 21 days from the service date of this Order.

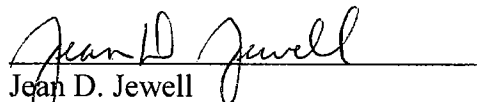
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10th
day of April 2007.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

bls/O:PAC-E-07-04_dh