

DECISION MEMORANDUM

TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: MAY 12, 2010

SUBJECT: PACIFICORP'S APPLICATION FOR APPROVAL OF AN ACCOUNTING ORDER RECORDING CERTAIN POST-RETIREMENT PRESCRIPTION DRUG COSTS AS A REGULATORY ASSET, CASE NO. PAC-E-10-04

On April 2, 2010, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") filed an Application with the Idaho Public Utilities Commission ("Commission"), pursuant to *Idaho Code* §§ 61-301, 61-307, 61-622, and 61-623, for approval of an accounting order 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 ("Act"). *Application* at 1.

THE APPLICATION

Rocky Mountain states that its Application was instigated by the passage of the Act on March 23, 2010. *Id.* at 2. The Act "contains provisions for a federal subsidy for employers offering post-retirement prescription drug coverage to its retirees. . . ." *Id.* at 3. According to Rocky Mountain, "[t]he Act changes the deductibility of certain costs incurred for post-retirement prescription drug coverage." *Id.* at 2. Prior to the Act, employers were allowed "to deduct the entire cost of providing the coverage, even though a portion is offset by the subsidy." *Id.* at 3. The Act eliminates the "current rule permitting deduction of the portion of the expense that is offset by the subsidy." *Id.*

As a result, Rocky Mountain requests authorization for the recording of 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 Idaho Portion of tax benefits previously reflected in rates that will no longer be realized as the result of the Act.” *Id.* at 4. If Commission approval is granted, the aforementioned regulatory asset would be amortized “over a period of four years beginning January 1, 2011, and reflect the amortization expense in the Company’s next general rate case.” *Id.* at 2-3.

Rocky Mountain estimates a \$30.0 million system-wide OPEB (Other Post-Employment Benefit) related cost associated with the change in the law. *Id.* at 3-4. The Company attributes approximately \$11.4 million of that amount to the first quarter of the 2010 calendar year resulting, when amortized and grossed up for tax effects, in a revenue requirement impact of approximately \$18.5 million on a total Company basis amortized over four years. *Id.* at 4. The Company claims that Idaho’s share of the regulatory asset would be approximately \$1.0 million. *Id.*

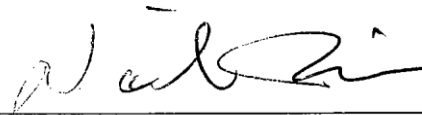
Rocky Mountain does not request a final Commission decision regarding rate recovery. *Id.*

STAFF RECOMMENDATION

Staff has reviewed the Rocky Mountain’s Application and recommends that it be processed through Modified Procedure with a comment deadline of June 10, 2010. *See* IDAPA 31.01.01.201-.204.

COMMISSION DECISION

Does the Commission wish to process Rocky Mountain’s Application through Modified Procedure with a June 10, 2010 comment deadline?



Neil Price
Deputy Attorney General

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