PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

September 3, 2009

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301-2551

Attn: Filing Center

RE: Application for Accounting Order Regarding Coal Stripping Costs

Enclosed for filing by PacifiCorp d.b.a. Pacific Power is an Application for Accounting Order Regarding Coal Stripping Costs.

PacifiCorp requests that all data requests regarding this application be sent to the following:

By email *(preferred)*: datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

Informal inquiries may be directed to Joelle Steward at (503) 813-5542.

Very truly yours,

Andrea L. Kelly
Andrea L. Kelly
Vice President, Regulation

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM____

In the Matter of PACIFICORP, dba PACIFIC POWER Application for Accounting Order Regarding Coal Stripping Costs	**APPLICATION**

Pursuant to ORS 757.120, ORS 757.125 and OAR 860-027-0045, PacifiCorp, d.b.a. Pacific Power ("PacifiCorp" or "Company"), applies to the Public Utility Commission of Oregon ("Commission") for an accounting order, effective January 1, 2010, authorizing the Company to record a regulatory asset associated with the costs for removal of overburden and waste materials at its affiliate coal mines.

In support of the Application, the Company states as follows:

1. PacifiCorp is a public utility in the state of Oregon and is subject to the Commission's jurisdiction with regard to its rates, service and accounting practices. PacifiCorp also provides retail electricity service in the states of California, Idaho, Utah, Washington and Wyoming.

2. ORS 757.120, ORS 757.125 and OAR 860-027-0045 prescribe the Commission's general authority regarding the accounting to be used by any public utility subject to the Commission's jurisdiction.

3. Communications regarding this Application should be addressed to:

Oregon Dockets
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232
Phone: 503.813.5542
Email: oregondockets@pacificorp.com

Jordan White
Senior Counsel
PacifiCorp
825 NE Multnomah, Suite 1800
Portland, Oregon 97232
Phone: 503.813.5613
Email: jordan.white@pacificorp.com

In addition, PacifiCorp requests that all data requests regarding this Application be sent to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

Informal questions may be directed to Joelle Steward, Oregon Regulatory Manager at 503-813-5542.

Description of Coal Stripping Costs

4. PacifiCorp owns and operates coal-fired power plants located throughout the West. To supply coal to these plants, the Company employs a diversified strategy that includes a mix of third-party, multi-year contracts, spot market purchases, and coal from the Company's affiliate mines; Bridger Coal Mine, Deer Creek Mine and Trapper Mine (referred to collectively hereafter at times as the "Mines").

5. Depending on certain geological and other conditions, the Mines typically extract coal by utilizing various underground and surface mining techniques. Surface mining requires the removal of soil, rock or "overburden" on seams of coal which lie near the surface. After the coal is exposed and fragmented, it is removed utilizing a loader and truck fleet. The costs of removing overburden and waste materials are referred to as "stripping costs."

6. Pursuant to Financial Accounting Standards Board ("FASB") Emerging Issues Task Force standard 04-6 ("EITF 04-6"), stripping costs incurred during production are considered a component of inventory in each period, without consideration of future potential benefits. To qualify as inventory, coal must be extracted from its original location.

7. This accounting requirement significantly increases operating cost variability resulting from an inherent mismatch of stripping costs with coal inventory balances. To illustrate, activities in a given period may result in a mine removing overburden, uncovering coal, and only extracting a minor amount of the coal uncovered during the period. In this illustration, the entire stripping costs incurred during the period will be considered in the cost of only the extracted coal. Conversely, the next period would have the remaining amount of coal uncovered in the prior period to extraction and only consider minimal extraction costs in the cost of the coal. As a result, under the accounting requirement, customers pay for the costs of uncovering coal well before it is extracted from the mine for use in the power plants to generate electricity.

8. This mismatch of stripping costs to coal uncovered and extracted significantly increases fuel cost variability to the Company and its customers. For example, in 2010, the Company is expected to incur stripping costs at its Bridger Coal Mine for coal that will remain in the mine and be extracted in later years. As a consequence, the cost will be higher for the coal actually extracted in 2010. This will result in an increase in the cost of the surface mine operations, from approximately $39 per ton to $57 per ton, and an increase in the overall cost of Bridger Coal Mine coal from $30.63 per ton to $33.54 per ton. Viewed in this manner, it is clear that the 2010 cost increase at the Bridger Coal Mine is largely related to EITF 04-6.

9. The Mines were first required to comply with EITF 04-6 in 2006. As a result of Bridger Coal Mine transitioning from a predominantly surface mine to a surface/underground mining complex, under the Company's long term least cost mine plan there is increasing disparity between periods when stripping costs are incurred and when coal is extracted. In future periods, the magnitude of the disparity will fluctuate depending on the amount of coal extracted.

10. This Application seeks to align the costs of coal stripping and the benefits to customers of coal-fired generation. By reflecting these costs based on the "extracted" coal delivered, customers will not be exposed to the volatile nature of these expenses as compared to coal costs including the effect of EITF 04-6. In essence, the result of this proposed accounting order would undo the effect of EITF 04-6 and allow the Company to employ the accounting method utilized prior to 2006 (the first year EITF 04-6 was required).

Proposed Accounting

11. PacifiCorp is requesting that the upfront coal stripping costs be recorded as a regulatory asset serving much like a fuel inventory account and expensed as the coal is extracted from the mine and delivered to PacifiCorp for use at its plants. PacifiCorp proposes to account for these costs by recording them in Account 182.3, Other Regulatory Assets and expensing through Account 501, Fuel Expense based on "extracted" coal delivery.

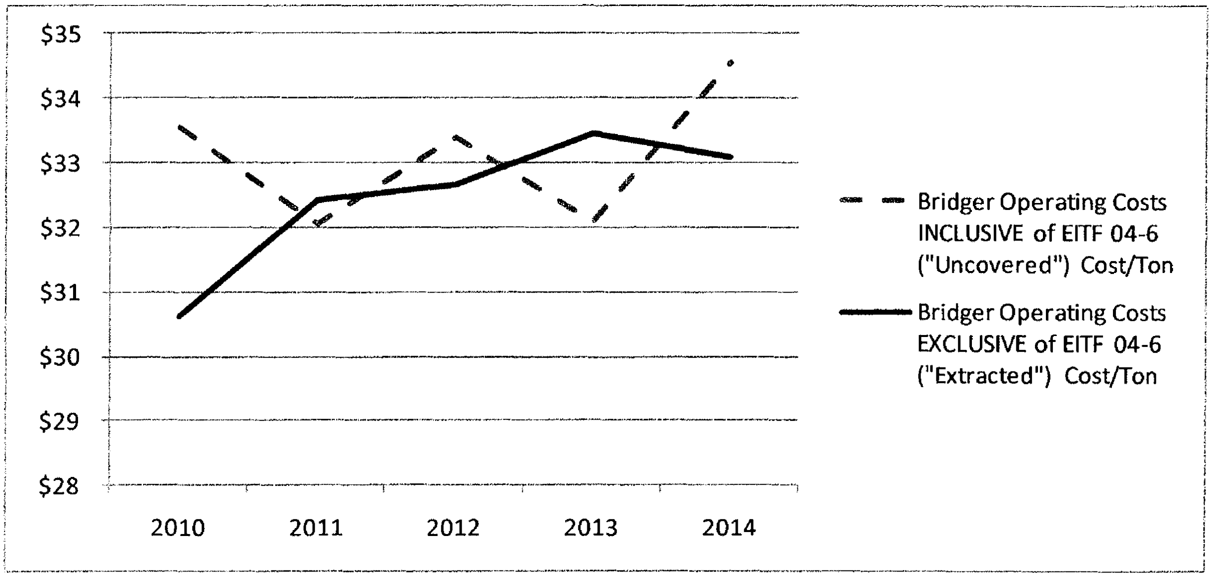
12. If authorized, the regulatory asset would eliminate the annual recording of coal stripping costs as required by EITF 04-06. The purpose of this proposed treatment is to prevent the premature expensing of these costs to revenue requirement and to smooth the

expense over the period based on coal delivered from the mines. Customer would only pay for the costs of uncovering the coal when the coal is used to generate electricity.

Estimate of Amounts

13. The chart included Exhibit 1 shows the forecasted annual relationship between stripping costs based on "uncovered" coal and "extracted" coal accounting treatment. Based on this information and the Company's future coal stripping plan, PacifiCorp forecasts an initial inventory amount of $10.8 million (PacifiCorp's share), with an associated expense based on the difference between "uncovered" and "extracted" coal. Currently, the requested coal adjustment affects only the Bridger Coal Mine, where a material disparity in "uncovered" coal and "extracted" coal accounting treatment exists as identified in PacifiCorp's UE-207 Transition Adjustment Mechanism.

14. Through the proposed accounting treatment, the annual impact to PacifiCorp customers will be smoother based on the "extracted" coal $/ton as seen in Exhibit 1. If this Application is not approved, the cost to PacifiCorp customers would continue under the current accounting treatment reflective of the more volatile "uncovered" coal $/ton method. The difference between the two methods is clearly seen in the graph below,



It is important to note that the numbers in Exhibit 1 represent the current Bridger Coal Mine mining inventory forecast. As these costs change, based on the least-cost mine plan, the inventory account will be updated to reflect actual mining activity.

15. The Company respectfully requests that the Commission approve this Application by November 9, 2009, to allow the Company to incorporate the accounting change when it updates its indicative pricing for net power costs pursuant to the transition adjustment mechanism ("TAM") guidelines adopted by the Commission in Order No. 09-274 (Docket UE 199).

IV. CONCLUSION

PacifiCorp respectfully requests that, in accordance with ORS 757.120, ORS 757.125 and OAR 860-027-0045, the Commission issue an accounting order authorizing the Company to record a regulatory asset associated with coal stripping costs at its Mines.

DATED: September 3, 2009.

Jordan A. White
Senior Counsel
Pacific Power
PacifiCorp

Exhibit 1

Exhibit 1

BRIDGER COAL COMPANY
Oregon Accounting Application
EITF 04-6 Analysis

	Bridger Coal Company (100%)									**PacifiCorp Portion**	
	Tons Delivered (Both Scenarios)	Bridger Operating Costs **INCLUSIVE** of EITF 04-6 ("Uncovered")			Bridger Operating Costs **EXCLUSIVE** of EITF 04-6 ("Extracted")			Increase / (Decrease)	Cumulative Incr. / (Decr.)	Increase / (Decrease)	Cumulative Incr. / (Decr.)
Year		Dollars	Cost Per Ton	% Chg	Dollars	Cost Per Ton	% Chg	Dollars	Dollars	Dollars	Dollars
2010	5,553,735	$ 186,276,192	$ 33.54		$ 170,129,802	$ 30.63		$ (16,146,390)	$ (16,146,390)	$ (10,764,260)	$ (10,764,260)
2011	5,790,331	$ 185,564,945	$ 32.05	-4.5%	$ 187,710,538	$ 32.42	5.8%	$ 2,145,594	$ (14,000,797)	$ 1,430,396	$ (9,333,864)
2012	5,951,254	$ 198,750,094	$ 33.40	4.2%	$ 194,332,807	$ 32.65	0.7%	$ (4,417,287)	$ (18,418,083)	$ (2,944,858)	$ (12,278,722)
2013	6,083,165	$ 195,147,146	$ 32.08	-3.9%	$ 203,448,782	$ 33.44	2.4%	$ 8,301,636	$ (10,116,448)	$ 5,534,424	$ (6,744,298)
2014	6,038,606	$ 208,648,859	$ 34.55	7.7%	$ 199,853,140	$ 33.10	-1.0%	$ (8,795,718)	$ (18,912,166)	$ (5,863,812)	$ (12,608,111)