

December 15, 2008

***VIA ELECTRONIC FILING
AND FIRST CLASS MAIL***

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97310-2551

RE: UM 1285(2) – PacifiCorp’s Application For Reauthorization of Deferred
Accounting

PacifiCorp, d.b.a. Pacific Power, hereby submits for filing its Application for
Reauthorization of Deferred Accounting in the above-referenced matter.

Inquiries may be directed to Joelle Steward, Regulatory Manager, at (503) 813-5542.

Very truly yours,


Andrea L. Kelly
Vice President, Regulation

Enclosure

Cc: UM 1285 Service List

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1285(2)

In the Matter of the Application of
PACIFICORP for a Deferred Accounting
Order

In the Matter of PACIFICORP's Draft
2012 Request for Proposals

**PACIFICORP'S APPLICATION FOR
REAUTHORIZATION OF DEFERRED
ACCOUNTING**

1

I. INTRODUCTION

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On November 9, 2006, under ORS 757.259 and OAR 860-027-0300, PacifiCorp

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d.b.a. Pacific Power ("PacifiCorp" or "Company") applied to the Public Utility Commission

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of Oregon ("Commission") for an order authorizing the Company to defer costs associated

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with an independent evaluator ("IE") selected by the Commission for PacifiCorp's 2012

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Request for Proposals ("2012 RFP"). In Order No. 07-0145, the Commission approved the

7

Company's application for deferred accounting. On December 12, 2007, the Company filed

8

an application for reauthorization of deferred accounting for costs associated with the IE

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regarding the 2012 RFP. The Commission approved the application in Order No. 08-011.

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Because the 2012 RFP process has extended beyond the date originally expected, the

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Company is submitting this application ("Application") for any order reauthorizing the

12

Company to defer costs associated with the IE from the date of this Application forward.

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

14

II. NOTICE

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Communications regarding this Petition should be addressed to:

Oregon Dockets
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232
Phone: 503.813.5542

Natalie Hocken
General Counsel, Pacific Power
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

Email: oregondockets@pacificorp.com Phone: 503.813.7205
Email: natalie.hocken@pacificorp.com

1 In addition, the Company requests that all data requests regarding this Petition be sent
2 to the following:

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

4 By fax: 503-813-6060

5 By regular mail: Data Request Response Center
6 PacifiCorp
7 825 NE Multnomah, Suite 2000
8 Portland, Oregon 97232

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

11 **III. DEFERRED ACCOUNTING RULE REQUIREMENTS**

12 The following information is provided pursuant to the requirements set forth in OAR
13 860-027-0300(3).

14 **A. Description of Utility Expense.**

15 On July 11, 2006, PacifiCorp filed its final draft 2012 RFP with the Commission,
16 under the competitive bidding guidelines established in Order No. 91-1383. This filing
17 became Docket No. UM 1208. On August 10, 2006, the Commission issued new competitive
18 bidding guidelines in Order No. 06-446 in Docket No. UM 1182 (“the RFP Order”), which
19 revised competitive bidding guidelines. The RFP Order provided that it would be applied to
20 all pending and future RFP proceedings. On August 30, 2006, PacifiCorp submitted its
21 compliance filing with the RFP Order in Docket No. UM 1208.

1 Guideline 5 of the RFP Order requires an IE in all RFPs. Guideline 5 provides that a
2 utility may request deferred accounting to track the costs of an IE for later inclusion in rates.
3 Additionally, Guideline 6 requires the utility to consult with an IE on RFP design.

4 At the time of the issuance of the RFP Order, PacifiCorp's RFP was staffed with an
5 IE selected by the Utah Public Service Commission ("UPSC"), Merrimack Energy Group.
6 Consistent with Utah law, the RFP includes bid fees to be used toward payment of the Utah
7 IE's costs.

8 PacifiCorp proposed that the Commission rely on the IE selected by the UPSC ("Utah
9 IE") to satisfy Guideline 5. PacifiCorp noted that the Commission could give specific
10 direction to the Utah IE regarding oversight of the 2012 RFP under Oregon's competitive
11 bidding guidelines and that the RFP Order agreed to give due consideration to an IE already
12 selected for an RFP by another state public utility commission. Additionally, because the
13 Utah IE was in the process of reviewing and commenting on RFP design, PacifiCorp
14 proposed that the Commission rely upon this review to satisfy Guideline 6. Among other
15 reasons, PacifiCorp noted that this approach would avoid the expense of retention of a
16 second IE for this RFP.

17 On September 5, 2006, the parties to Docket No. UM 1208 filed comments objecting
18 to the use of the IE selected by the UPSC to satisfy Guideline 5. The parties also asserted the
19 need for a separate review of the 2012 RFP design by an Oregon IE. Based upon these
20 positions, Commission Staff recommended appointment of an Oregon IE for the 2012 RFP
21 and a conditional approval process to permit the Oregon IE to conduct a RFP design review.
22 *See Staff Report, Docket No. UM 1208 (September 19, 2006 Public Meeting).*

23 At the Commission Public Meeting on September 19, 2006, the Commission
24 approved the Staff's recommendation for selection of an Oregon IE. *See In re PacifiCorp's*

1 RFP, Order No. 06-550 (September 26, 2006). At the public meeting, PacifiCorp did not
2 object to the selection of an Oregon IE, but noted that the RFP bid fees would not cover the
3 costs of the Oregon IE. Therefore, PacifiCorp stated that it planned to file a deferred
4 accounting application to cover the costs of the Oregon IE, as contemplated by Guideline 5.
5 No party objected to PacifiCorp's proposal to seek deferred accounting for these costs.

6 At the Commission Public Meeting on November 7, 2006, the Commission approved
7 Staff's recommendation and selected Boston Pacific and the Accion Group as the Oregon IE.
8 See Staff Report, Docket UM No. 1208 (November 7, 2006 Public Meeting). The
9 Commission also approved Staff's recommendation that the Commission direct PacifiCorp to
10 negotiate a contract with Boston Pacific and the Accion Group consistent with the RFP Order
11 and Staff's Oregon IE solicitation, subject to Staff's review.

12 PacifiCorp subsequently executed a contract with the Oregon IE for a scope of work
13 starting November 8, 2006 and filed its application for deferred accounting on November 9,
14 2006. In Order No. 07-145, the Commission approved PacifiCorp's application for deferred
15 accounting for Oregon IE costs associated with the Company's 2012 RFP and interest
16 accrual thereon. PacifiCorp subsequently executed an extension to the original contract with
17 the Oregon IE on October 10, 2007 to cover the additional work to be performed by the
18 Oregon IE. PacifiCorp now seeks reauthorization of its deferred accounting application.

19 **B. Reasons for Deferral.**

20 ORS 757.259(2)(e) allows the deferral of utility expense or revenues where necessary
21 to appropriately match the costs borne by and benefits received by customers. This request
22 seeks to align the costs of the Oregon IE and the services that the Oregon IE will perform on
23 behalf of customers. In the RFP Order, the Commission specifically approved of the use of
24 deferred accounting to match the customer costs and benefits of an IE in this manner.

1 **C. Proposed Accounting.**

2 During the period of deferral, PacifiCorp proposes to account for the deferred costs of
3 the Oregon IE by recording the deferral in Account 182.3, Other Regulatory Assets.
4 PacifiCorp requests that in accordance with ORS 757.259(3), it be allowed to accrue interest
5 on the unamortized balance at a rate equal to its weighted average cost of capital most
6 recently approved by the Commission. Amortization of the balance would be considered in a
7 subsequent proceeding coincident with inclusion in rates.

8 **D. Estimate of Amounts.**

9 Since November 9, 2006, PacifiCorp incurred approximately \$790,000 in costs
10 associated with the Oregon IE. On November 10, 2008, the Company filed Advice No. 08-
11 017 to begin amortizing these costs on January 1, 2009. PacifiCorp anticipates that the
12 additional cost of the Oregon IE will be approximately \$250,000.

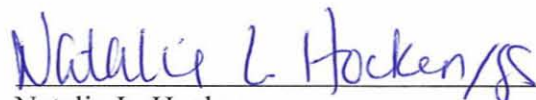
13 **E. Notice.**

14 A copy of the Notice of Application and list of persons served with the Notice are
15 attached to this Application.

16 **IV. CONCLUSION**

17 PacifiCorp respectfully requests that, in accordance with ORS 757.259, the
18 Commission reauthorize the Company to defer the costs described in this Application.

DATED: December 15, 2008



Natalie L. Hocken
Vice President & General Counsel,
Pacific Power

Counsel for PacifiCorp

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1285(2)

In the Matter of the Application of
PACIFICORP for a Deferred Accounting
Order

NOTICE OF APPLICATION

In the Matter of PACIFICORP's Draft
2012 Request for Proposals

1 On December 15, 2008, Applicant PacifiCorp, d.b.a. Pacific Power, applied to the
2 Public Utility Commission of Oregon ("Commission") for reauthorization to use deferred
3 accounting. Pursuant to ORS 757.259, Pacific Power proposes to continue to defer for later
4 recover costs associated with the independent evaluators selected by the Commission for
5 PacifiCorp's 2012 Request for Proposals.

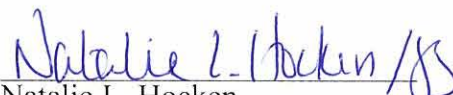
6 The granting of the Application for reauthorization will not authorize a change in
7 rates, but will permit the Commission to consider allowing such deferred accounts in rates in
8 a subsequent proceeding.

9 Interested persons may obtain a copy of the Application by contacting:

10 Joelle Steward
11 PacifiCorp
12 825 NE Multnomah St., Ste. 2000
13 Portland, OR 97232
14 Telephone: (503) 813-5542

15 Any person may submit to the Commission written comments on the Application, in
16 accordance with procedures prescribed by the Commission. The deadline for comments on
17 this Application is January 9, 2009.

18 DATED this 15th day of December, 2008.


Natalie L. Hocken
Vice President & General Counsel
Pacific Power

CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of December, 2008, I caused to be served, via E-Mail and US Mail (to those parties who have not waived paper service), a true and correct copy of the foregoing document on the following named person(s) at his or her last-known address(es) indicated below.

SERVICE LIST UM 1285

Lowrey Brown (W)
Citizens' Utility Board of Oregon
610 SW Broadway, Suite 308
Portland, OR 97205
lowrey@oregoncub.org

Oregon Dockets
Pacific Power
825 NE Multnomah, Suite 2000
Portland, OR 97232
oregondockets@pacificorp.com

Melinda Davison
Davison Van Cleve PC
333 SW Taylor Suite 400
Portland, OR 97204
mail@dvclaw.com

Randall J. Falkenberg
RFIConsulting
PMB 362
8343 Roswell Rd
Sandy Springs, GA 30350
consultrfi@aol.com

Robert Jenks (W)
Citizens' Utility Board of Oregon
610 SW Broadway, Suite 308
Portland, OR 97205
bob@oregoncub.org

Jason Eisdorfer (W)
Citizens' Utility Board of Oregon
610 SW Broadway, Suite 308
Portland, OR 97205
dockets@oegoncub.com

Natalie Hocken
PacifiCorp
825 NE Multnomah Suite 2000
Portland, OR 97232
Natalie.hocken@pacificorp.com



Carrie Meyer
Coordinator, Administrative Service