

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1258

In the Matter of)	
)	
PACIFICORP, dba PACIFIC POWER & LIGHT COMPANY)	ORDER
)	
Application for Deferred Accounting regarding MidAmerican Energy Holdings Company Oregon Commitments 8 and 12.)	

**DISPOSITION: DEFERRED ACCOUNTING APPLICATION
APPROVED`**

On March 31, 2006, PacifiCorp, dba Pacific Power & Light Company (PacifiCorp or company), filed an application with the Public Utility Commission of Oregon (Commission) for approval to defer rate credits and interest associated with commitments MidAmerican Energy Holdings Company (MEHC) made in the acquisition of PacifiCorp, pursuant to ORS 757.259(2)(e). A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A and incorporated by reference.

As part of Order No. 06-082, the Commission approved a Stipulation including "Oregon Commitment 8", by which MEHC and the company agreed to provide customers a monthly credit of \$417,000 associated with non-fuel cost reductions in the West Valley generation facility's lease, and "Oregon Commitment 12", by which MEHC and the company agreed to provide a monthly credit of \$500,000 associated with Administrative and General cost savings. Order No. 06-121 added the provision that the company would file a petition for an accounting order to create the deferred accounts to make effective the terms of Oregon Commitments 8 and 12.

At its Public Meeting on June 27, 2006, the Commission adopted Staff's recommendation and approved PacifiCorp's current request.

ORDER

IT IS ORDERED that Pacific Power & Light Company's application for authorization of deferred accounting for rate credits specified in Order Nos. 06-082 and 06-121, Oregon Commitments 8 and 12, including interest, is approved.

Made, entered, and effective JUL 07 2006.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO: CA17

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 27, 2006**

REGULAR CONSENT EFFECTIVE DATE April 1, 2006

DATE: June 2, 2006

TO: Public Utility Commission

FROM: Ed Durrenberger *E*

in

EB

JD

THROUGH: Lee Sparling, Ed Busch and Judy Johnson

SUBJECT: PACIFIC POWER AND LIGHT: (Docket UM 1258) Application for Deferred Accounting regarding MEHC Oregon Commitments 8 and 12.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Pacific Power and Light's (PacifiCorp or company) request to defer rate credits and interest, associated with commitments MidAmerican Energy Holdings Company (MEHC) made in the acquisition of PacifiCorp, pursuant to ORS 757.259(2)(e).

DISCUSSION:

The Commission approved MEHC's acquisition of PacifiCorp in Order 06-082 and amended Order 06-121. As part of the Order, the Commission approved a Stipulation which provided, among other things, certain rate credits to Oregon customers. Specifically, in "Oregon Commitment 8", MEHC and the company agreed to provide customers a monthly credit of \$417,000 associated with non-fuel cost reductions in the West Valley generation facility's lease. Also in "Oregon Commitment 12", MEHC and PacifiCorp agreed to provide a monthly credit of \$500,000 associated with Administrative and General (A&G) cost savings. In the Stipulation, both credits could be offset in a rate case provided the company demonstrated that they actually reduced the level of the individual cost items. In both Commitments, the rate credits were to begin with the first month after the close of the transaction and Oregon's share of the credits would be deferred and accrue interest at the company's authorized rate of return. Order 06-121 added the provision that the company would file a petition for an accounting order to create the deferred accounts to make effective the terms of Oregon Commitments 8 and 12. On March 31, 2006, PacifiCorp applied for a deferred accounting order to begin deferring the rate credits as specified in the Orders.

PP&L UM 1258
June 2, 2006
Page 2

Description:

PacifiCorp proposes to defer rate credits for Oregon Commitments 8 and 12, as of April 1, 2006, for future incorporation into rates pursuant to ORS 757.259(2)(e), which allows deferral of utility expenses or revenues, when necessary to minimize the frequency of rate changes or to match appropriately the costs borne by and benefits received by ratepayers.

Proposed Accounting:

PacifiCorp proposes accounting for the West Valley Lease and A&G cost savings by charging Account 400, Operating Revenues and crediting FERC Account 254, Other Regulatory Liabilities. PacifiCorp will accrue interest on unamortized balances at a rate equal to the authorized weighted average cost of capital. The company is not requesting ratemaking treatment of these rate credits with its application but instead has proposed to address the amortization of any outstanding balance in the pending rate case UE 179.

Estimated Deferrals in Authorization Period:

The amount of the deferred account related to the West Valley Lease is \$417,000 monthly on a system wide basis, \$104,630 Oregon allocated or up to \$1.26 million for the deferral period. The A&G component is \$500,000 per month system wide or about \$1.77 million Oregon allocated for the 12-month deferral period.

PROPOSED COMMISSION MOTION:

The Commission approve Pacific Power and Light's request to defer rate credits specified in Orders 06-082 and 06-121, Oregon Commitments 8 and 12, including interest, for later incorporation into rates.

PP&L UM 1258