

Agenda Date: August 30, 2006
Item Number: A2

Docket: UE-060926
Company Name: PacifiCorp d/b/a Pacific Power & Light Company

Staff: Thomas Schooley, Regulatory Analyst

Recommendation

Issue an order authorizing PacifiCorp to defer expenses associated with the environmental remediation of the Utah Metals site into Account 186, Miscellaneous Deferred Debits, in accordance with the requirements of Order 01 in Docket UE-031658, and with the reporting requirement that if the costs of the Utah Metals project are re-estimated to exceed \$5,000,000, then PacifiCorp must file a report which explains the need for the additional expenditures; and presents justifications for continued deferral of the project's costs.

Background

On June 5, 2006, PacifiCorp d/b/a Pacific Power & Light Co. (PacifiCorp, or Company) filed a petition for an "authorizing Order" to defer the estimated expense for environmental remediation work at the Utah Metals site. The petition is filed pursuant to, and subject to the conditions of Order 01, Docket UE-031658.

Order 01 in Docket 031658 states:

- (c) For environmental remediation costs, net of recoveries from insurance companies or other responsible parties, incurred after March 31, 2005, the following will apply:
 - (i) No PacifiCorp internal employee and legal costs shall be included in such costs. Only payments to third-party contractors performing the clean-up work are eligible for inclusion.
 - (ii) Only major projects—those expected to involve a total Company expenditure of more than \$3 million system-wide such as those involving Super Fund sites—will require an authorizing order from the Commission, to be eligible for deferral treatment. *Docket 031658, Order 01, paragraph 12.*

PacifiCorp expects the environmental remediation expenses to be about \$3,500,000 on a total company basis (roughly \$280,000 for Washington, based on revised protocol). The Company only seeks an accounting order to defer these expenses and does not request a determination of ratemaking treatment at this time. Issues to be decided in that future rate case include the prudence of the expenditures, the amortization of the deferred costs, and the amount allocated to

Washington, if any, per the allocation method approved by the Washington Commission at that time.

The Company states the environmental remediation expenses are a legitimate cost of operating as a public utility and are incurred to fulfill obligations imposed by federal and state environmental agencies. While staff agrees the utility must engage in environmental remediation projects, there is some concern that costs may greatly exceed original estimates. To alleviate such concerns staff proposes that if the costs of the Utah Metals project are re-estimated to exceed \$5,000,000, then PacifiCorp must file a report which explains the need for the additional expenditures; and presents justifications for continued deferral of the project's costs. The commission may, at that time, re-open this docket for further consideration.

PacifiCorp proposes to account for the remediation expenses by debiting Account 182.3, Other Regulatory Assets and crediting Account 253, Other Deferred Credits. However, staff proposes that the debit be posted to Account 186, Miscellaneous Deferred Debits without accruing interest. Account 182.3, Other Regulatory Assets, as defined by the Uniform System of Accounts, is used when there is regulatory assurance that a deferred expense will be recovered in rates. Account 186, Miscellaneous Deferred Debits, may be used when the proper final disposition of the debit is uncertain. Per Company's petition the recovery of the deferred debit is not being decided in this petition and no regulatory assurance can be offered that the deferred debit will be recovered in rates in Washington at this time. Therefore, Account 186 is the proper account for this deferred debit. The Company has indicated that it accepts staff's proposal.

Industrial Customers of Northwest Utilities (ICNU) filed to "intervene" in this petition citing two reasons for opposing approval. First ICNU claims there is a "retroactive ratemaking" aspect to the accounting petition. PacifiCorp's petition clearly states it requests authority to "begin deferral of the estimated expense for environmental remediation work at the Utah Metals site, effective as of the filing date of this petition." (Emphasis added.) Second, ICNU claims the deferred expenses are not "used and useful" in Washington. However, the allocation of the cost, the prudence of the cost, and the ratemaking treatment of the deferred expense will be determined in a future rate case. ICNU's stated position, at this time, is moot. Staff informed ICNU that accounting petition is on the August 30 agenda, but we have not heard if ICNU maintains its position as stated in the petition to intervene.

Conclusion:

For the above reasons, staff recommends that the commission issue an order authorizing PacifiCorp d/b/a Pacific Power & Light Company to account for the environmental remediation expenses by debiting Account 186, Miscellaneous Deferred Debits, in accordance with the requirements of the Order 01 in Docket UE-031658, and with the reporting requirement that if the costs of the Utah Metals project are re-estimated to exceed \$5,000,000, then PacifiCorp must

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