



Pacific Power | Utah Power
Rocky Mountain Power
825 NE Multnomah
Portland, Oregon 97232

May 1, 2006

VIA ELECTRONIC FILING

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Docket No. UE-06_____
Application of PacifiCorp for Approval of a Deferred Accounting Order to Defer the Costs of Loans Made to Grid West

Dear Ms. Washburn:

Enclosed for filing are an original and twelve (12) copies of PacifiCorp's Application for Accounting Order. An electronic copy of the filing will also be sent to the Commission's record center.

It is respectfully requested that all formal correspondence and Staff requests regarding this matter be addressed to:

By E-mail (preferred): datarequest@pacificorp.com

By Facsimile: (503) 813-6060

By regular mail: Data Request Response Center
PacifiCorp
825 N.E. Multnomah, Suite 300
Portland, OR 97232

Please direct any informal questions to Shay LaBray at 503-813-6176. Thank you for your assistance.

Sincerely,

Andrea Kelly
Vice President, Regulation

Enclosures

cc: ICNU/Melinda Davison
WUTC Staff/Donald Trotter
Public Counsel/Simon ffitich

1 **BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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4	IN THE MATTER OF THE APPLICATION)	Docket No.
	OF PACIFICORP FOR APPROVAL OF)	
5	A DEFERRED ACCOUNTING ORDER)	
	TO DEFER THE COST OF LOANS MADE)	
6	TO THE REGIONAL TRANSMISSION)	Application for Accounting Order
	ORGANIZATION, GRID WEST, AND TO)	
7	DEFER CONSIDERATION OF)	
	AMORTIZATION AND COST RECOVERY)	
8	IN A FUTURE GENERAL RATE CASE.)	

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10 PacifiCorp (“PacifiCorp” or the “Company”) respectfully submits its application to the
 11 Washington Utilities and Transportation Commission (“Commission”) for an order authorizing
 12 the Company to defer the costs of loans made by PacifiCorp to Grid West, a regional
 13 transmission organization (RTO). It now appears unlikely that Grid West will be able to repay
 14 PacifiCorp. Concurrent with its decision to write-off these loans as non-recoverable, PacifiCorp
 15 is requesting deferred accounting treatment for these costs, commencing as of the date of
 16 approval of this application. PacifiCorp will defer until its next general rate case application any
 17 request for amortization and recovery of the Grid West loan costs in retail rates. This application
 18 will have no effect on current rates. In support of this Application, PacifiCorp states as follows:

19 1. PacifiCorp is an electrical company and a public service company in the state of
 20 Washington under RCW 80.04.010 and is subject to the jurisdiction of the Commission with
 21 respect to its retail rates, service and accounting practices. PacifiCorp’s principal place of
 22 business is 825 N.E. Multnomah, Portland, Oregon 97232. PacifiCorp serves approximately
 23 127,000 customers in Washington. PacifiCorp also provides retail electricity service in the states
 24 of California, Idaho, Oregon, Utah, and Wyoming.

25 2. This Application is filed pursuant to RCW 80.01.040(3), which authorizes the
 26 Commission to regulate in the public interest the rates, service, facilities, and practices of

1 electrical companies; RCW 80.04.090, which authorizes the Commission to prescribe the forms
2 of account to be kept by public service companies; and WAC 480-100-203, pertaining to the
3 accounting requirements applicable to electric utilities in the state of Washington.

4 3. Communications regarding this Application should be addressed to:

5 Shayleah LaBray
6 Manager, Regulation
7 PacifiCorp
8 825 N.E. Multnomah, Suite 300
9 Portland, Oregon 97232
Telephone: (503) 813-6176
Facsimile: (503) 813-6060
E-mail: Shayleah.LaBray@PacifiCorp.com

10 Natalie Hocken
11 Assistant General Counsel
12 Pacific Power
13 825 N.E. Multnomah, Suite 1800
Portland, Oregon 97232
Telephone: (503) 813-7205
Facsimile: (503) 813-7252
E-mail: Natalie.Hocken@PacifiCorp.com

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15 In addition, PacifiCorp respectfully requests that all data request regarding this matter be
16 addressed to:

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

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19 By regular mail: Data Request Response Center
20 PacifiCorp
21 825 NE Multnomah, Suite 300
Portland, OR 97232

22 By facsimile: (503) 813-6060

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24 4. PacifiCorp has been involved in the development of an RTO for at least five
25 years. This activity has been aimed at meeting and reshaping FERC requirements to develop
26 regional transmission entities and competitive electric markets.

1 5. PacifiCorp included costs associated with RTO development expense in its UE-
2 050684 general rate case application. In Order No. 04 in Docket No. UE-050684, the
3 Commission stated that “Subject to an approved inter-jurisdictional cost allocation it would be
4 appropriate for the Company to recover its RTO-related expenses in rates as ordinary, necessary
5 and reasonable costs.” PacifiCorp’s loans to Grid West are a capital expenditure, however, and
6 these costs have not been included in PacifiCorp’s general rate case applications nor are these
7 costs being recovered in current rates.

8 6. In 2002, PacifiCorp first loaned Grid West money as a part of the start-up phase
9 of Grid West. From that date to the present, PacifiCorp has loaned a total of \$2.5 million to Grid
10 West. All other regional utilities involved in the formation of Grid West have made similar
11 loans to the organization. Grid West planned to repay the loans through surcharges to customers
12 once it became operational. Unfortunately, Grid West now appears unlikely to function in a
13 manner that would permit it to repay PacifiCorp’s loan. As a result, PacifiCorp has concluded
14 that it cannot continue to carry the Grid West receivable on its books. The change in
15 PacifiCorp’s accounting treatment of this loan is being made concurrently with the filing of this
16 request for a deferred accounting order.

17 7. PacifiCorp proposes to defer the Grid West loan costs upon approval of this
18 application for later amortization and recovery in rates. Deferral of utility expenses or revenues
19 is a regulatory and accounting mechanism to minimize the frequency of rate changes or the
20 fluctuation of rate levels or to appropriately match the costs borne by and benefits received by
21 ratepayers

22 8. PacifiCorp estimates that the total amount of the deferred account would be
23 approximately \$190,000, Washington’s portion of PacifiCorp’s \$2.5 million loan. PacifiCorp
24 proposes to account for these costs in the following manner: Amounts currently recorded as a
25 loan to Grid West will be transferred from Account 124, Other Investments, to Account 182.3,
26 Other Regulatory Assets. The amortization of the balance would be accomplished by crediting

1 Account 182.3 and debiting Account 560, Transmission Operation Supervision and Engineering,
2 coincident with inclusion of the amortization expense in rates. PacifiCorp requests that it be
3 allowed to accrue interest on the unamortized balance at a rate equal to its weighted average cost
4 of capital most recently approved by the Commission.

5 9. PacifiCorp does not request a determination of ratemaking treatment of the Grid
6 West loan costs at this time and instead proposes to address amortization and recovery of these
7 costs in PacifiCorp's next general rate case application.

8 WHEREFORE, PacifiCorp respectfully requests that the Commission authorize the
9 Company to defer, commencing with the date this application is approved, the Grid West loan
10 costs incurred by the Company as described in this Application.

11 DATED: May 1, 2006.

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16 Natalie L. Hocken
17 Attorney for PacifiCorp
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