

Exhibit \_\_\_ (TES-7)  
Docket UE-061546  
Witness: Thomas E. Schooley

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

Complainant,

vs.

PACIFICORP dba Pacific Power & Light  
Company,

Respondent.

DOCKET UE-061546

In the Matter of the Petition of

PACIFIC POWER & LIGHT COMPANY

For an Accounting Order Approving Deferral  
of Certain Costs Related to the MidAmerican  
Energy Holdings Company Transition.

DOCKET UE-060817

**EXHIBIT TO  
TESTIMONY OF**

**Thomas E. Schooley**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*PacifiCorp Petition to defer MEHC Transition Costs,  
Docket UE-060817*

**February 16, 2007**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of  
PACIFICORP d/b/a Pacific Power & Light  
for an Accounting Order Approving Deferral  
of Certain Costs Related to the MidAmerican  
Energy Holdings Company Transition

**DOCKET NO. UE-06 \_\_\_\_**  
**PETITION OF PACIFICORP FOR  
ACCOUNTING ORDER**

Pursuant to WAC 480-07-370(b), PacifiCorp d/b/a Pacific Power & Light ("PacifiCorp" or "the Company") petitions the Washington Utilities and Transportation Commission ("Commission") for an accounting order authorizing the Company to capitalize and amortize over a three-year period the costs related to the MidAmerican Energy Holdings Company transition ("MEHC Transition or Transition"), effective as of the filing date of this petition. In support of this petition, PacifiCorp states:

1. PacifiCorp is an electrical company and public service company in the state of Washington pursuant to RCW 80.04.010 and is subject to the jurisdiction of the Commission with regard to its rates, service and accounting practices. PacifiCorp also provides retail electricity service in the states of Oregon, California, Idaho, Utah, and Wyoming. PacifiCorp's address is: 825 NE Multnomah, Portland, Oregon 97232.

2. This petition is filed pursuant to RCW 80.01.040(3), which authorizes the Commission to regulate in the public interest the rates, service, facilities, and practices of electrical companies; RCW 80.040.090 which authorizes the Commission to prescribe the forms of accounts to be kept by public service companies; and WAC 480-100-203, pertaining to the accounting requirements applicable to electric utilities in the state of Washington.

3. Communications regarding this petition should be addressed to:

Andrea L. Kelly  
Vice President, Regulation  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232  
E-mail: [andrea.kelly@pacificorp.com](mailto:andrea.kelly@pacificorp.com)

Natalie L. Hocken  
Assistant General Counsel  
PacifiCorp  
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Portland, OR 97232  
E-mail: [natalie.hocken@pacificorp.com](mailto:natalie.hocken@pacificorp.com)

In addition, PacifiCorp requests that all data requests regarding this petition be addressed to:

By email (preferred)	<a href="mailto:datarequest@pacificorp.com">datarequest@pacificorp.com</a>
By regular mail	Data Request Response Center PacifiCorp 825 NE Multnomah, Suite 300 Portland, OR 97232
By facsimile	(503) 813-6060

4. The Company anticipates both savings and costs related to the MEHC Transition. Savings related to workforce reductions are anticipated along with additional costs related to employee severance and computer software conversion. The Company seeks an accounting order authorizing capitalization of the transition costs through March 2007; then, amortization of the capitalized balance over a three year period beginning April 1, 2007 or at the implementation of the next general rate case.

5. PacifiCorp's severance plan required 60 days notice to those employees for whom there were no positions. That 60 day period concludes in May for employees whose positions were eliminated at the time of the transaction close. These savings are partially offset by costs of the Severance Program. Under the Severance Program currently in effect for non-union employees, employees who are involuntarily terminated or who voluntarily terminate following a

material alteration in their positions will be eligible for enhanced severance benefits consisting of severance pay, outplacement assistance and Company-subsidized health benefits. The specific severance benefits provided will vary depending on the compensation level for the impacted employee's position and the employee's length of service with the Company.

6. The MEHC Transition also necessitates changing computer software from a fiscal year ending March to a calendar year ending December. PacifiCorp believes this change will streamline financial reporting for regulatory purposes. The cost of adapting software to a calendar year is estimated at between \$.5 million and \$1 million.

7. In order to match the benefits and costs of the Severance Program, PacifiCorp wishes to capitalize the costs in accordance with paragraph 9 of SFAS No. 71. The costs of the MEHC Transition would then be amortized on a straight-line basis over a three-year period. Such an amortization is appropriate because transition activities are concentrated in the first several months while the MEHC Transition benefits are realized over time. Charging all Transition costs in the period they are incurred would unfairly burden existing customers for the benefit of future customers. For this reason, the matching principle supports capitalizing Transition costs and amortizing them over a reasonable period during which the benefits of the Transition will be realized.

8. PacifiCorp proposes to account for its Transition costs by charging them to Account 182.3 Other Regulatory Assets and amortizing these amounts to Account 930.2 Miscellaneous General Expenses upon inclusion in rates. PacifiCorp proposes to include the unamortized amounts in its rate base, where they would earn a return at PacifiCorp's authorized rate of return. Prior to inclusion in rate base PacifiCorp proposes to accrue a carrying charge using PacifiCorp's most recent return on rate base. In the absence of the authorizations

requested in this Petition, the Transition costs would be charged to the Company's operations and maintenance accounts.

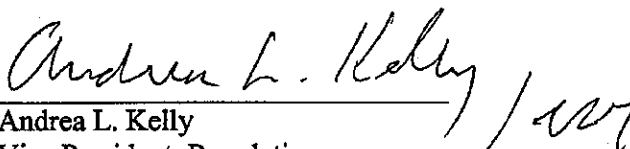
9. PacifiCorp requests a determination of ratemaking treatment for the MEHC Transition through the next filed general rate case. The Company will demonstrate that the employee savings are greater than the increased costs included in this request providing benefits to customers.

10. If the costs of programs like the MEHC Transition could not be recovered in either present or future rates, utilities would be unfairly burdened and significantly discouraged from investing in needed efficiencies that benefit rate payers. For this reason, and in order to properly match the costs and benefits of the Transition, the capitalization and amortization requested in this petition is in the public interest.

WHEREFORE, PacifiCorp respectfully requests an order of the Commission authorizing it to accumulate and capitalize the costs of the Transition costs in Account 182.3 Other Regulatory Assets and amortize the balance to Account 930.2 Miscellaneous General Expenses over a three-year period coincident upon inclusion in rates.

DATED: May 19, 2006.

Respectfully submitted,

  
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Andrea L. Kelly  
Vice President, Regulation