

December 18, 2008

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
PO Box 47250
Olympia, WA 98504 – 7250

Attn: Mr. David W. Danner
Executive Director and Secretary

RE: Pacific Power Notice of Deferred Accounting for Chehalis Generating Plant

Dear Mr. Danner,

Pursuant to RCW 80.80.060(6) and WAC 480-100-435, PacifiCorp, d.b.a. Pacific Power (“PacifiCorp” or “Company”), notifies the Washington Utilities and Transportation Commission (“Commission”) of its intent to account for and defer costs associated with PacifiCorp’s acquisition of the Chehalis generation plant (“Chehalis Plant”). On July 22, 2007, the greenhouse gases emissions performance standards (“EPS”) for baseload electric generation plants became effective. *See* RCW 80.80.005, et seq. Among other things this statute established a maximum acceptable level of greenhouse gases emissions from baseload generation plants. RCW 80.80.040(1). This statute also gives the Commission jurisdiction over certain aspects of electrical companies’ compliance with the EPS. RCW 80.80.060. The Commission adopted rules implementing its responsibilities regarding the EPS, which became effective December 15, 2008. Docket UE-080111, General Order R-553.

WAC 480-100-435(1) allows an electrical company to “account for and defer for later consideration by the [C]ommission costs incurred in connection with the long-term financial commitment¹, including operating and maintenance costs, depreciation, taxes, and cost of invested capital” for power plants intended to comply with the EPS. *See* also RCW 80.80.060(6). The deferral begins either with the date the power plant begins commercial operation or the effective date of the power purchase agreement and may continue for up to 24 months or up to the effective date of a Commission order determining the cost recovery of such deferred costs if it occurs prior to the end of the 24 month period. *Id.* *See* also WAC 480-100-435(3). The Company notes that the Commission’s rules regarding deferred accounting for long-term financial commitments went into effect after the effective date of the EPS statute and after the purchase of the Chehalis Plant. In order to be fully apprised of the Commission’s deferred accounting policies in this context, the Company chose to wait until the Commission finalized its EPS compliance rules before filing for deferred accounting for the Chehalis Plant.

¹ WAC 480-100-405(2)(d) defines “long-term financial commitment” as a new ownership interest in a baseload generation plant. *See* also RCW 80.80.10(15).

On September 15, 2008, the Company assumed ownership of the Chehalis Plant, a 520 megawatt capacity, natural gas-fired baseload generation plant located in Chehalis, Washington. As such, the Chehalis Plant meets the definition of "long term financial commitment." PacifiCorp will defer all operating and maintenance costs, depreciation, taxes, and cost of invested capital associated with the Chehalis Plant for a period of up to 24 months, beginning on September 15, 2008. As shown in Attachment A, the Company estimates the costs will be \$1.011 million per month. PacifiCorp proposes to account for the Chehalis Plant deferral costs by recording the deferral in Account 182.3 Other Regulatory Assets, with amortization to begin upon approval by the Commission for rate recovery. Additionally, the Company will accrue interest on the unamortized balance at a rate equal to its weighted average cost of capital most recently approved by the Commission.

WAC 480-100-435(2)(b) requires utilities deferring costs associated with long-term financial commitments to file quarterly reports documenting the balances of costs deferred. Accordingly, the Company will provide the Commission with quarterly reports documenting the balances of the deferred costs in accordance with WAC 480-100-435(2)(b) commencing with the quarter ending December 31, 2008.

Additionally, the Company requests that this notice receive an official docket number as the Company expects to provide the Commission with additional information regarding the Chehalis Plant's compliance with the EPS. The Company intends to submit information to the Energy Facility Site Evaluation Counsel for a determination on the Chehalis Plant's compliance with the EPS and a copy of this information will be provided to the Commission.

PacifiCorp respectfully requests that all formal correspondence and Staff requests regarding this matter be addressed to:

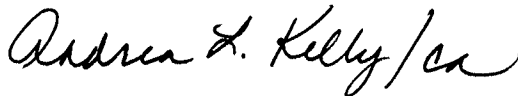
By E-mail (preferred): datarequest@PacifiCorp.com

By Fax: (503) 813 – 6060

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Informal inquires may be directed to Cathie Allen, Regulatory Manager at (503) 813 - 5934.

Sincerely,



Andrea L. Kelly
Vice President, Regulation

cc: Deborah Reynolds

Enclosure

Attachment A

**Attachment A
Pacific Power
Washington
RCW 80.80.060(6)
Estimated Revenue Requirement Deferral ¹
Chehalis Natural Gas Generating Resource**

	Total Company	Factor	Factor %	Washington Allocated
Capital Investment	315,938,255	CAGW	22.0192%	69,567,116
Depreciation Reserve	(4,701,582)	CAGW	22.0192%	(1,035,251)
Accumulated DIT Balance	(4,347,673)	CAGW	22.0192%	(957,323)
Net Rate Base	<u>306,889,000</u>			<u>67,574,542</u>
	10.62%			10.62%
Pre-Tax Return on Rate Base	<u>32,592,438</u>			<u>7,176,598</u>
Operation & Maintenance	10,652,536	CAGW	22.0192%	2,345,605
Depreciation	8,679,844	CAGW	22.0192%	1,911,233
Property Taxes	2,419,996	GPS	7.2725%	175,994
Rev. Req. Before Franchise Tax & Bad Debt	<u>54,344,815</u>			<u>11,609,431</u>
WA Revenue Taxes (3.873%)	2,201,532			470,303
Bad Debt Expense (0.552%)	296,721			63,387
Total Estimated Annual Revenue Requirement	<u>56,843,068</u>			<u>12,143,121</u>
Estimated Washington Monthly Revenue Requirement				1,011,927

¹ This does not include the impact to net power costs which will be considered when seeking the Commission's approval for rate recovery