SERVICE DATE

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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In re Petition of	)	
	)	DOCKET NO. UE-000969
PacifiCorp dba PACIFIC POWER & LIGHT COMPANY	)	
	)	ORDER GRANTING REQUEST TO DEFER EARLY RETIREMENT and SEVERANCE PROGRAM COSTS
for an Accounting Order Regarding an Enhanced Early Retirement Program and an Employee Severance Program.	)	
. . . .	)	

BACKGROUND

On June 23, 2000, PacifiCorp dba Pacific Power & Light Company ("PacifiCorp" or the "Company") filed a petition for an accounting order seeking authorization to capitalize and amortize over a five-year period the costs of a Voluntary Enhanced Early Retirement Program and an Employee Severance Program.

The Retirement Program

Commencing in June 2000 PacifiCorp began to offer qualifying employees an early retirement option (the "Retirement Program"). According to the Petition, the purpose of the Retirement Program is to reduce the number of Company employees to a level that, with the benefit of improved management tools and skills, will be sufficient to provide high quality customer service and significant annual cost savings. To qualify for the Retirement Program, an employee must have reached the age of 53 and have achieved 15 years of service with the Company on or before December 31, 2000. Qualifying employees had until June 30, 2000 to elect to retire under the Retirement Program. The Petition states that 900 employees will qualify for the Retirement Program, and PacifiCorp reports that 732 employees exercised their election to retire before the cutoff date. The Retirement Program offers a number of benefits to qualifying employees who elect to retire under the Retirement Program. For purposes of its Petition, PacifiCorp estimated that total Retirement Program costs will be $115 million.

In order to match the benefits and costs of the Retirement Program, PacifiCorp wishes to capitalize the costs in accordance with paragraph 9 of SFAS No. 71. The costs of the Retirement Program would then be amortized on a straight-line basis over a five-year period, commencing from the date of the Commission's Order. According to PacifiCorp, such an amortization is appropriate because Retirement Program charges are concentrated in the early years while the Retirement Program cost reductions are realized over time.

The Severance Program

The Company anticipates that additional workforce reductions will be needed beyond those that will be achieved through the Retirement Program to reach an overall target of 1600 reductions, as specified in the Company's Transition Plan. 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. The Company also plans to negotiate with the unions for severance benefits to be offered to union employees in classifications targeted for workforce reductions who volunteer to resign. Until the enhanced retirement participants are known, the number of additional workforce reductions and the positions that will be targeted for reduction may not be determined. The Company states that it will file additional information regarding these programs for union and non-union employees (the "Severance Program"), including the projected number of employees, the estimated severance costs and proposed accounting treatment, once the Retirement Program reductions have been determined.

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 Severance Program would then be amortized on a straight-line basis over a five-year period. Such an amortization is appropriate because Severance Program charges are concentrated in the first year or two years while the Severance Program cost reductions are realized over time.

Proposed Accounting Treatment

PacifiCorp proposes to account for its Retirement Program and Severance Program costs by charging them to Account 186, Miscellaneous Deferred Debits, and amortizing these amounts to Account 930.2, Miscellaneous General Expenses, over a period ending by the termination of the rate plan established in Docket No. UE-991832 (i.e., December 31, 2005). PacifiCorp estimates the total costs at $175,000,000, with Washington's allocated portion as about $15,200,000. During the rate plan period, PacifiCorp proposes the unamortized balance of the deferred debit be included in rate base to the extent it can be demonstrated the funds were supplied by investors. According to the Company, in the absence of the authorizations requested in this Application, the Retirement Program and Severance Program costs would be charged to the Company's operations and maintenance accounts such as Account 920 Administrative and General Salaries, Account 921 Office Supplies and Expenses, and Account 923 Outside Services.

PacifiCorp is not requesting a determination of ratemaking treatment for the Retirement Program or Severance Program at this time. Any determination of ratemaking treatment will be made in PacifiCorp's next general rate case. The Company will be required to demonstrate the benefits of the Retirement Program and Severance Program at the time it seeks rate recovery of the costs.

FINDINGS

THE COMMISSION FINDS:

1. PacifiCorp d/b/a Pacific Power & Light Company is an electrical company and a public service company in the State of Washington under RCW 80.04.010, and is subject to the regulatory authority of the Commission as to its rates, service, and accounting practices.

2. On June 23, 2000, PacifiCorp filed a petition for an accounting order seeking authorization to capitalize and amortize over a five-year period the costs of a voluntary enhanced early retirement program and an employee severance program.

3. The Company's proposed accounting treatment is reasonable, and will allow the costs of these programs to be spread over a reasonable period during which the benefits are expected to be realized.

ORDER

THE COMMISSION ORDERS:

1. Approval is hereby given for the accounting treatment proposed in the Company's Petition filed June 23, 2000, for authorization to capitalize and amortize, over approximately five-years, the costs of a voluntary enhanced early retirement program and an employee severance program.

2. The Company is authorized to:

   (a) Accumulate and capitalize the costs of the Retirement Program and Severance Program in Account 186, Miscellaneous Deferred Debits, approximately $175,000,000, system-wide, with about $15,200,000 allocateded to Washington;

   (b) Amortize these costs to Account 930.2 Miscellaneous General Expenses over a period ending by the termination of the rate plan established in Docket No. UE-991832 (i.e., December 31, 2005) with the tax benefits to follow the expense; and

   (c) During the rate plan period, the unamortized balance of the deferred debit will be included in rate base to the extent it can be demonstrated the funds were supplied by investors.

3. The costs of the early retirement and severance programs announced during 2000 will not be included in rates for any years after December 31, 2005.

4. This order shall in no way affect the authority of this Commission over rates, services, accounts, evaluations, estimates, or determination of cost or any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of any cost claimed or asserted.

5. The Commission retains jurisdiction over the subject matter and PacifiCorp to effect the provisions of this order.

DATED at Olympia, Washington this 30th day of August, 2000.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner