BPA Issues and Clarification List for FY 2010-11 ASC Filing: PacifiCorp

Issue 1
Schedule 1
Account 303 – 3031570

<u>Issue</u>

Functionalization of the Account

KWH HISTORICAL DATA COLLECTION

Should PT be an "allowable" functionalization?

Would the PT ratio be plant based?

<u>Discussion</u>

In response to Data Request 8, PAC stated that asset 3031570 supports the Transmission and Generation functions of the Company and should be allocated to PT. PAC claims PT is not an "allowable" functionalization, and therefore functionalized it to PTD.

Direct analysis does not preclude the direct functionalization of an account by any means as long there is a clear description and justification for the functionalization.

<u>Response</u>

PacifiCorp agrees with BPA that this specific sub account of Account 303 should be functionalized "PT" and proposes that the ratio should be plant based.

Issue 2
Schedule 1
Account 303 – 3031830

<u>Issue</u>

Functionalization of the Account

CUSTOMER SERVICE SYSTEM (CSS)

Does the direct analysis justify the functionalization of the account to PTD?

Should this asset be functionalized to Distribution so as to conform to the O&M Accounts?

<u>Discussion</u>

In response to Data Request 8, PAC stated that the Customer Service System is the software which contains information on all of the Company's customers. PAC contends that the system bills customers for Generation, Transmission and Distribution services and is thus appropriately functionalized PTD.

When direct analysis is used, there is a requirement for a clear description and justification for the functionalization of all accounts and sub-accounts.

The description of the software indicates that the software is primarily used for the retail side of the business.

<u>Response</u>

Although the business is used to bill retail customers, it would be inappropriate to functionalize these costs solely to Distribution. In determining the proper functionalization, the focus should be on what costs the Company is recovering using this computer software. The Company is recovering all costs, including wholesale costs, using this software and therefore the assignment of the software to PTD is appropriate.

Issue 3
Schedule 1
Account 303 – 3032030

<u>Issue</u>

Functionalization of the Account

FRANCHISE TAX SYSTEM

Does the direct analysis justify the functionalization of the account to PTD?

Should the functionalization of a software system follow the functionalizations of the operation it supports?

Should the computer system that is used to compute and report the Franchise Taxes be functionalized to Distribution so as to conform to the O&M Accounts?

<u>Discussion</u>

In response to Data Request 8, PAC stated that asset 3032030 takes revenue & volumetric data from the CSS and SAP systems to compute and report taxes. PAC states that since both the CSS and SAP systems are functionalized with PTD, this asset should also be functionalized with PTD.

BPA believes that since franchise taxes are not exchangeable and functionalized to Distribution, it seems that the software used to track the franchise taxes should not be exchangeable. The franchise tax system should, therefore, be functionalized to Distribution.

<u>Response</u>

The functionalization of a software system should follow the functionalization of the operation it supports and the Franchise Tax System should be functionalized to Distribution.

Issue 4
Schedule 1
Account 303 – 3032290

<u>Issue</u>

EMPLOYEE PERFORMANCE & SALARY SYSTEM

Should the functionalization of a software system follow the functionalizations of the operation it supports?

<u>Discussion</u>

Functionalization of the Account

In response to Data Request 8, PAC stated that asset 3032290 is the software which allows employees to enter their annual goals and development plans. PacifiCorp's original filing functionalized this account using PTD. PacifiCorp now supports functionalization using the Labor ratio.

<u>Response</u>

Yes, the functionalization of a software system should follow the functionalization of the operation it supports and the Employee Performance & Salary System should be functionalized using the Labor ratio rather than the PTD ratio used in the Company's original filing.

Issue 5
Schedule 1
Account 303 – 3032320

Issue

Functionalization of the Account

ELECTRONIC TAGGING OUTAGE MANAGE SYSTEM

What is the correct functionalization of the ELECTRONIC TAGGING OUTAGE MANAGE SYSTEM?

Would the PT ratio be plant based?

Discussion

Functionalization of the Account

In response to Data Request 8, PAC stated this asset develops NERC-mandated information for the tracking of its energy transactions between power marketing and transmission companies. It supports the Transmission and Generation functions of the Company and should be allocated PT. As this is not an "allowable" functionalization, the Company has functionalized it PTD.

Direct analysis does not preclude the direct functionalization of an account by any means as long there is a clear description and justification for the functionalization.

Response

PacifiCorp agrees with BPA that this specific sub account of Account 303 should be functionalized "PT" and proposes that the ratio should be plant based.

Issue 6
Schedule 1
Account 303 – 3032380

<u>Issue</u>

HR- BENEFITS OPEN ENROLLMENT ONLINE

What is the correct functionalization of the HR- BENEFITS OPEN ENROLLMENT ONLINE?

<u>Discussion</u>

Functionalization of the Account

Asset 3032380 is the software system that allows employees select among medical, dental and vision plans. PacifiCorp's original filing functionalized this account using PTD. In response to Data Request 33, PacifiCorp now supports functionalization using the Labor ratio.

<u>Response</u>

The costs of medical, dental and vision plans are functionalized to Labor. Software which supports such plans such be functionalized in the same manner.

Issue 7
Schedule 1
Account 303 – 3032330

<u>Issue</u>

FIELDNET PRO METER READING SYST -HRP REP

What is the correct functionalization of the FIELDNET PRO METER READING SYST -HRP REP?

<u>Discussion</u>

Functionalization of the Account

PacifiCorp's original filing functionalized this account using PTD. BPA believes this account should be functionalized to DIST. In response to Data Request 33, PacifiCorp now supports functionalization using the Dist ratio.

<u>Response</u>

BPA and the Company agree on the DIST functionalization.

Issue 8
Schedule 1
Account 303 – 3032450

Issue

MID OFFICE IMPROVEMENT PROJECT

What is the purpose of the software?

Does the direct analysis justify the functionalization of the account to PROD?

Discussion

In response to Data Request 8, PAC stated that asset 3032450 are software programs which support the Company's Mid-Office group, part of the Commercial and Trading organization, and thus functionalized to PROD.

The explanation of the items was not sufficiently clear to allow an understanding of the software's purposes and therefore the applicability of the functionalization.

Response

The software programs are programs that support and improve the Company's Mid-Office group, which is a part of the Commercial and Trading organization. All costs associated with this organization are booked to FERC Account 557, which is functionalized to PROD. PacifiCorp agrees with the proposal raised by BPA in the Discussion sections of Issues 2, 3 and 4 that the functionalization of a software system should follow the functionalization of the operation it supports. Thus, consistent with this approach, this account should be functionalized to PROD.

Issue 9
Schedule 1
Account 303 – 3032480

<u>Issue</u>

OUTAGE CALL HANDLING INTEGRATION

What is the correct functionalization of the OUTAGE CALL HANDLING INTEGRATION?

<u>Discussion</u>

Functionalization of the Account

In response to Data Request 8, PAC now believes that Asset 3032480 should more appropriately be functionalized to DIST rather than PTD

<u>Response</u>

The correct functionalization of this account is DIST.

Issue 10
Schedule 1
Account 303 – 3032500

Issue

ON LINE EMPLOYEE EXPENSE EXPRESS

What is the correct functionalization of the ON LINE EMPLOYEE EXPENSE
EXPRESS

Discussion

Functionalization of the Account

PacifiCorp's original filing functionalized this account using PTD. BPA believes this
account should be functionalized using the Labor ratio. In response to Data Request 33,
PacifiCorp now supports functionalization by the Labor ratio.

Response

BPA and the Company agree on the Labor functionalization.

Issue 11
Schedule 1
Account 303 – 3032560

Issue

Functionalization of the Account

POWER TAX

Should the functionalization of a software system follow the functionalizations of the operation it supports?

Should software used develops detailed estimates and forecasts of current and deferred taxes for Federal, State tax and regulatory filings should not be exchangeable

Discussion

In response to Data Request 8, PAC stated that asset 3032560 is the Powertax software which develops detailed estimates and forecasts of current and deferred taxes for Federal, State tax and regulatory filings. It supports all areas of the Company and is functionalized PTD.

Under the 2008 ASCM Regulatory costs and current and deferred taxes for Federal, State tax are not exchangeable.

The software used develops detailed estimates and forecasts of current and deferred taxes for Federal, State tax and regulatory filings should therefore not be exchangeable.

Response

BPA's statement, "Under the 2008 ASCM Regulatory costs and current and deferred taxes for Federal, State tax are not exchangeable" is incorrect. While deferred taxes are not exchangeable costs, current Federal Income Tax is exchangeable. (2008 ASCM Final Record of Decision Page 122, "The ASCM will include marginal income taxes in ASC.")

Combining the fact that current Federal Income Tax is exchangeable with BPA's proposal that the functionalization of a software system should follow the functionalization of the operation it supports, it follows that since marginal income taxes act to gross up the return on plant, it is appropriate that Powertax be functionalized to PTD.

Issue 12
Schedule 1
Asset 3032590

<u>Issue</u>

SCHOOL - Substation/Circuit History of O

What is the correct functionalization of SCHOOL - Substation/Circuit History of O?

<u>Discussion</u>

Functionalization of the Account

In response to Data Request 8, PAC stated that asset 3032590 is a software system which provides load information for substations and circuits. The PacifiCorp now supports a functionalization of TD rather than PTD as more appropriate for this asset.

<u>Response</u>

The correct functionalization of this account is TD.

BPA Issues and Clarification List for FY 2010-11 ASC Filing: PacifiCorp

Issue 13
Schedule 1
Account 303 - 3032720

<u>Issue</u>

MAPPING AND CONNECTIVITY ENABLER SOFTWARE

What is the correct functionalization of MAPPING AND CONNECTIVITY ENABLER SOFTWARE?

<u>Discussion</u>

Functionalization of the Account

In response to Data Request 8, PAC stated that asset 3032720 should more appropriately be functionalized to DIST rather than PTD. PacifiCorp's original filing functionalized this account using PTD. PacifiCorp now supports functionalization to DIST.

<u>Response</u>

The correct functionalization of this account is DIST.

Issue 14
Schedule 1
Asset 3032810

<u>Issue</u>

COMPUTER BASED TRAINING (CBT)

What is the correct functionalization of COMPUTER BASED TRAINING (CBT)?

<u>Discussion</u>

In response to Data Request 8, PAC stated that asset 3032810 is a computer based training system at the Company's production plants. The Company now supports a functionalization of PROD rather than PTD as more appropriate for this asset.

<u>Response</u>

The correct functionalization of this account is PROD.

Issue 15
Schedule 1
Asset 303 - 3033020

Issue

Functionalization of the Account

RCDA REGULATION DISCOVERY TOOL

Should the functionalization of a software system follow the functionalizations of the operation it supports?

What is the correct functionalization of a computer system that is used in conjunction with the regulatory O&M expenses?

Should it be functionalized to Distribution so as to conform to the O&M Accounts?

Discussion

In response to Data Request 8, PAC stated that asset 3033020 is the Regulation Discovery software which supports the discovery process in all Federal and State regulatory proceedings. PAC claimed that it is appropriately functionalized using PTD because regulation embraces all assets of the Company.

Under the 2008 ASCM, Regulatory costs not exchangeable. The software used to support the discovery process in all Federal and State regulatory proceedings should therefore not be exchangeable.

Response

BPA's statement "Under the 2008 ASCM, Regulatory costs not exchangeable" is incorrect. One specific expense – Regulatory Commission Expenses (Account 928) -- is not exchangeable, but expenses associated with discovery are booked to Account 920, not to Account 928. Account 920 is functionalized to labor, and therefore the software supporting the expenses in this account should be similarly functionalized to labor.

Issue 16
Schedule 1
Asset 303 - 2033050

<u>Issue</u>

Functionalization of the Account

PI2PI SCHOOL PI TO RANGER PI INTERFACE

Should the functionalization of a software system follow the functionalization of the operation it supports?

What is the correct functionalization of a computer system that is used in conjunction with the regulatory O&M expenses?

Should the functionalization of asset PI2PI SCHOOL PI TO RANGER PI INTERFACE (3033020) be changed to the TD ratio?

<u>Discussion</u>

In response to Data Request 8, PAC stated that asset 3033020 is the software interface between Asset 3032590 (a software program which provides load information for substations and circuits) and other software programs

In response to Data Request 8, PAC believes that Account 3033050 should more appropriately be functionalized to TD.

<u>Response</u>

The correct functionalization of this account is TD.

Issue 17
Schedule 1
Asset 303 - 3033110

<u>Issue</u>

Functionalization of the Account

CTHAS-C&T Hedge Actg/Actg Standards Inte

Should the functionalization of a software system follow the functionalizations of the operation it supports?

Should the software interface be functionalized to Distribution so as to conform to the functionalization of Derivatives?

<u>Discussion</u>

In response to Data Request 8, PAC stated that asset 3033110 is the software interface between Commercial and Trading Hedging Accounting System and the Commercial and Trading Accounting Standards Data Base and is thus functionalized to PROD.

Under the 2008 ASCM Derivatives are functionalized to Distribution.

The cost of software used to support hedging activity should therefore be functionalized to Distribution.

<u>Response</u>

The functionalization of a software system should follow the functionalization of the operation it supports and this system should be functionalized to Distribution.

Issue 18
Schedule 1
Asset 303 - 3034900

<u>Issue</u>

Functionalization of the Account

MISC – Miscellaneous

What is the correct functionalization of the MISC – Miscellaneous?

<u>Discussion</u>

In response to Data Request 8, PAC stated that asset 3034900 include miscellaneous small software packages - not specifically identified in SAP. Those assigned to a specific state are functionalized DIST, those allocated system wide are functionalized PTD although functionalization of Labor may also be appropriate.

The explanation of the items was not sufficiently clear to allow an understanding of the software's purposes and therefore the applicability of the functionalization.

<u>Response</u>

Asset 3034900 includes miscellaneous small software packages with a value of less than $1 million. The asset is either directly assigned to a state (functionalized distribution) or allocated between the states on a SE, SG or SO system allocator (functionalized PTD). Attachment Issue 18 lists all additions to this asset in 2006 by Cost Center. The attachment demonstrates that the software packages were spread throughout the Company, both at the two office complexes, the Company's operation center and steam production plants. The software is used throughout the Company and supports all functions, a functionalization of PTD is appropriate.

CompanyCode   Assetclass
1000   30307

Allocation Factor	Asset	Cap.date	Location	Asset description	Acquis.val.
SG	201535	10/19/2006	000250 CARBON PLANT COMMON FACILITIES AND SUBST	CY2006 CARBON MINOR SOFTWARE (CC 10304)	3,204.01
SG	201565	12/22/2006	000260 GADSBY PLANT COMMON FACILITIES AND SUBST	CY2006 GADSBY MISC SOFTWARE (CC 10567)	3,038.11
SG	201524	7/12/2006	000270 NAUGHTON PLANT COMMON FACILITIES AND SUB	CY2006 NAUGHTON MISCELLANEOUS SOFTWARE	3,079.88
SG	201489	4/26/2006	000300 HUNTER PLANT COMMON FACILITIES	2006 HUNTER MISCELLANEOUS SOFTWARE	1,750.04
	201632	4/8/2006	000380 BLUNDELL GEOTHERMAL PLANT COMMON & SUBST	2007 BLUNDELL MISC SOFTWARE (CC 10612)	1,025.25
SO	201482	10/30/2006	001034 NORTH TEMPLE BUILDING & SOCC OFFICE	2007 NTO GENERATION SUPPORT SOFTWARE (CC 11739)	2,137.47
SO	201505	6/5/2006	001034 NORTH TEMPLE BUILDING & SOCC OFFICE	CY2006 NTO MISCELLANEOUS SOFTWARE (C/C 13164)	89,586.59
SO	201534	8/16/2006	001034 NORTH TEMPLE BUILDING & SOCC OFFICE	CY2006 NTO MISCELLANEOUS SOFTWARE (C/C 13031)	42,331.55
SO	201562	11/30/2006	001034 NORTH TEMPLE BUILDING & SOCC OFFICE	2007 NTO MISCELLANEOUS SOFTWARE (C/C 13122)	39,025.22
SO	201657	11/27/2006	001034 NORTH TEMPLE BUILDING & SOCC OFFICE	2007 NTO MISCELLANEOUS SOFTWARE (C/C 13292)	10,283.96
SO	201567	12/22/2006	001278 UTAH TRANSPORTATION BUILDING	2007 UTB MISCELLANEOUS SOFTWARE (C/C 12635)	2,005.57
SE	201552	10/23/2006	009031 MINING DIVISION - HUNTINGTON OFFICE	2007 ENERGY WEST COMPUTER SOFTWARE (C/C 12357)	4,392.24
	201426	10/26/2006	010048 LAYTON OFFICE AND SERVICE CENTER	2006 LAYTON MISCELLANEOUS SOFTWARE (C/C 10994)	83.68
	201568	12/22/2006	013111 SOUTH GATE DIST/PRESTON OFFICE & SERVICE	2007 PRESTON MISCELLANEOUS SOFTWARE (C/C 12635)	2,005.57
	201555	11/8/2006	014118 PARK CITY SERVICE CENTER (PIPER BUILDING	2007 PARK CITY MISC SOFTWARE (C/C 10990)	3,971.45
SG	201483	4/20/2006	018000 JC BOYLE HYDRO PLANT	2007 JC BOYLE MINOR SOFTWARE (CC 10717)	30,123.19
SG	201531	10/7/2006	048000 NORTH UMPQUA HYDRO-GENL	CY2006 NORTH UMPQUA MINOR SOFTWARE (CC 10687)	2,985.03
SO	201484	4/25/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 13031)	120,689.70
SO	201486	4/26/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 LCT MISCELLANEOUS SOFTWARE (C/C 10210)	14,993.30
SO	201492	5/10/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 LCT MISCELLANEOUS SOFTWARE (C/C 13032)	515,933.90
SO	201495	5/30/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 MISCELLANEOUS SOFTWARE (C/C 13032)	184,306.32
SO	201496	5/31/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 MISCELLANEOUS SOFTWARE (C/C 13200)	50,546.87
SO	201498	5/31/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 LCT MISCELLANEOUS SOFTWARE (C/C 11834)	168,321.87
SO	201499	5/31/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 LCT MISCELLANEOUS SOFTWARE (C/C 11932)	75,833.31
SO	201506	6/19/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 LCT MINOR SOFTWARE (C/C 13224)	902,025.21
SO	201517	6/27/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 13201)	4,741.60
SO	201519	6/28/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 10853)	77,086.15

CompanyCode   Assetclass
     1000   30307

Allocation Factor	Asset	Cap.date	Location	Asset description	Acquis.val.
SO	201525	7/12/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 12320)	77,493.75
SO	201528	7/24/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 12022)	14,693.08
SO	201530	7/31/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 13031)	1,730,849.57
SO	201533	8/16/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 13617)	46,796.90
SO	201536	8/21/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 13030)	37,585.26
SO	201537	8/23/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 13223)	49,806.83
SO	201541	9/14/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 10778)	3,502.33
SO	201543	9/20/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	CY2006 LCT MISCELLANEOUS SOFTWARE (C/C 13324)	36,453.72
SO	201546	9/25/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 MISCELLANEOUS SOFTWARE (C/C 13274)	16,492.84
SO	201547	9/25/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 MISCELLANEOUS SOFTWARE (C/C 11837)	105,869.72
SO	201549	9/30/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 LCT MISCELLANEOUS SOFTWARE (C/C 13234)	160,710.32
SO	201550	10/17/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 LCT MINOR SOFTWARE (C/C 13029)	219,830.45
SO	201551	10/17/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 LCT MISCELLANEOUS SOFTWARE (C/C 13163)	51,217.17
SO	201573	12/28/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 LCT MISCELLANEOUS SOFTWARE (C/C 13164)	44,743.18
SO	201575	12/29/2006	122092 LLOYD TOWER - OFFICE STRUCTURE	2007 LCT MISCELLANEOUS SOFTWARE (C/C 12302)	97,084.47
SO	201656	11/27/2006	122099 S.P.C.C. BUILDING	2007 PCC MISCELLANEOUS SOFTWARE (C/C 13292)	108,436.94
	201600	11/30/2006	122108 1033 COOLEY BUILDING	2008 1033 MISCELLANEOUS SOFTWARE (C/C 12609)	82,149.74
SO	201566	12/22/2006	122300 PORTLAND METRO OP CENT	2007 PMOC MISCELLANEOUS SOFTWARE (C/C 12635)	2,005.57
SG	201493	5/24/2006	514000 DAVE JOHNSTON STEAM PLANT	CY2006 DAVE JOHNSTON MINOR SOFTWARE (CC 10367)	10,590.61
SG	201564	11/30/2006	519000 WYODAK PLANT	2007 WYODAK MISCELLANEOUS SOFTWARE (C/C 10552)	1,761.46

Issue 19
Schedule 1
Account 303

Issue

Generic Direct Analysis Issue

Should BPA adopt common functionalization for similar types of software assets?

Discussion

Inconsistency between how the IOUs functionalize certain types of software, i.e. metering, customer information systems, work management, etc.

The issue is whether BPA should maintain consistency in the functionalization of these common types of programs amongst utilities when calculating ASC.

Response

BPA should maintain consistency in the functionalization of these common types of programs amongst utilities when calculating ASC.

Issue 20
Schedule 1
Account 182.3 and Account 254

Issue

Generic Direct Analysis Issue

Should BPA adopt common functionalization for similar types of regulatory assets and liabilities?

Discussion

Inconsistency in the way the IOUs functionalize Deferred Pension, Pay and other labor related Assets and Liabilities.

PGE and Avista and NW use the Labor Ratio. IPC uses PTD. PSE and PAC functionalize these assets to Distribution.

The issue is whether BPA should maintain consistency in the functionalization of deferred pension, pay and other labor related assets and liabilities amongst utilities when calculating ASC.

Response

BPA should maintain consistency in the functionalization of deferred pension, pay and other labor related assets and liabilities amongst utilities when calculating ASC.

Issue 21
Schedules 1 & 3
Accounts 182.3, 186, 253, and 254

<u>Issue</u>

Generic Direct Analysis Issue

Should BPA require that asset accounts that have a corresponding liability account have a common functionalization? For example, should pension costs in Accounts 182.3 and 254 have the same functionalization?

<u>Discussion</u>

Direct analysis is required in the functionalization of Other Regulatory Assets (Account 182.3), Miscellaneous Deferred Debits (Account 186), Other Deferred Credits (Account 253), and Other Regulatory Liabilities (Account 254).

Direct analysis should include maintaining a consistency in functionalization where there is an asset in either Account 182.3 or 186 and offsetting liabilities in either Account 253 or 254.

Direct analysis also requires showing how the assets and liabilities flow through the Income Statement

<u>Response</u>

BPA should require that accounts that have a corresponding asset and liability account have the same functionalization.

PacifiCorp method of assigning all assets and liabilities not in regulatory results to DIST ensures that no further analysis needs to be done regarding the Income Statement, All changes to these accounts effect only the Balance Sheet not the Income Statement.

Issue 22
Schedules 1 & 3
Accounts 182.3, 186, 253, and 254

Issue

Other Regulatory Assets (Account 182.3), Miscellaneous Deferred Debits (Account 186), Other Deferred Credits (Account 253), and Other Regulatory Liabilities (Account 254)

Should PacifiCorp functionalize the actual Other Regulatory Assets (Account 182.3), Miscellaneous Deferred Debits (Account 186), Other Deferred Credits (Account 253), and Other Regulatory Liabilities (Account 254) shown in the FERC Form 1 on a line by line detail?

Discussion

Direct is the default functionalization of Other Regulatory Assets (Account 182.3), Miscellaneous Deferred Debits (Account 186), Other Deferred Credits (Account 253), and Other Regulatory Liabilities (Account 254).

PacifiCorp uses its latest results of operations to allocate and then functionalize the assets and liabilities (Accounts 182.3,186, 253, and 254). This is then used to allocate and functionalize the total assets and liabilities (Accounts 182.3,186, 253, and 254) as reported in the 2006 FERC Form 1.

PacifiCorp does not allocate and functionalize (Accounts 182.3,186, 253, and 254), shown in the FERC Form on a line-by-line basis.

Direct analysis should be performed on the assets and liabilities shown in the utilities FERC Form 1 data. The direct analysis should not exclude any of the sub accounts from the FERC Form 1. All sub accounts, regardless of whether they are in the utility's rate base, should be included.

Response

PacifiCorp **does** functionalize (Accounts 182.3,186, 253, and 254), shown in the FERC Form on a line-by-line basis. All line items not included in the latest results of operations are functionalized to Distribution/Other. They are then allocated to the Pacific Northwest based upon the relevant allocation factors.

Issue 23
Schedules 1
Accounts 182.3

<u>Issue</u>

Other Regulatory Assets - Functionalization

Does the direct analysis justify the functionalization of the account to PROD?

What is the correct functionalization of Oregon's Electric Restructuring Law?

<u>Discussion</u>

Account 1823040 is functionalized to Production. Line 825, Regulatory Assets Tab. This account encompasses costs related to Oregon's Electric Restructuring Law.

The explanation of the items was not sufficiently clear to allow an understanding of the software's purposes and therefore the applicability of the functionalization.

It is not clear how costs related to Oregon's Electric Restructuring Law relate to production or transmission.

<u>Response</u>

. Oregon's Electric Restructuring Law allowed a customer the choice of electricity producer. This asset represents the cost of allowing a customer his choice of electricity producer and is thus functionalized to production.

Issue 24
Schedules 1
Accounts 182.3

<u>Issue</u>

Other Regulatory Assets - Functionalization Assets not included in PAC regulated rate base:

Does the direct analysis justify the functionalization of the account to PTD?

What is the correct functionalization of Oregon's SB 408?

<u>Discussion</u>

Account 182.3 Oregon SB 408 is functionalized using the PTD ratio.

PacifiCorp does not include sufficient information to allow BPA to understand the justification of the use of the PTD ratio.

<u>Response</u>

PacifiCorp's filing functionalizes all Regulatory Assets not included in PAC regulated rate base to Distribution. As stated in the Company's response to BPA Data Request 25, "Oregon SB 408 Recovery – balance should be functionalized to PTD. Costs recovered through a supplemental revenue schedule." The SB 408 balance represents the difference between actual income taxes collected and actual income taxes in rates. Income taxes are a cost included as a gross up to the return of return on plant as part of the ASCM and therefore this plant related asset should be allocated PTD.

Issue 25
Schedules 1
Accounts 182.3

<u>**Issue**</u>

Other Regulatory Assets – Functionalization Assets not included in PAC regulated rate base:

Does the direct analysis justify the functionalization of the account to PTD?

What is the correct functionalization of ARO Regulatory assets?

Should PAC adjust the FERC Form 1data depreciation expense so as to conform to the Distribution functionalization?

Should PAC adjust the FERC Form 1 depreciation expense so as to conform to the Distribution functionalization?

Should PAC adjust the FERC Form 1 data for any and all non Depreciation expenses so as to conform to the Distribution functionalization?

<u>**Discussion**</u>

Account 182.3 ARO Regulatory is functionalized to Distribution.

PacifiCorp stated in its response to BPA data request 25 that the account established to offset the difference between the annual FAS 143 accretion and depreciation expense and the Commission depreciation expense.

It is not clear that the income statement accounts associated with these assets are functionalized to distribution.

<u>**Response**</u>

This issue appears to have five questions within it.

Does the direct analysis justify the functionalization of the account to PTD?

Response - PacifiCorp's filing functionalizes all Regulatory Assets not included in PAC regulated rate base to Distribution. In response to BPA Data Request 25, the Company recommends that one asset be now allocated to PTD. Please see the Company's response to Issue 24.

What is the correct functionalization of ARO Regulatory assets?

Response - PacifiCorp's filing functionalizes all Regulatory Assets not included in PAC regulated rate base to Distribution. This includes the ARO Regulatory asset. The Company stated in its issue list in FY 2009 ASC that

> "The SFAS ARO Regulatory Asset consists, in the main, of many specific regulatory assets associated with specific production facilities. It is recommended that each asset within the SFAS ARO Regulatory Asset be directly assigned."

Should PAC adjust the FERC Form 1data depreciation expense so as to conform to the Distribution functionalization?

Should PAC adjust the FERC Form 1 depreciation expense so as to conform to the Distribution functionalization?

Should PAC adjust the FERC Form 1 data for any and all non Depreciation expenses so as to conform to the Distribution functionalization?

Response – Assuming these three issues refer to expense related to the ARO Regulatory Asset, there are no such expense items. The Company previously addressed this issue in response to BPA Data Request 25:

> "ARO Regulatory Difference – Account established to offset the difference between the annual FAS 143 accretion and depreciation expense and the commission approved depreciation expenses. Adjustments are made to the balance sheet asset and liability accounts. No amortization, entries are to the balance sheet only."

Issue 26
Schedules 1
Accounts 182.3

<u>Issue</u>

Other Regulatory Assets - Functionalization
Assets not included in PAC regulated rate base:

What is the correct functionalization of FAS 158 Pension Account?

Should of FAS 158 Pension Account be functionalized using the Labor Ratio?

<u>Discussion</u>

Account functionalization of FAS 158 Pension Account.

PacifiCorp stated in its response to BPA data request 25, that the account recognizes the net transition obligation, prior service cost and gain/loss of the pension expense. The cost is not amortized, rather the actuarially determined is recognized and accrued and is a loading to the labor expense.

PAC has not suggested a functionalization of this account.

<u>Response</u>

PacifiCorp's filing functionalizes all Regulatory Assets not included in PAC regulated rate base to Distribution. This includes the FAS 158 Pension Account. The Company stated in its issue list in FY 2009 ASC that "It is recommended that Pension Costs be allocated on the Labor allocation factor."

Issue 27
Schedules 1
Accounts 253

Issue

Other Deferred Credits
Credits not included in PAC regulated rate base:

Sunnyside Cogeneration Bonds
Deferred Credits – Right of way
Deseret Power Security Deposits
Centralia Environmental Liabilities

Should PAC adjust the FERC Form 1 data for any expenses so as to conform to the Distribution functionalization?

Discussion

It is unclear how the following accounts are related to distribution.

PAC functionalizes these accounts to distribution.

These expenses include power costs, transmission costs, depreciation and fuel purchases.

It is not clear that the income statement accounts associated with these Credits are functionalized to distribution. e.g. Sunnyside Cogeneration appears in Account 555.

Response

PacifiCorp's filing functionalizes all Regulatory Assets & Liabilities not included in PAC regulated rate base to Distribution. This includes these accounts.

Sunnyside Cogeneration Bonds

As can be seen on page 269 of the FERC Form 1, there is no income associated with this account – the balance at the beginning of the year and that at the end of the year is the same. The Sunnyside expense in Account 555 is unrelated to the Sunnyside Bond in Account 253. As the Company said in response to BPA Data Request 26, this account is "balance sheet only, not amortized."

Deferred Credits – Right of way

Should a decision be made to include Regulatory Assets & Liabilities not included in PAC regulated rate base in the ASCM calculation, this liability should be functionalized to Transmission. Under the same assumption, a review should be made of Assets in 182.3 and 186 to determine their new functionalization.

Deseret Power Security Deposits

There is no income associated with this account As the Company said in response to BPA Data Request 26, this account is "balance sheet only, not amortized."

Centralia Environmental Liabilities

Should a decision be made to include Regulatory Assets & Liabilities not included in PAC regulated rate base in the ASCM calculation, this liability should be functionalized to Production. Under the same assumption, a review should be made of Assets in 182.3 and 186 to determine their new functionalization.
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Issue 28
Schedules 1
Accounts 253

<u>Issue</u>

Other Deferred Credits

What is the correct functionalization of these accounts?

<u>Discussion</u>

It is unclear how the following accounts are related to production, transmission or distribution.

'SOFTWARE LICENSE PAYMENTS – MICROSOFT

<u>Response</u>

PacifiCorp's filing functionalizes all Regulatory Assets & Liabilities not included in PAC regulated rate base to Distribution.

Should a decision be made to include Regulatory Assets & Liabilities not included in PAC regulated rate base in the ASCM calculation, this liability should be functionalized to Transmission as the contra account is Account 560. Under the same assumption, a review should be made of Assets in 182.3 and 186 to determine their new functionalization.

Issue 29
Schedules 1
Accounts 253

Issue

Other Deferred Credits

What is the correct functionalization of these accounts?

Discussion

It is unclear how the following accounts are related to production, transmission or distribution.

'AMERICAN ELECTRIC POWER CRP
'DEF REV-DUKE/HERMISTON GAS SALE NOVATION

The explanation of the items was not sufficiently clear to allow an understanding of their purpose and therefore the applicability of the functionalization.

Response

AMERICAN ELECTRIC POWER CRP is incorrectly functionalized to Production in the filing. It is related to a Transmission Service Deposit (See FERC Form 1, page 269, line 19) and should be functionalized to Transmission.

DEF REV-DUKE/HERMISTON GAS SALE NOVATION is functionalized to Production in the filing as the two contra accounts are Accounts 547 and 555, both production expense accounts.

Issue 30
Schedule 3B - Other Items
Account 456

<u>Issue</u>

Other Electric Revenues

What is the correct functionalization of these accounts?

<u>Discussion</u>

It is unclear how the following accounts are related to production, transmission or distribution:

    OTH EL/EXCL WHEEL
    USE OF FACIL REV
    MISC OTHER REV

The explanation of the items was not sufficiently clear to allow an understanding of their purpose and therefore the applicability of the functionalization

<u>Response</u>

OTH EL/EXCL WHEEL account is "Other electric revenue excluding wheeling revenue." MISC OTHER REV account is miscellaneous other revenue. They consist of electric "revenues derived from electric operations not included in any of the foregoing accounts" (Accounts 450, 451, 453 – 455). They also exclude "revenues from transmission of electricity of others over transmission facilities of the utility." These two accounts are directly assigned to each state and thus must be functionalized to distribution. (See Response to BPA Data Request 3)

The Company continues to recommend that the USE OF FACIL REV (Other Companies Use of the Company's Transmission and Distribution) account be functionalized to TD.

Issue 31
Schedule 3, Schedule 3B, 3-yr pp & OSS
Account 555 & 447

Issue

Generic Issue - Purchased Power Expense, Sales for Resale, and Price Spread

How should book-outs and trading adjustments be treated for calculations of purchased power expense and sales for resale revenue and the price spread calculation?

Should the treatment be consistent across utilities

Discussion

PacifiCorp is reducing the amount of its purchased power expense and sales for resale revenue by book-outs and trading adjustments. It appears that the other utilities do not.

The inclusion or exclusion of book-outs and trading adjustments in purchased power and sales for resale numbers affects the price spread calculation. BPA is considering whether it is appropriate to remove these adjustments when performing the price spread calculation and the ASCs.

Response

It is inappropriate to remove these adjustments when performing the price spread calculation and the ASCs for the following reasons.

- First, BPA's proposed removal of these adjustments directly violates the ASCM ROD, which states on page 58 "The ASCM will not normalize short-term purchases and sales for resale." Removal of the adjustments is normalization and is not permitted under the ASCM ROD.

- Second, PacifiCorp's ASC calculation has been explicit in its treatment of book-outs and trading adjustments. These activities occur at all utilities, although other utility ASC calculations may not explicitly identify them. Normalizing these only for PacifiCorp is both unfair and incorrect.

- Third, out of period corrections occur in all expense and rate base categories. BPA suggests without explanation that it is appropriate to normalize them for these two accounts, but not for any other accounts. Doing so would directly violate the intent of the ASCM ROD to use FERC Form 1 data and not the jurisdictional approach. Out of period corrections for all categories occur using

the jurisdictional approach. Allowing BPA to apply a jurisdictional approach only to two accounts is inconsistent with the ASCM.

- Finally, parties did suggest updating short-term sales and purchases during the pendency of the case, and BPA rejected such an approach citing "unnecessary and burdensome complexity". (ASCM ROD Page 32) The two normalization techniques now being suggested by BPA are much more complex than the update previously suggested by parties and rejected by BPA.

Issue 32
ASC Forecast Model

Issue

Generic Issue - New Plant Additions – Natural Gas Prices

Should BPA adopt a common natural gas price forecast in the ASC Forecast Model for all *new* natural gas-fired plant additions?

Discussion

Forecasted natural gas prices vary significantly between utilities forecasting natural gas burning new additions. None of the utilities submitted documentation on long term firm natural gas supply contracts, so it is assumed that the differences are a result of different natural gas price forecasting techniques.

Response

The basis of the ASCM is the use of utility specific FERC Form 1 historic data. Use of utility specific forecast data is consistent with this approach.

Issue 33
ASC Forecast Model

Issue

Generic Issue - New Plant Additions - Capacity Factor

Should BPA use common representative capacity factors in the ASC Forecast model for estimating the operating costs and expected energy output for plant additions of similar type?

Discussion

Projected capacity factors vary significantly between utilities for similar types of new resources

Response

The basis of the ASCM is the use of utility specific FERC Form 1 historic data. Use of utility specific forecast data is consistent with this approach.

Issue 34
Schedule 1, Income Statement
Various Accounts

Issue

Generic Issue – Inclusion - Other Regulatory Assets and Liabilities

What should be the functionalization of Other Regulatory Assets and Liabilities that are not included in rate base by the regulatory authority?

What should be the functionalization of the corresponding income statement accounts for the Regulatory Assets and Liabilities that are not included in rate base by the regulatory authority?

Discussion

There is inconsistency between utilities in the functionalization of Regulatory Assets and Liabilities when not included in rate base.

For example, PAC functionalized all Other Regulatory Assets and Liabilities that are not in its retail rate base to distribution. Idaho functionalized several items in these same accounts, also not included in its retail rate base, to PTD.

Many of these accounts are included in working capital for ratemaking purposes.

There is concern that the treatment of the income statement accounts for Other Regulatory Assets and Liabilities are not consistent with the asset and liability treatment for ASC purposes.

Response

There should be consistency between utilities in the functionalization of Regulatory Assets and Liabilities when not included in rate base.

PacifiCorp has two mining AROs in Regulatory Liability Accounts (Account 253 and 254) not included in Rate Base but included in the Cash Working Capital Calculation. There inclusion decreases the Company's Cash Working Capital.

Regulatory Assets and Liabilities not included in Rate Base have no effect on the Company's income statement. All entries affect only the balance sheet.

Issue 35
3-yr pp & OSS
Account 555

<u>Issue</u>

Inclusion of Residential Exchange Payments in the calculation of the price spread

Should the Residential Exchange payments be removed from the price spread calculation?

<u>Discussion</u>

It seems that the PAC did not remove the Residential Exchange payments from account 555 for the purpose of calculating the price spread.

The Residential Exchange payments are not exchangeable costs and should be removed from the calculation of the spread.

Pac has removed the Residential Exchange payments from their Appendix 1 filing for account 555 in Schedule 3.

Removal of the Residential Exchange payments from the spread calculation will change the spread from 21.73% to 23.97%.

<u>Response</u>

The Residential Exchange payments are not exchangeable costs and should be removed from the calculation of the spread.