

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of)
PacifiCorp for an Investigation of Inter-) DOCKET NO. 02-035-04
Jurisdictional Issues) REPORT AND ORDER
)

ISSUED: February 3, 2012

SHORT TITLE

PacifiCorp Multi-state Process (“MSP”) Case

SYNOPSIS

The Commission approves an Agreement by parties supporting the use of the 2010 Protocol method, coupled with certain terms and conditions, for apportioning PacifiCorp’s costs and revenues among its various jurisdictions, thereby determining Utah’s revenue requirement. This effectively removes ad-hoc adjustments included in the prior approved method, Revised Protocol, and renders the 2010 Protocol and Rolled-In cost apportionment methods essentially equivalent in Utah. Therefore, the Rolled-In apportionment method, as described in the Agreement, is approved for use in determining Utah’s revenue requirement in rate setting and for evaluating PacifiCorp’s financial performance in Utah. The Agreement permits PacifiCorp to continue to plan and operate as a single integrated utility company doing business in six states.

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DOCKET NO. 02-035-04

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APPEARANCES:

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I. INTRODUCTION AND BACKGROUND

Inter-jurisdictional cost apportionment has been an issue for PacifiCorp since it was created through the merger of the Pacific Power and Utah Power¹ utility systems in 1989. The procedural history for this docket and detailed background prior to the events leading up to this order is provided in our order dated December 14, 2004 (“December Order”), wherein the Public Service Commission of Utah (“Commission”) conditionally approved a stipulation on inter-jurisdictional cost apportionment for PacifiCorp (“2004 Stipulation”). The Commission incorporates that more detailed information in this order by reference and provides the following brief introduction to this case.

PacifiCorp provides retail electric service to more than 1.5 million customers in the western states of Utah, Oregon, Wyoming, Washington, Idaho and California. The retail rates in each state are regulated by a state utility commission. PacifiCorp operates as a single integrated electric utility with transmission (high voltage) lines interconnecting these six states. PacifiCorp has generating plants located throughout the west that are used as a group of resources to provide electricity to retail customers in all six states. Integrated system costs are shown in the Company’s testimony to be substantially lower than separately operated systems confirming that single system planning and operation provides lower costs to customers. Indeed, this expected outcome was the basis for the 1989 merger of Utah Power and Pacific Power.

Since PacifiCorp’s transmission lines and generating plants regardless of location are used to provide electricity to customers in all the states it serves, the costs incurred and the

¹ Utah Power was then known as Utah Power & Light Company.

wholesale revenues received from the use of those facilities must be divided among the six state jurisdictions.² When different allocation methods are used in the six states, as is now the case, the Company might recover more or less than its total costs through customer rates.

The possibility of less than full system cost recovery is not new. The potential for cost recovery shortfall was anticipated at the time of each merger leading to the present PacifiCorp ownership and directly addressed by merger conditions in past Commission orders. For example, the September 28, 1988, Commission order approving the Utah Power and Pacific Power merger imposed a number of conditions on the merger including:

“The Merged Company shall agree that PacifiCorp shareholders shall assume all risks that may result from less than full system cost recovery if inter-divisional allocations methods differ among the Merged Company’s various jurisdictions.”³

Nonetheless, we have carefully and deliberately addressed the gradual and fair transition from separate operating companies with different cost characteristics in 1989, to a fully merged and integrated system operating today. To this end, we conditionally approved the unopposed 2004 Stipulation in this docket on December 14, 2004.

The 2004 Stipulation supports use of the Revised Protocol and Rolled-In cost apportionment methods in conjunction with rate mitigation measures to determine Utah’s

² The Company allocates a share of system costs to a total of eight “jurisdictions.” In addition to the six states, the Company allocates costs to wholesale customers taking “full requirements” service in Utah from the Company under a Federal Energy Regulatory Commission approved tariff and to two separate Wyoming “jurisdictions.” This use of the term “jurisdiction” is distinct from the more common term which refers to a political or legal jurisdiction.

³ See Docket No. 87-035-27 “In the Matter of the Application of Utah Power & Light Company, PC/UP&L Merging Corp. (To be renamed Pacificorp) for an Order Authorizing the Merger of Utah Power & Light Company and Pacificorp into PC/UP&L Merging Corporation and Authorizing the Issuance of Securities, Adoption of Tariffs, and Transfer of Certificates of Public Convenience and Necessity and Authorities in Connection Therewith.”

jurisdictional revenue requirement. Generally, the Rolled-In method apportions costs and revenues among PacifiCorp's jurisdictions based on single utility system, fully rolled-in embedded cost-of-service analysis which is reflective of current system operations, and apportions these costs to customers based on cost causation. Typically, cost apportionment methods directly assign the costs of facilities which are not shared to the users of the facilities, and allocate shared costs and the costs of joint-use facilities among users of the facilities. The Rolled-In method as applied to inter-jurisdictional cost allocation in this order includes the factors to allocate or directly assign the components of revenue requirement.

The Revised Protocol method then adds specific adjustments to the Rolled-In method. These specific adjustments shift what was intended to be a reasonable amount of cost from the former Pacific Power jurisdictions to the former Utah Power jurisdictions between 2005 and 2018. The net cost shift to Utah over this time period was expected to be a minimal increase above jurisdictional revenue requirement using the Rolled-In method. At the time of the merger, the Pacific Power system was lower cost than the Utah Power system and merger fairness adjustments were deemed necessary by the Commission to effect a fair transition to fully rolled-in cost apportionment while maintaining just and reasonable rates in Utah. This present case is brought forward to consider amendments to the Revised Protocol method and an agreement among certain parties to implement the proposed amendments.

II. PROCEDURAL HISTORY

On September 15, 2010, PacifiCorp, dba Rocky Mountain Power in Utah, ("Company") filed an application with the Commission requesting approval of amendments to

the Revised Protocol inter-jurisdictional cost apportionment method (“Application”). The proposed amendments are incorporated into the Revised Protocol which is then renamed the 2010 Protocol.

The Commission held a duly noticed scheduling conference on October 7, 2010. Based on discussion in the scheduling conference, on October 14, 2010, the Commission issued an order setting a procedural schedule and hearing date of March 15, 2011, to consider any settlement stipulation in this matter. On November 2, 2010, pursuant to the scheduling order, the Utah Association of Energy Users (“UAE”), and Utah Industrial Energy Users (“UIEC”) indicated their intent to participate in this proceeding. On November 3, 2010, Nucor Steele-Utah, a division of Nucor Corporation, petitioned to intervene in this docket which the Commission granted. On January 20, 2011, the Commission issued a notice rescheduling this hearing to March 22, 2011. On February 15, 2011, a duly noticed technical conference was held to discuss the ratemaking treatment of certain Klamath hydro system costs.

On February 22, 2011, the Company requested, and the Commission granted, an indefinite postponement of the procedural schedule, including the hearing date, in order to allow parties additional time to conduct settlement negotiations. On March 2, 2011, the Company filed errata information pertaining to testimony filed in its Application.

On June 27, 2011, the Company filed the *Agreement Pertaining to PacifiCorp’s September 15, 2010, Application for Approval of Amendments to Revised Protocol Allocation Methodology* (“Agreement”) entered into by the Company, the Utah Division of Public Utilities (“Division”), the Utah Office of Consumer Services (“Office”), and UAE. On July 26, 2011, a

duly noticed scheduling conference was held and on August 1, 2011, the Commission issued a procedural order and set the hearing date of September 27, 2011, to consider the Agreement. Pursuant to the scheduling order, the Company, Division, Office, and UAE filed testimony on August 18, 2011, supporting approval of the Agreement. Comments were also filed by UIEC. On September 1, 2011, rebuttal testimony was filed by the Company.

On September 19, 2011, the Commission issued a notice amending its August 1, 2011, procedural order changing the hearing date from September 27, 2011, to November 8, 2011. On November 8, 2011, a hearing was held to receive testimony on the Agreement. At the hearing, the Commission issued a bench order approving the Agreement as proposed. This order provides the findings of facts and conclusions of law supporting the bench decision.

III. 2010 PROTOCOL

Without modifying its terms in any way, the following is a brief summary of the 2010 Protocol.⁴ The 2010 Protocol is a method of apportioning the costs and revenues associated with PacifiCorp's generation, transmission and distribution systems among the six states in which PacifiCorp operates.

1. Introduction

PacifiCorp commits it will continue to plan and operate its generation and transmission system on a six-state integrated basis in a manner that achieves for its customers a

⁴ The 2010 Protocol is comprised of a 14 page narrative description with six appendices, for a total of 57 pages. Appendix A is the definitions of terms, Appendix B is a list of allocation factors applied to each component of revenue requirement, Appendix C contains the algebraic derivations of the 2010 Protocol allocation factors, Appendix D is the description of the treatment of special contracts, Appendix E is the six-year levelized embedded cost differential adjustments and Klamath situs surcharge, fixed dollar proposal by state, and Appendix F contains a description of each state's share of the Mid-Columbia contracts.

portfolio of resources based on a combination of least cost and risk. Parties who support the 2010 Protocol do so with the expectation it will achieve a resolution to multi-state process (“MSP”) issues and is in the public interest. However, this support is not binding in the event unforeseen or changed circumstances cause a signing party to conclude the 2010 Protocol no longer produces results that are just, reasonable and in the public interest. Also, support of the 2010 Protocol is not deemed to constitute an acknowledgment by any party of the validity or invalidity of any particular method, theory or principle of regulation, cost recovery, cost of service or rate design.

2. *Allocation of Generation Resource Costs*

Resource costs are assigned to one of three categories for inter-jurisdictional cost apportionment purposes: regional, state, or system.

Regional resource costs include the owned hydro embedded cost differential (“ECD”) adjustment, the Mid-Columbia contract ECD adjustment (together the two ECD adjustments are also referred to as a hydro endowment), the full impact of the Klamath Hydroelectric Settlement Agreement (“KHSA”), and the Klamath Dam removal surcharge adjustment.

A levelized annual value for the the sum of owned hydro and Mid-Columbia contract ECD adjustments for calendar years 2011 through 2016 was calculated for each state. These values are fixed and will be included in rate filings made through December 31, 2016, and are set forth in Appendix E of the 2010 Protocol.

Initially, the full-impact of the KHSA, including accelerated depreciation, is allocated as a system cost in the Company’s forecasted unadjusted results consistent with the

benefits of hydro output under the Rolled-In method. Then, an adjustment is made to reverse the initial system allocation of the KHSA surcharge expected to be paid for by Oregon and California customers. The adjustment directly assigns the KHSA surcharge to Oregon and California based on the amounts stipulated in the KHSA. The re-allocation of costs is consistent with the re-allocation of hydro benefits accomplished through the ECD adjustments. The levelized annual value of the Klamath Dam removal surcharge adjustment by state is fixed for the calendar years 2011 through 2016 and used for all PacifiCorp rate proceedings filed prior to January 1, 2017. These values are set forth in Appendix E of the 2010 Protocol.

State resources include the following categories: demand-side management programs, portfolio standards, Qualifying Facilities (“QF”) contracts, and state-specific initiatives, with each having a unique cost apportionment formula.

All resource costs that are not regional resources or state resources are system resources. System resource costs are allocated using the factors described in Appendix B of the 2010 Protocol.

3. *Load Growth*

At the direction of the MSP standing committee, potential adverse impacts on some states caused by faster growing states will be studied using a described method. In addition, the MSP standing committee will track key factors deemed relevant to any potential load growth-related issues.

4. *Refunctionalization and Allocation of Transmission Costs*

If the Company is required by the Federal Energy Regulatory Commission to refunctionalize any assets from transmission to distribution, the cost responsibility will be

assigned to the state where the assets are located. Transmission asset costs and firm wheeling expenses and revenues will be classified as 75 percent demand-related and 25 percent energy-related, and allocated to states using the system generation (“SG”) factor. Non-firm wheeling expenses and revenues will be classified as 100 percent energy-related and allocated to states using the system energy (“SE”) factor.

5. *Assignment of Distribution Costs*

Distribution-related expenses and investment that can be directly assigned will be directly assigned to the state in which the facilities are located. Such costs that cannot be directly assigned to a state will be allocated to states according to the factors described in Appendix B to the 2010 Protocol.

6. *Allocation of Administrative and General Costs*

Administrative and general costs, and general and intangible plant costs are to be allocated to states using the factors provided in Appendix B to the 2010 Protocol.

7. *Allocation of Special Contracts*

Special contract revenue will be included in state revenue. Special contract load will be included in all load-based dynamic allocation factors. Appendix D to the 2010 Protocol provides a description and numeric example of the regulatory treatment of special contracts and related discounts.

8. *Allocation of Gain or Loss from Asset Sales*

Any loss or gain from the sale of a resource or a transmission asset will be allocated among states based upon the factor used to allocate the fixed costs of the resource or

the transmission asset at the time of its sale. Each state commission will determine the allocation of the loss or gain between state customers and PacifiCorp shareholders.

9. Implementation of Direct Access Programs

Where the Company is required to continue to plan for the load of direct access customers, such load will be included in load-based dynamic allocation factors for all resources. After customers permanently choose direct access or permanently opt out of new resources, and where the Company is no longer required to plan for their loads, such loads will be used in the allocation of existing resources, but not for new resources acquired after the direct access choice. Revenues and costs from direct access purchases and sales will be directly assigned to the state where the direct access customers are located and will not be included in net power costs.

10. Loss or Increase in Load

Any loss or increase in retail load occurring as a result of condemnation or municipalization, sale or acquisition of service territory which involves less than five percent of system load, realignment of service territories, changes in economic conditions or gain or loss of large customers will be reflected in changes in load-based dynamic allocation factors.

11. Sustainability of Protocol

An MSP standing committee will be organized consisting of one member or delegate of each Commission. The MSP standing committee will appoint a standing neutral, at the Company's expense, to facilitate discussions among states, monitor issues and assist the MSP standing committee. The MSP standing committee will consider possible amendments to the 2010 Protocol that would be equitable to PacifiCorp customers in all states and to the

Company. Any proposed amendments to the 2010 Protocol will be submitted by PacifiCorp to each Commission for approval.

IV. AGREEMENT

Without modifying its terms in any way, the following are highlights of the Agreement, which is attached in its entirety to this Report and Order as an Appendix. The parties to the Agreement are the Company, Division, Office and UAE (“Parties”).

1. Calculation of Utah Revenue Requirement

The Company’s Utah revenue requirement for ratemaking purposes will begin with the Rolled-In method, as explained and illustrated in Exhibits A and B to the Agreement, and the Rolled-In method will continue to be the benchmark and starting point for allocating inter-jurisdictional costs to Utah. All Company filings in Utah shall be based on the Rolled-In method, and will include calculations showing the 2010 Protocol results, including the owned-hydro ECD, Mid-Columbia ECD, and Klamath Dam removal surcharge adjustments. The Parties request the Commission’s order in this docket provide that, for purposes of any use of the 2010 Protocol, the owned-hydro ECD, Mid-Columbia ECD, and Klamath Dam removal surcharge adjustments will be deemed to net to zero for ratemaking purposes in Utah.

2. Approval of 2010 Protocol

The Parties request the Commission approve for use in Utah, other than as specified in the Agreement, the terms and conditions of the 2010 Protocol as reflected in Exhibit RMP ___ (ALK-1) attached to the direct testimony of Company witness Andrea L. Kelly, filed in this docket in September 2010, including Appendices A to F, as corrected by the Errata Sheet to Exhibit RMP ___ (ALK-1) filed on or about March 2, 2011, and as further described in detail

in Exhibits A and B to the Agreement. Such use of the 2010 Protocol shall remain in effect for all Company filings made on or before December 31, 2016.

3. *Klamath Facilities Related Costs*

The Parties expressly reserve and shall not be deemed to have waived, compromised or limited, any rights, defenses, remedies, duties, or jurisdictional objections available under Federal or Utah law in connection with the inclusion, timing or allocation to Utah of costs related to the Klamath facilities.

4. *Threshold for Continued Support of the Agreement or 2010 Protocol*

The Parties may withdraw support in the event the Agreement is rejected or materially conditioned by any Commission or court. Should the Commission or a reviewing court reject or materially change any part of the Agreement, the Parties agree to meet within five days to determine if they are willing to modify the Agreement consistent with the order. If any signatory to the Agreement withdraws support, any other signatory retains the right to seek additional procedures before the Commission and no Party shall be bound or prejudiced by the terms and conditions of the Agreement.

The Agreement further provides that any Party may request the Commission to rescind, alter, or amend its order on the Agreement or the 2010 Protocol if the Party concludes the Agreement no longer produces results that are just, fair, reasonable, or in the public interest, due to unforeseen or changed circumstances.

5. *Financial Performance Reporting*

The Parties request the Commission order the Company to file its semi-annual results of operations using the Rolled-In method, and to provide the calculation of the 2010

Protocol method's owned hydro ECD, Mid-Columbia ECD and Klamath Dam removal surcharge adjustments using test period data in sufficient detail to allow parties to compare the Rolled-In and 2010 Protocol methods for the six-year effective period of the 2010 Protocol.

6. *Interclass Allocations*

The Parties agree not to claim or argue that approval of the Agreement or use of the Rolled-In inter-jurisdictional cost allocation method in Utah establishes a presumption in favor of any particular Utah interclass cost allocation method.

V. POSITIONS OF PARTIES

The Company, Division, Office, UAE, and UIEC filed comments on the Agreement. The Company, Division, and Office provided witnesses at hearing to present oral testimony supporting approval of the Agreement.

The Company describes the Agreement as the culmination of discussions conducted through the MSP standing committee which were initiated in November 2008 and which related to the concerns of Utah representatives that the Revised Protocol method was not performing as expected when the Commission approved its use in 2004. The Company provides analysis comparing historical and 2004 forecast Utah revenue requirement results utilizing the Revised Protocol. The Company testifies the analysis shows a great deal of volatility in the historical Revised Protocol results, driven mainly by the ECD calculation. The Company provides an exhibit showing higher actual revenue requirement than expected in Utah under Revised Protocol. The Company proposes the Commission adopt a simplified version of the Revised Protocol, called the 2010 Protocol, to reduce the unintended variation in the allocation of actual revenue requirement. The Company also provides testimony and analyses showing

significant savings from integrated system operations in comparison to separately operated systems, confirming that single system planning and operation provides lower costs to customers.

The Company testifies the 2010 Protocol, like the Revised Protocol, is based on an initial Rolled-In allocation of system costs. In comparison to the Revised Protocol, the 2010 Protocol removes the seasonal allocation factors, reduces the costs included in the ECD calculations, adds an adjustment related to the KHSA, and adds a new category of state-specific initiatives for which the costs will be directly assigned to a state under certain circumstances.⁵ Thus, the allocation of system costs, prior to the ECD and KHSA adjustments and excluding the state-specific initiatives, is the same as the Rolled-In method. As proposed, the Company testifies the 2010 Protocol ECD and KHSA adjustments to the Rolled-In method for Utah produces a fixed negative \$1 million per year for the duration of the 2010 Protocol.

At hearing, the Company identified the core elements of the Agreement, as noted in section III of this order. Based on the core elements of the Agreement, the Company testifies the Agreement and the 2010 Protocol results in a fair allocation of costs among the Company's jurisdictions and is therefore in the public interest.

The Division provides written and oral testimony supporting approval of the Agreement. The Division testifies a change in the current inter-jurisdictional cost allocation method is necessary in order to achieve just and reasonable rates in Utah. The Division explains

⁵ The Company clarified in hearing this category is intended to address programs which are generally already in existence in many states, e.g., feed-in tariffs, renewable portfolio standards and solar incentive programs, that are funded on a state-specific basis and generally driven by legislative mandates.

the Commission's December 14, 2004, approval of the 2004 Stipulation was conditioned on the realization of the projected savings of the Revised Protocol method relative to the Rolled-In method. Specifically, implementation of the 2004 Stipulation was expected to produce a Utah revenue requirement that was higher in the early years and lower in the later years than that produced using the Rolled-In method. On a net present value basis, these differences were expected to approximately offset one another and the long-run impact on Utah's revenue requirement would be minimal. However, the Division states, the projected savings in the later years have not materialized and Revised Protocol results are projected to remain above Rolled-In results. Thus, the Division concludes the 2004 Stipulation and the concomitant revenue requirement cannot be relied upon, going forward, to determine just and reasonable rates in Utah.

The Division explains the Company proposes several adjustments to the Revised Protocol in the 2010 Protocol that move all of the states closer to a rolled-in allocation of the Company's costs. Using the 2010 Protocol, Utah receives an annual fixed dollar reduction of about \$1 million to its Rolled-In revenue requirement through December 2016.

However, under the Agreement, Utah forgoes the \$1 million annual reduction to Utah's revenue requirement and therefore Utah's allocated share of system cost is equivalent to a Rolled-In allocated share. The Division supports this for two reasons. First, the Division argues the ECD is an ad hoc adjustment based on assumed historical cost causation and usage of system resources. As such, it is difficult to justify on a principled basis. Second, the 2010 Protocol moves all states closer to Rolled-In cost allocation and the Agreement essentially makes Utah's

allocated share of the Company's costs equal to a full Rolled-In share. The Division believes this is consistent with the Commission's long-standing policy the Rolled-In method is the benchmark by which to judge other allocation methods, and current cost causation and usage is the preferred basis for inter-jurisdictional cost allocation. The Division fully supports these two principles of inter-jurisdictional cost allocation for ratemaking purposes in Utah. Additionally, the Division notes the Agreement expressly reserves the rights of the parties to take any position on the Klamath Dam removal costs they deem appropriate in future cases.

Taken as a whole, the Division concludes the Agreement is just and reasonable in results and is in the public interest. Therefore, the Division supports and recommends the Commission approve the Agreement for purposes of allocating a reasonable share of the Company's costs to Utah.

The Office also provides written and oral testimony asserting the Agreement is just and reasonable in result and recommends its approval. At the hearing, the Office identified two key points in its support of the Agreement. First, the Agreement essentially results in setting Utah rates using the Rolled-In cost allocation method. The Office believes this is the only method which can achieve just and reasonable rates now that an energy balancing account is in place in Utah. Second, the Agreement expressly reserves the rights of parties to challenge the inclusion of any costs associated with the Klamath hydroelectric settlement agreement in Utah rates.

UAE provides written and oral testimony supporting its recommendation the Agreement is in the public interest and should be approved. UAE provides two fundamental

reasons for its support. First, UAE believes the Agreement reduces the risk that various jurisdictions will adopt materially inconsistent inter-jurisdictional cost allocation methods. UAE maintains this is important in order to both produce just and reasonable results in Utah and also provide the Company with a reasonable opportunity to recover its prudently incurred costs. Second, UAE believes the Rolled-In cost allocation method in the Agreement appropriately matches risks and rewards during the pilot period of the newly approved energy balancing account in Utah.

At the hearing, UIEC did not oppose the Agreement but articulated certain reservations regarding its use. UIEC argues the Commission has the authority and is obliged to issue an order determining the appropriate inter-jurisdictional cost allocation method at any time, without the Agreement. UIEC opposes the notion the Agreement can place any type of obligation or prerequisite upon the Commission, or on any party who would want to suggest modifications to the inter-jurisdictional allocation of costs. Further, in its written comments, UIEC argues the functionalization, classification and allocation factors of Utah interclass cost allocations should be considered independently from any inter-jurisdictional cost allocation method.

VI. DISCUSSION

The Company and Division testify the Revised Protocol method as implemented through the 2004 Stipulation has not performed as expected. Company testimony shows higher actual unrecovered costs using Revised Protocol in Utah than forecast in 2004. The Division testifies the Revised Protocol revenue requirement in Utah is forecast to remain higher than

expected. The Company explains the ECD calculations using actual results are much more volatile than expected.

As our approval of the 2004 Stipulation was conditioned upon it providing the long-run benefits expected, and we now find the Revised Protocol method is failing to do so, we conclude it can no longer be relied upon to produce just and reasonable rates in Utah. Further, we find it is also failing to remedy the problem of unrecovered cost recovery risk which had been a key reason for approving the 2004 Stipulation.

The Company, Division, Office and UAE testify the Agreement resolves the issues raised in this case. First, the 2010 Protocol amends and simplifies the Revised Protocol, notably by reducing the effects of the troublesome ECD calculations. Second, the Agreement provides additional adjustments to the 2010 Protocol which set the ECD and KHSA adjustments to zero. Thus, we are essentially asked to approve use of the Rolled-In method as described in detail in the Exhibits to the Agreement.

Our consideration of the Agreement is guided by Utah statutory provisions in Utah Code Ann. (“U.C.A.”) § 54-7-1 that encourage informal resolution of matters brought before the Commission. This consideration does not supplant the requirement in U.C.A. § 54-3-1 that all utility charges must be just and reasonable, as the Agreement will ultimately have rate impacts on Utah customers. We also take direction from the Utah Supreme Court’s decision in *Utah Department of Administrative Services v. Public Service Commission*, 658 P.2d 601 (Utah 1983) (hereafter “Wexpro II”). In Wexpro II, the Supreme Court approved resolution, through parties’ stipulation, of a remanded controversy before the Commission. The Court noted that

“The law has no interest in compelling all disputes to be resolved by litigation....The policy in favor of settlements applies to controversies before regulatory agencies, so long as settlement is not contrary to law and the public interest is safeguarded by review and approval by the appropriate public authority.” 658 P.2d, at 613.

At the hearing, parties representing a broad spectrum of utility customers supported approval of the Agreement, and no party opposed it. Parties testified the MSP involved extensive examination by participants of several alternative approaches to the inter-jurisdictional cost allocation problem before settling on the 2010 Protocol. Approval of the 2010 Protocol in the majority of the states served by PacifiCorp will put into place a generally common allocation practice among the states, consistent with single system planning and operation and therefore will help the Company gain confidence to make the infrastructure investments necessary to provide reliable and least-cost, risk adjusted, electric service. In line with UAE’s comments, the Company’s sharing of the financial impacts of the Agreement is supported by its voluntary prior acceptance of the risk of inconsistent inter-jurisdictional allocation methods. Further, the merger fairness payments from Utah ratepayers to the Company over the past two decades have assisted the Company in managing the transition to a uniform inter-jurisdictional cost allocation method.

The Agreement essentially establishes the Rolled-In method for determining Utah’s revenue requirement over the term of the Agreement. For all the reasons stated by the parties in oral and written testimony, and for the reasons we have stated consistently since the Utah Power and Pacific Power merger, we find the principle-based, Rolled-In method and its

current, rather than historical, cost-causation rationale, for determining Utah's revenue requirement is in the public interest. We therefore approve use of the 2010 Protocol, subject to the terms of the Agreement, for inter-jurisdictional cost allocation.

VII. FINDINGS OF FACT

1. PacifiCorp provides retail electric service to more than 1.5 million customers in the western states of Utah, Oregon, Wyoming, Washington, Idaho and California.
2. The retail rates in each state are regulated by a state utility commission.
3. PacifiCorp operates as a single integrated electric utility with transmission (high voltage) lines that interconnect these six states.
4. PacifiCorp has generating plants located throughout the west that are used as a group of resources to provide electricity to retail customers in all six states.
5. PacifiCorp's transmission lines and generating plants regardless of location are used to provide electricity to customers in all the states.
6. The costs incurred and the wholesale revenues received from the use of those facilities must be divided among the six state jurisdictions.⁶
7. The dividing or apportionment of costs and revenues among the jurisdictions, called inter-jurisdictional allocations, is a necessary component of ratemaking.
8. Integrated system costs are substantially lower than separately operated systems confirming that single system planning and operation provides lower costs to customers.

⁶ See footnote 2.

9. The inter-jurisdictional cost allocation mechanisms included in the 2004 Stipulation and conditionally approved on December 14, 2004, can no longer be relied upon to achieve just and reasonable rates in Utah.
10. The Agreement is presented by PacifiCorp, the Division, the Office, and UAE as a just and reasonable resolution to the issues raised in this docket.
11. No party opposes the Agreement.
12. The Agreement provides for the use of the 2010 Protocol, subject to the terms of the Agreement, for inter-jurisdictional cost allocations through to December 31, 2016.
13. The Agreement deems the owned-hydro ECD, Mid-Columbia ECD, and Klamath Dam removal surcharge adjustments net to zero for ratemaking purposes in Utah.
14. With this adjustment, the Agreement renders the 2010 Protocol and the Rolled-In methods essentially equivalent for determining Utah's revenue requirement.
15. The inclusion, timing or allocation to Utah of costs related to the Klamath facilities is not resolved in the Agreement.
16. The principle-based, Rolled-In method and its current cost-causation rationale, for determining Utah's revenue requirement, achieves appropriate inter-jurisdictional cost allocation and is in the public interest.
17. The Parties testify the Agreement is in the public interest and recommend the Commission approve it.

VIII. CONCLUSIONS OF LAW

1. The hearing held on the Agreement was properly noticed and was conducted in accordance with the Commission's hearing procedures.
2. PacifiCorp, doing business in Utah as Rocky Mountain Power, is an electrical corporation as defined in U.C.A. § 54-2-1(7) and a public utility as defined in U.C.A. § 54-2-1(16).
3. The Commission has authority to regulate PacifiCorp in the State of Utah and to supervise all of the public utility business of PacifiCorp in the State of Utah pursuant to U.C.A. § 54-4-1.
4. The Commission concludes the Agreement executed by the Parties is just and reasonable and should be approved.

IX. ORDER

Wherefore, pursuant to the discussion, findings and conclusions herein, we order:

1. The Agreement, attached to this order, is approved.
2. The 2010 Protocol, as identified on page 10, is incorporated herein by reference. The 2010 Protocol, subject to the terms and conditions of the Agreement, is approved for use in determining Utah's jurisdictional revenue requirement and for financial performance reporting.
3. For purposes of any use of the 2010 Protocol, the owned-hydro ECD, Mid-Columbia ECD, and Klamath Dam removal surcharge adjustments are deemed to net to zero for ratemaking purposes in Utah.

4. PacifiCorp shall file its semi-annual results of operations using the Rolled-In method, and the calculation of the 2010 Protocol method's owned hydro ECD, Mid-Columbia ECD and Klamath Dam removal surcharge adjustments using test period data in sufficient detail to allow parties to compare the Rolled-In and 2010 Protocol methods for the six-year effective period of the 2010 Protocol.

DATED at Salt Lake City, Utah, this 3rd day of February, 2012.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
D#214552

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 3rd day of February, 2012, a true and correct copy of the foregoing REPORT AND ORDER, was served upon the following as indicated below:

By U.S. Mail:

Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Gary A. Dodge
Hatch, James & Dodge
10 West Broadway, Suite 400
Salt Lake City, UT 84101

F. Robert Reeder
Vicki M. Baldwin
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One Utah Center
201 South Main Street, Suite 1800
P.O. Box 45898
Salt Lake City, UT 84145-0898

Peter J. Mattheis
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800 West Tower
Washington, D.C. 20007

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Rocky Mountain Power
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Salt Lake City, UT 84111

Paul J. Hickey
Hickey & Evans, LLP
1800 Carey Avenue, Suite 700
P.O. Box 467
Cheyenne, WY 82003-0467

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Floor
Salt Lake City, Utah 84111

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, Utah 84111

Administrative Assistant

DOCKET NO. 02-035-04

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APPENDIX

**Agreement Pertaining to PacifiCorp's September 15, 2010,
Application for Approval of Amendments
to Revised Protocol Allocation Methodology**

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of PacifiCorp for an Investigation of Inter-Jurisdictional Issues	Docket No. 02-035-04 AGREEMENT PERTAINING TO PACIFICORP'S SEPTEMBER 15, 2010 APPLICATION FOR APPROVAL OF AMENDMENTS TO REVISED PROTOCOL ALLOCATION METHODOLOGY
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This Agreement, dated June 22, 2011, has been negotiated, drafted and signed for the purpose of resolving PacifiCorp's September 15, 2010 Application for Approval of Amendments to Revised Protocol Allocation Methodology (2010 Protocol). The following are parties to this proceeding: Rocky Mountain Power (PacifiCorp or Company), the Utah Division of Public Utilities (Division), the Utah Office of Consumer Services (Office), the Utah Association of Energy Users, the Utah Industrial Energy Consumers, and Nucor Steel – Utah, a division of Nucor Corporation. The following are the parties who are signing this Agreement (individually, a "Party" and collectively, the "Parties"): PacifiCorp, the Division, the Office, and the Utah Association of Energy Users.

1. PacifiCorp's Application requests amendments to the inter-jurisdictional allocation methodology approved by the Commission in its December 14, 2004 order in this docket. In that order, the Commission approved a Stipulation that utilized both the "Revised Protocol" and the

“Rolled-In” inter-jurisdictional allocation methodologies, in conjunction with certain rate mitigation measures. The Commission further found “that the principle-based, Rolled-In allocation method and current cost causation, previously approved by this Commission, remains a valid benchmark to judge the reasonableness of future rates in Utah...” and noted that the Rolled-In allocation methodology has been consistently used in Utah since its adoption in 1997.

2. In this Application, PacifiCorp proposes that, for the duration of the 2010 Protocol, a fixed dollar amount per year adjustment would be applied to Utah’s revenue requirement under the Rolled-In allocation methodology as set forth in the 2010 Protocol. The adjustment is composed of two parts associated with the Regional Resources category (as defined in the 2010 Protocol), namely: the Hydro Endowment, comprised of the Owned Hydro Embedded Cost Differential Adjustment and the Mid-Columbia Contract Embedded Cost Differential Adjustment, and a situs adjustment associated with the reallocation of the surcharge imposed under the Klamath Hydroelectric Settlement Agreement (KHSAs) to Oregon and California with a corresponding credit to the other states. The proposed adjustment for Utah is approximately (\$1.0) million per year for the duration of the 2010 Protocol.

3. In this Application, PacifiCorp also acknowledges that state regulatory commissions are obligated to establish just and reasonable rates under a state’s regulatory law and public policy. Accordingly, the 2010 Protocol explicitly acknowledges that “Nothing in the 2010 Protocol shall abridge any State’s right and/or obligation to establish fair, just and reasonable rates based upon the law of the State and the record established in rate proceedings conducted by that State.”

4. The KHSA is a voluntary settlement entered into by the Company, the United States Department of the Interior, the states of Oregon and California, and other parties representing tribal, fishing and agricultural interests. The KHSA and PacifiCorp's rights and liabilities under the KHSA are described in Oregon Public Utility Commission Order No. 10-364 entered September 16, 2010, Docket UE 219, in the matter of PacifiCorp, dba Pacific Power Application to Implement the Provisions of Senate Bill 76, and in California Public Utilities Commission's Order dated May 6, 2011 in Application 10-03-015. These Orders authorize PacifiCorp to collect, in Oregon and California rates, a surcharge to fund hydroelectric dam and related facility removal as provided by the KHSA.

5. In Docket No. 10-035-124, PacifiCorp filed its general rate case showing results under the Revised Protocol and Rolled-In inter-jurisdictional allocation methodologies. Under the Rolled-In inter-jurisdictional allocation methodology, PacifiCorp has allocated all fixed costs of generation and transmission resources using the System Generation (SG) factor, including fixed costs related to the Klamath facilities. PacifiCorp has also proposed certain ratemaking adjustments related to the Klamath facility (Klamath Rate Impacts). The Klamath Rate Impacts include:

- a. Accelerated depreciation of plant balances related to existing investment in the Klamath facilities;
- b. Inclusion in rate base of relicensing and settlement process costs;
- c. Inclusion in rate base of additional capital costs associated with interim measure requirements of the KHSA; and
- d. Collection in rates of a dam removal surcharge.

These rate adjustments are described and itemized in the direct testimony and exhibits of Dean S. Brockbank, and Steven R. McDougal. See Docket No. 10-035-124, Direct Testimony of Dean S. Brockbank and Confidential Exhibits RMP____(DSB-3) and (DSB-4), and Docket No. 10-035-124, Direct Testimony of Steven R. McDougal and Exhibit RMP____(SRM-3), Tab 8.

6. Certain parties dispute some of PacifiCorp's proposals in this docket and Docket No. 10-035-124 upon legal and factual grounds, including that PacifiCorp's action in connection with the Klamath Hydro Facilities and the KHSA may be imprudent. Some parties contend that a Rolled-In inter-jurisdictional allocation methodology should be used in Utah. Some parties challenge the inclusion in Utah rates of any costs associated with the KHSA, included but not limited to the previously described Klamath Rate Impacts, at any time or under any inter-jurisdictional allocation method, and claim that the Commission does not have the jurisdictional authority to require the same, and that any such requirement would be unlawful.

7. Without compromising, settling or resolving any of the factual or legal disputes identified above, and while agreeing that the Commission may authorize the use of the 2010 Protocol, the Parties acknowledge and affirm that:

- a. The Parties agree that the Rolled-In allocation methodology, as explained and illustrated in Exhibits A and B to this Agreement, or as hereafter modified by the Commission, remains the benchmark and starting point for allocating inter-jurisdictional costs to Utah for ratemaking purposes, and will continue to be so, absent contrary Commission Order.

- b. The Parties agree that the combined effect of the two adjustments described in paragraph 2 above is designed to insulate Utah customers from the expected financial impacts of the Klamath Rate Impacts, if Utah rates are set using the 2010 Protocol. The 2010 Protocol and Rolled-In allocation methodologies both produce substantially equivalent economic impacts on Utah customers if Utah is allocated an SG share of all Klamath Rate Impacts under the Rolled-In allocation methodology. However, certain parties dispute, and this Agreement does not resolve, whether, under the Rolled-In inter-jurisdictional methodology, any such Klamath Rate Impacts should be borne by Utah customers.

8. Under the facts and circumstances described above, the Parties signing this Agreement request that the Commission issue an order pursuant to Utah Code Ann. § 54-4-1, approving for use in Utah, other than as specified herein, the terms and conditions of the 2010 Protocol as reflected in Exhibit RMP ____ (ALK-1) attached to the Direct Testimony of Andrea L. Kelly filed in this docket in September 2010, including Appendices A to F, as corrected by the Errata Sheet to Exhibit RMP ____ (ALK-1) filed with the Commission on or about March 2, 2011, and as further described in detail in Exhibits A and B to this Agreement. Such use of the 2010 Protocol shall begin with Docket No. 10-035-124 and remain in effect for all Company filings made on or before December 31, 2016.

9. The Parties request that the order provide that, for purposes of any such use of the 2010 Protocol, the Hydro Endowment and Klamath adjustments described above will be deemed to net to zero for ratemaking purposes in Utah.

10. The Parties further request that the order provide that the Rolled-In allocation methodology, as explained and illustrated in Exhibits A and B to this Agreement, or as hereafter modified by the Commission, will continue to be the benchmark and starting point for allocating inter-jurisdictional costs to Utah for ratemaking purposes. Unless and until the Commission directs to the contrary, all Company filings in Utah ratemaking proceedings will be based on the Rolled-In allocation methodology, and will include calculations showing the 2010 Protocol results, including the Hydro Endowment and Klamath adjustments. There is no agreement among the Parties regarding the inter-jurisdictional allocation methodology that should be used in Utah after the term of the 2010 Protocol expires. In addition, for Docket No. 10-035-124, PacifiCorp shall produce a new jurisdictional allocation model (JAM) reflecting this Agreement.

11. The Parties expressly reserve and shall not be deemed to have waived, compromised or limited, any rights, defenses, remedies, duties, or jurisdictional objections available under Federal or Utah law in connection with the inclusion, timing or allocation to Utah of costs related to the Klamath facilities, included but not limited to the previously described Klamath Rate Impacts, in Docket No. 10-035-124, and/or in any other or future proceeding. As the Commission finally resolves issues relating to the Klamath Rate Impacts for Utah ratemaking purposes, the Company shall reflect such resolutions in future filings. The Parties recognize and agree that any Commission

disallowance of costs related to the Klamath Rate Impacts shall result in adjustments to the calculation of rates under both Rolled-In and 2010 Protocol.

12. The Parties acknowledge that the emerging issues related to the inter-state allocation of Class 1 demand-side management (DSM) programs are not addressed in this Agreement and should not be considered in this phase of the proceeding. Additional analysis and discussion of these issues may be undertaken in the Standing Committee workgroups and the Parties understand that the Company may make a subsequent Application to modify the allocation of some or all Class 1 DSM resources.

13. The Parties request that the order provide that PacifiCorp will file its semi-annual results of operations using the Rolled-In allocation methodology, and the calculation of the 2010 Protocol Hydro Endowment and Klamath Surcharge adjustments using test period data in sufficient detail to allow the Parties to compare the two methodologies for the six-year effective period of the 2010 Protocol. This will apply to the first report filed after this Agreement has been approved by the Commission.

14. The Parties have entered into this Agreement to avoid further expense, inconvenience, uncertainty and delay. Nothing in this Agreement, or testimony, presentation or briefing in connection with this Agreement, shall be asserted or deemed to mean that a Party agreed with or adopted another party's legal or factual assertions in this proceeding.

15. Any Party may request that the Commission rescind, alter, or amend its order entered in connection with this Agreement or the 2010 Protocol if the Party concludes that the Agreement no longer produces results that are just, fair, reasonable, or in the public interest, due to unforeseen

or changed circumstances. The terms of this Agreement shall not impact any Parties' existing commitments to participate in the Standing Committee workgroups.

16. The Parties each agree to file testimony of one or more witnesses providing evidence in support of the Party's analysis and evaluation that led to this Agreement. As applied to the Division and Office, the evidence shall be such as the Division and Office deem in their sole discretion to be consistent with their statutory authority and responsibility.

17. All negotiations related to this Agreement are confidential and no Party shall be bound by any position asserted in negotiations. Neither the execution of this Agreement nor the order adopting this Agreement shall be deemed to constitute an admission or acknowledgment by any Party of any liability, the validity or invalidity of any claim or defense, the validity or invalidity of any principle or practice, or the basis of an estoppel or waiver by any Party other than with respect to issues resolved by this Agreement; nor shall negotiation positions of any Party relating to this Agreement or statements or documents made in the negotiation process be introduced or used as evidence for any other purpose in a future proceeding by any Party except a proceeding to enforce the approval or terms of this Agreement.

18. The Parties agree that no part of this Agreement, or any Commission Order acknowledging, adopting, approving or responding to the same, shall in any manner be argued or considered by any Party hereto as binding or as precedent in any Utah rate setting context or case with respect to interclass allocations. Every Party to this Agreement hereby agrees not to claim or argue that execution or approval of this Agreement or adoption or use of the Rolled-In inter-

jurisdictional allocation methodology in Utah requires or establishes a presumption in favor of any particular Utah interclass allocation methodology, practice or policy, or any changes to current Utah interclass allocation methodologies, policies or practices.

19. The Parties agree that if any person challenges the approval of this Agreement or requests rehearing or reconsideration of any order of the Commission approving this Agreement, each Party will use its best efforts to support the terms and conditions of the Agreement. As applied to the Division and Office, the phrase “use its best efforts” means that they shall do so in a manner consistent with their statutory authority and responsibility. In the event any person seeks judicial review of a Commission order approving this Agreement, parties other than the Division and Office shall take no position in that judicial review opposed to the Agreement, and the Division and Office shall take such positions as are consistent with their statutory authority and responsibility.

20. Except with regard to the obligations of the Parties under the two immediately preceding paragraphs of this Agreement, this Agreement shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission. This Agreement is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission’s approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Agreement or imposes any material change or condition on approval of this Agreement or if the Commission’s approval of this Agreement is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Agreement

consistent with the order. No Party shall withdraw from the Agreement prior to complying with the foregoing sentence. If any Party withdraws from the Agreement, any Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Agreement and no Party shall be bound or prejudiced by the terms and conditions of the Agreement.

21. The Parties may execute this Agreement in counterparts each of which is deemed an original and all of which only constitute one original.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first herein written.

ROCKY MOUNTAIN POWER:

By: /s/ Mark C. Moench

Date: 6/23/11

Mark C. Moench

Senior Vice President & General Counsel

DIVISION OF PUBLIC UTILITIES:

By: /s/ Patricia E. Schmid

Date: 6/23/11

Patricia Schmid

Assistant Attorney General

OFFICE OF CONSUMER SERVICES:

By: /s/ Paul H. Proctor

Date: June 27, 2011

Paul Proctor

Assistant Attorney General

UTAH ASSOCIATION OF ENERGY USERS

By: /s/ Gary A. Dodge

Date: 6/23/11

Gary A. Dodge

Attorney

EXHIBIT A

**TO THE AGREEMENT PERTAINING TO PACIFICORP'S SEPTEMBER 15, 2010,
APPLICATION FOR APPROVAL OF AMENDMENTS TO REVISED PROTOCOL
ALLOCATION METHODOLOGY**

Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
Sales to Ultimate Customers					
440	Residential Sales Direct assigned - Jurisdiction	S	S	S	S
442	Commercial & Industrial Sales Direct assigned - Jurisdiction	S	S	S	S
444	Public Street & Highway Lighting Direct assigned - Jurisdiction	S	S	S	S
445	Other Sales to Public Authority Direct assigned - Jurisdiction	S	S	S	S
448	Interdepartmental Direct assigned - Jurisdiction	S	S	S	S
447	Sales for Resale Direct assigned - Jurisdiction Non-Firm Firm	S SE SG	S SE SG	S SE SG	S SE SG
449	Provision for Rate Refund Direct assigned - Jurisdiction	S SG	S SG	S SG	S SG
Other Electric Operating Revenues					
450	Forfeited Discounts & Interest Direct assigned - Jurisdiction	S	S	S	S
451	Misc Electric Revenue Direct assigned - Jurisdiction Other - Common	S SO	S SO	S SO	S SO
453	Water Sales Common	N/A	SG	SG	SG
454	Rent of Electric Property Direct assigned - Jurisdiction Common Other - Common	S SG N/A	S SG SO	S SG SO	S SG SO
456	Other Electric Revenue Direct assigned - Jurisdiction Wheeling Non-firm, Other Common Wheeling - Firm, Other Customer Related	S SE SO SG N/A	S SE SO SG CN	S SE SO SG CN	S SE SO SG CN
Miscellaneous Revenues					
41160	Gain on Sale of Utility Plant - CR Direct assigned - Jurisdiction Production, Transmission General Office	S SG SO	S SG SO	S SG SO	S SG SO
41170	Loss on Sale of Utility Plant Direct assigned - Jurisdiction Production, Transmission General Office	S SG SO	S SG SO	S SG SO	S SG SO

Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
4118	Gain from Emission Allowances SO2 Emission Allowance sales	SE	SE	SE	SE
41181	Gain from Disposition of NOX Credits NOX Emission Allowance sales	SE	SE	SE	SE
421	(Gain) / Loss on Sale of Utility Plant Direct assigned - Jurisdiction Production, Transmission General Office Customer Related	S SG SO N/A	S SG SO CN	S SG SO CN	S SG SO CN
Miscellaneous Expenses					
4311	Interest on Customer Deposits Customer Service Deposits Direct assigned - Jurisdiction	CN N/A	CN S	CN S	CN S
Steam Power Generation					
500, 502, 504-514	Operation Supervision & Engineering Steam Plants Peaking Plants* Cholla*	SG SSGCT SSGCH	SG SSGCT SSGCH	SG N/A N/A	SG N/A N/A
501	Fuel Related Steam Plants Peaking Plants* Cholla*	SE SSECT SSECH	SE SSECT SSECH	SE N/A N/A	SE N/A N/A
503	Steam From Other Sources Steam Royalties	SE	SE	SE	SE
Nuclear Power Generation					
517 - 532	Nuclear Power O&M Nuclear Plants	SG	SG	SG	SG
Hydraulic Power Generation					
535 - 545	Hydro O&M Pacific Hydro East Hydro	SG SG	SG SG	SG SG	SG SG
Other Power Generation					
546, 548-554	Operation Super & Engineering Other Production Plant Peaking Plants*	SG N/A	SG SSGCT	SG N/A	SG N/A
547	Fuel Other Fuel Expense Peaking Plants*	SE N/A	SE SSECT	SE N/A	SE N/A

Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
Other Power Supply					
555	Purchased Power				
	Direct assigned - Jurisdiction	S	S	S	S
	Firm	SG	SG	SG	SG
	Non-firm	SE	SE	SE	SE
	100 MW Hydro Extension	SG	N/A	N/A	N/A
	Seasonal Contracts	SSGC	SSGC	N/A	N/A
556	System Control & Load Dispatch				
	Other Expenses	SG	SG	SG	SG
557	Other Expenses				
	Direct assigned - Jurisdiction	N/A	S	S	S
	Other Expenses	SG	SG	SG	SG
	Cholla Transaction	N/A	SGCT	SGCT	SGCT
	Klamath Dam Removal Surcharge	N/A	S	SG	SG
	Embedded Cost Differential Endowments				
	Company Owned Hydro ECD (Hydro less All Other)	DGP	DGP	N/A	N/A
	Company Owned Hydro ECD (All Other less Hydro)	SG	SG	N/A	N/A
	Mid-Columbia Contract ECD (Mid C less All Other)	MC	MC	N/A	N/A
	Mid-Columbia Contract ECD (All Other less Mid C)	SG	SG	N/A	N/A
	Existing QF Contracts ECD (QF less- All Other)	S	S	N/A	N/A
	Existing QF Contracts ECD (All Other less QF)	SG	SG	N/A	N/A
	Fixed-Levelized 2010 Protocol Adjustments				
	Hydro Endowment	N/A	N/A	S	N/A
	Klamath Dam Removal Surcharge Re-allocation	N/A	N/A	S	N/A
	Non-Levelized 2010 Protocol Embedded Cost Differential and Adjustment				
	Company Owned Hydro ECD (Hydro less Pre-2005 All Other)	N/A	N/A	DGP	N/A
	Company Owned Hydro ECD (Pre-2005 All Other less Hydro)	N/A	N/A	SG	N/A
	Mid-Columbia Contract ECD (Mid C less Pre-2005 All Other)	N/A	N/A	MC	N/A
	Mid-Columbia Contract ECD (Pre-2005 All Other less Mid C)	N/A	N/A	SG	N/A
	Klamath Dam Removal Surcharge Re-allocation	N/A	N/A	S	N/A
TRANSMISSION EXPENSE					
560-564, 566-573	Transmission O&M				
	Transmission Plant	SG	SG	SG	SG
565	Transmission of Electricity by Others				
	Firm Wheeling	SG	SG	SG	SG
	Non-Firm Wheeling	SE	SE	SE	SE
DISTRIBUTION EXPENSE					
580 - 598	Distribution O&M				
	Direct assigned - Jurisdiction	S	S	S	S
	Other Distribution	SNPD	SNPD	SNPD	SNPD
CUSTOMER ACCOUNTS EXPENSE					
901 - 905	Customer Accounts O&M				
	Direct assigned - Jurisdiction	S	S	S	S
	Total System Customer Related	CN	CN	CN	CN
CUSTOMER SERVICE EXPENSE					
907 - 910	Customer Service O&M				
	Direct assigned - Jurisdiction	S	S	S	S
	Total System Customer Related	CN	CN	CN	CN

Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
SALES EXPENSE					
911 - 916	Sales Expense O&M				
	Direct assigned - Jurisdiction	S	S	S	S
	Total System Customer Related	CN	CN	CN	CN
ADMINISTRATIVE & GEN EXPENSE					
920-935	Administrative & General Expense				
	Direct assigned - Jurisdiction	S	S	S	S
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	FERC Regulatory Expense	SG	SG	SG	SG
DEPRECIATION EXPENSE					
403SP	Steam Depreciation				
	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
403NP	Nuclear Depreciation				
	Nuclear Plant	SG	SG	SG	SG
403HP	Hydro Depreciation				
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
403OP	Other Production Depreciation				
	Other Production Plant	SG	SG	SG	SG
	Peaking Plants*	N/A	SSGCT	N/A	N/A
403TP	Transmission Depreciation				
	Transmission Plant	SG	SG	SG	SG
403	Distribution Depreciation				
	Direct assigned - Jurisdiction				
	Land & Land Rights	S	S	S	S
	Structures	S	S	S	S
	Station Equipment	S	S	S	S
	Storage Battery Equipment	N/A	S	S	S
	Poles & Towers	S	S	S	S
	OH Conductors	S	S	S	S
	UG Conduit	S	S	S	S
	UG Conductor	S	S	S	S
	Line Trans	S	S	S	S
	Services	S	S	S	S
	Meters	S	S	S	S
	Inst Cust Prem	S	S	S	S
	Leased Property	S	S	S	S
	Street Lighting	S	S	S	S

Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
403GP	General Depreciation				
	Distribution	S	S	S	S
	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
	Mining	N/A	SE	SE	SE
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
	Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General SO	SO	SO	SO	SO
403MP	Mining Depreciation				
	Remaining Mining Plant	SE	SE	SE	SE
AMORTIZATION EXPENSE					
404GP	Amort of LT Plant - Capital Lease Gen				
	Direct assigned - Jurisdiction	S	S	S	S
	General	SO	SO	SO	SO
	Customer Related	CN	CN	CN	CN
404SP	Amort of LT Plant - Cap Lease Steam				
	Steam Production Plant	SG	SG	SG	SG
404IP	Amort of LT Plant - Intangible Plant				
	Distribution	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	General	SO	SO	SO	SO
	Mining Plant	SE	SE	SE	SE
	Customer Related	CN	CN	CN	CN
	Cholla*	N/A	SSGCH	N/A	N/A
404MP	Amort of LT Plant - Mining Plant				
	Mining Plant	SE	SE	SE	SE
404HP	Amortization of Other Electric Plant				
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
405	Amortization of Other Electric Plant				
	Direct assigned - Jurisdiction	S	S	S	S
406	Amortization of Plant Acquisition Adj				
	Direct assigned - Jurisdiction	S	S	S	S
	Production Plant	SG	SG	SG	SG
407	Amort of Prop Losses, Unrec Plant, etc				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	Trojan	TROJP	TROJP	TROJP	TROJP

**Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol**

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
Taxes Other Than Income					
408	Taxes Other Than Income				
	Direct assigned - Jurisdiction	S	S	S	S
	Property	GPS	GPS	GPS	GPS
	System Taxes	SO	SO	SO	SO
	Misc Energy	SE	SE	SE	SE
	Misc Production	SG	SG	SG	SG
DEFERRED ITC					
41140	Deferred Investment Tax Credit - Fed ITC	DGU	DGU	DGU	DGU
41141	Deferred Investment Tax Credit - Idaho ITC	DGU	DGU	DGU	DGU
Interest Expense					
427	Interest on Long-Term Debt				
	Direct assigned - Jurisdiction	S	S	S	S
	Interest Expense	SNP	SNP	SNP	SNP
428	Amortization of Debt Disc & Exp Interest Expense	SNP	SNP	SNP	SNP
429	Amortization of Premium on Debt Interest Expense	SNP	SNP	SNP	SNP
431	Other Interest Expense Interest Expense	SNP	SNP	SNP	SNP
432	AFUDC - Borrowed AFUDC	SNP	SNP	SNP	SNP
Interest & Dividends					
419	Interest & Dividends Interest & Dividends	SNP	SNP	SNP	SNP
DEFERRED INCOME TAXES					
41010	Deferred Income Tax - Federal-DR				
	Direct assigned - Jurisdiction	S	S	S	S
	Electric Plant in Service	DITEXP	DITEXP	DITEXP	DITEXP
	Pacific Hydro	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Property Tax related	GPS	GPS	GPS	GPS
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJD	TROJD	TROJD
	Distribution	SNPD	SNPD	SNPD	SNPD
	Mining Plant	SE	SE	SE	SE
	Bad Debt	N/A	BADDEBT	BADDEBT	BADDEBT
	Tax Depreciation	N/A	TAXDEPR	TAXDEPR	TAXDEPR
	Cholla*	N/A	SSGCH	N/A	N/A

**Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol**

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition			
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In	
41011	Deferred Income Tax - State-DR		Allocation Factor			
	Direct assigned - Jurisdiction	S	S	S	S	
	Electric Plant in Service	DITEXP	DITEXP	DITEXP	DITEXP	
	Pacific Hydro	SG	SG	SG	SG	
	Production, Transmission	SG	SG	SG	SG	
	Customer Related	CN	CN	CN	CN	
	General	SO	SO	SO	SO	
	Property Tax related	GPS	GPS	GPS	GPS	
	Miscellaneous	SNP	SNP	SNP	SNP	
	Trojan	TROJP	TROJD	TROJD	TROJD	
	Distribution	SNPD	SNPD	SNPD	SNPD	
	Mining Plant	SE	SE	SE	SE	
	Bad Debt	N/A	BADDEBT	BADDEBT	BADDEBT	
	Tax Depreciation	N/A	TAXDEPR	TAXDEPR	TAXDEPR	
41110	Deferred Income Tax - Federal-CR					
	Direct assigned - Jurisdiction	S	S	S	S	
	Electric Plant in Service	DITEXP	DITEXP	DITEXP	DITEXP	
	Pacific Hydro	SG	SG	SG	SG	
	Production, Transmission	SG	SG	SG	SG	
	Customer Related	CN	CN	CN	CN	
	General	SO	SO	SO	SO	
	Property Tax related	GPS	GPS	GPS	GPS	
	Miscellaneous	SNP	SNP	SNP	SNP	
	Trojan	TROJP	TROJD	TROJD	TROJD	
	Distribution	SNPD	SNPD	SNPD	SNPD	
	Mining Plant	SE	SE	SE	SE	
	Contributions in aid of construction	N/A	CIAC	CIAC	CIAC	
	Production, Other	N/A	SGCT	SGCT	SGCT	
	Book Depreciation	N/A	SCHMDEXP	SCHMDEXP	SCHMDEXP	
	Cholla*	N/A	SSGCH	N/A	N/A	
41111	Deferred Income Tax - State-CR					
	Direct assigned - Jurisdiction	S	S	S	S	
	Electric Plant in Service	DITEXP	DITEXP	DITEXP	DITEXP	
	Pacific Hydro	SG	SG	SG	SG	
	Production, Transmission	SG	SG	SG	SG	
	Customer Related	CN	CN	CN	CN	
	General	SO	SO	SO	SO	
	Property Tax related	GPS	GPS	GPS	GPS	
	Miscellaneous	SNP	SNP	SNP	SNP	
	Trojan	TROJP	TROJD	TROJD	TROJD	
	Distribution	SNPD	SNPD	SNPD	SNPD	
	Mining Plant	SE	SE	SE	SE	
	Contributions in aid of construction	N/A	CIAC	CIAC	CIAC	
	Production, Other	N/A	SGCT	SGCT	SGCT	
	Book Depreciation	N/A	SCHMDEXP	SCHMDEXP	SCHMDEXP	
SCHEDULE - M ADDITIONS						
SCHMAF	Additions - Flow Through					
	Direct assigned - Jurisdiction	S	S	S	S	

**Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol**

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition			
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In	
SCHMAP	Additions - Permanent		Allocation Factor			
	Direct assigned - Jurisdiction	N/A	S	S	S	
	Mining related	SE	SE	SE	SE	
	General	SO	SO	SO	SO	
	Production / Transmission	N/A	SG	SG	SG	
	Depreciation	N/A	SCHMDEXP	SCHMDEXP	SCHMDEXP	
SCHMAT	Additions - Temporary					
	Direct assigned - Jurisdiction	S	S	S	S	
	Contributions in aid of construction	CIAC	CIAC	CIAC	CIAC	
	Miscellaneous	SNP	SNP	SNP	SNP	
	Trojan	TROJP	TROJD	TROJD	TROJD	
	Pacific Hydro	SG	SG	SG	SG	
	Mining Plant	SE	SE	SE	SE	
	Production, Transmission	SG	SG	SG	SG	
	Property Tax	GPS	GPS	GPS	GPS	
	General	SO	SO	SO	SO	
	Depreciation	SCHMDEXP	SCHMDEXP	SCHMDEXP	SCHMDEXP	
	Distribution	N/A	SNPD	SNPD	SNPD	
	Production, Other	N/A	SGCT	SGCT	SGCT	
SCHEDULE - M DEDUCTIONS						
SCHMDF	Deductions - Flow Through					
	Direct assigned - Jurisdiction	S	S	S	S	
	Production, Transmission	SG	SG	SG	SG	
	Pacific Hydro	SG	SG	SG	SG	
SCHMDP	Deductions - Permanent					
	Direct assigned - Jurisdiction	S	S	S	S	
	Mining Related	SE	SE	SE	SE	
	Miscellaneous	SNP	SNP	SNP	SNP	
	General	SO	SO	SO	SO	
SCHMDT	Deductions - Temporary					
	Direct assigned - Jurisdiction	S	S	S	S	
	Bad Debt	BADDEBT	BADDEBT	BADDEBT	BADDEBT	
	Miscellaneous	SNP	SNP	SNP	SNP	
	Pacific Hydro	SG	SG	SG	SG	
	Mining related	SE	SE	SE	SE	
	Production, Transmission	SG	SG	SG	SG	
	Property Tax	GPS	GPS	GPS	GPS	
	General	SO	SO	SO	SO	
	Depreciation	TAXDEPR	TAXDEPR	TAXDEPR	TAXDEPR	
	Distribution	SNPD	SNPD	SNPD	SNPD	
	Customer Related	N/A	CN	CN	CN	
	Cholla*	N/A	SSGCH	N/A	N/A	
State Income Taxes						
40911	State Income Taxes	IBT	CALCULATED**	CALCULATED**	CALCULATED**	
40911	Renewable Energy Tax Credit	N/A	SG	SG	SG	
40910	FIT True-up	S	S	S	S	
40910	Renewable Energy Tax Credit	SG	SG	SG	SG	

**Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol**

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
Steam Production Plant 310 - 316	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
Nuclear Production Plant 320-325	Nuclear Plant	SG	SG	SG	SG
Hydraulic Plant 330-336	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
Other Production Plant 340-346	Other Production Plant	SG	SG	SG	SG
	Peaking Plants*	N/A	SSGCT	N/A	N/A
TRANSMISSION PLANT 350-359	Transmission Plant	SG	SG	SG	SG
DISTRIBUTION PLANT 360-373	Direct assigned - Jurisdiction	S	S	S	S
GENERAL PLANT 389 - 398	Distribution	S	S	S	S
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
	Production / Transmission	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Mining	N/A	SE	SE	SE
399	Coal Mine				
	Remaining Mining Plant	SE	SE	SE	SE
399L	WIDCO Capital Lease				
	WIDCO Capital Lease	SE	SE	SE	SE
1011390	General Capital Leases				
	Direct assigned - Jurisdiction	S	S	S	S
	General	SO	SO	SO	SO
	Production / Transmission	N/A	SG	SG	SG

**Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol**

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
INTANGIBLE PLANT					
301	Organization Direct assigned - Jurisdiction	S	S	S	S
302	Franchise & Consent Direct assigned - Jurisdiction Production, Transmission	S SG	S SG	S SG	S SG
303	Miscellaneous Intangible Plant Distribution Pacific Hydro East Hydro Production / Transmission Peaking Plants* Cholla* Customer Related General Mining	S SG SG SG SSGCT SSGCH CN SO N/A	S SG SG SG SSGCT SSGCH CN SO SE	S SG SG SG N/A N/A CN SO SE	S SG SG SG N/A N/A CN SO SE
303	Less Non-Utility Plant Direct assigned - Jurisdiction	S	S	S	S
Rate Base Additions					
105	Plant Held For Future Use Direct assigned - Jurisdiction Production, Transmission Mining Plant	S SG SE	S SG SE	S SG SE	S SG SE
114	Electric Plant Acquisition Adjustments Direct assigned - Jurisdiction Production Plant	S SG	S SG	S SG	S SG
115	Accum Provision for Asset Acquisition Adjustments Direct assigned - Jurisdiction Production Plant	S SG	S SG	S SG	S SG
120	Nuclear Fuel Nuclear Fuel	SE	SE	SE	SE
124	Weatherization Direct assigned - Jurisdiction General	S SO	S SO	S SO	S SO
182W	Weatherization Direct assigned - Jurisdiction	S	S	S	S
186W	Weatherization Direct assigned - Jurisdiction	S	S	S	S
151	Fuel Stock Steam Production Plant Cholla*	SE N/A	SE SSECH	SE N/A	SE N/A

Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
152	Fuel Stock - Undistributed Steam Production Plant	SE	SE	SE	SE
25316	DG&T Working Capital Deposit Mining Plant	SE	SE	SE	SE
25317	DG&T Working Capital Deposit Mining Plant	SE	SE	SE	SE
25319	Provo Working Capital Deposit Mining Plant	SE	SE	SE	SE
154	Materials and Supplies				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	Mining	SE	SE	SE	SE
	General	SO	SO	SO	SO
	Production - Common	SNPPS	SNPPS	SG	SG
	Hydro	SNPPH	SNPPH	SG	SG
	Distribution	SNPD	SNPD	SNPD	SNPD
	Production, Other	N/A	SNPPO	SG	SG
163	Stores Expense Undistributed General	SO	SO	SO	SO
25318	Provo Working Capital Deposit Provo Working Capital Deposit	SNPPS	SNPPS	SG	SG
165	Prepayments				
	Direct assigned - Jurisdiction	S	S	S	S
	Property Tax	GPS	GPS	GPS	GPS
	Production, Transmission	SG	SG	SG	SG
	Mining	SE	SE	SE	SE
	General	SO	SO	SO	SO
182M	Misc Regulatory Assets				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	Mining	SE	SE	SE	SE
	General	SO	SO	SO	SO
	Cholla Transaction	SSGCH	SGCT	SGCT	SGCT
186M	Misc Deferred Debits				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	General	SO	SO	SO	SO
	Mining	SE	SE	SE	SE
	Production - Common	SNPPS	SNPPS	SG	SG
Working Capital					
CWC	Cash Working Capital				
	Direct assigned - Jurisdiction	S	S	S	S
OWC	Other Working Capital				

Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
131	Cash	SNP	SNP	SNP	SNP
135	Working Funds	SG	SG	SG	SG
141	Notes Receivable	N/A	SO	SO	SO
143	Other Accounts Receivable	SO	SO	SO	SO
232	Accounts Payable	SO	SO	SO	SO
232	Accounts Payable	SE	SE	SE	SE
232	Accounts Payable	N/A	SG	SG	SG
253	Deferred Hedge	SE	SE	SE	SE
25330	Other Deferred Credits - Misc	SE	SE	SE	SE
230	Other Deferred Credits - Misc	N/A	SE	SE	SE
254105	ARO Reg Liability	N/A	SE	SE	SE
Miscellaneous Rate Base					
18221	Unrec Plant & Reg Study Costs Direct assigned - Jurisdiction	S	S	S	S
18222	Nuclear Plant - Trojan Trojan Plant Trojan Plant	TROJP TROJD	TROJP TROJD	TROJP TROJD	TROJP TROJD
141	Notes Receivable Employee Loans - Hunter Plant	SG	SG	SG	SG
Rate Base Deductions					
235	Customer Service Deposits Direct assigned - Jurisdiction	S	S	S	S
2281	Prov for Property Insurance	SO	SO	SO	SO
2282	Prov for Injuries & Damages	SO	SO	SO	SO
2283	Prov for Pensions and Benefits	SO	SO	SO	SO
22841	Accum Misc Oper Prov Mining Other Production	SE N/A	SE SG	SE SG	SE SG
22842	Accum Misc Oper Prov-Trojan Trojan Plant	TROJD	TROJD	TROJD	TROJD
254105	FAS 143 ARO Regulatory Liability Trojan Plant	N/A	TROJP	TROJP	TROJP
230	Asset Retirement Obligation Trojan Plant	N/A	TROJP	TROJP	TROJP

Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
252	Customer Advances for Construction				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
25398	SO2 Emissions	N/A	SE	SE	SE
25399	Other Deferred Credits				
	Direct assigned - Jurisdiction	S	S	S	S
	Production, Transmission	SG	SG	SG	SG
	General	N/A	SO	SO	SO
	Mining	SE	SE	SE	SE
254	Regulatory Liabilities				
	Regulatory Liabilities	N/A	S	S	S
	Regulatory Liabilities	N/A	SE	SE	SE
	Insurance Provision	N/A	SO	SO	SO
190	Accumulated Deferred Income Taxes				
	Direct assigned - Jurisdiction	S	S	S	S
	Bad Debt	BADDEBT	BADDEBT	BADDEBT	BADDEBT
	Pacific Hydro	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJD	TROJD	TROJD
	Distribution	N/A	SNPD	SNPD	SNPD
	Mining Plant	N/A	SE	SE	SE
281	Accumulated Deferred Income Taxes				
	Production, Transmission	SG	SG	SG	SG
282	Accumulated Deferred Income Taxes				
	Direct assigned - Jurisdiction	S	S	S	S
	Depreciation	DITBAL	DITBAL	DITBAL	DITBAL
	Hydro Pacific	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJP	TROJP	TROJP
	Depreciation	N/A	TAXDEPR	TAXDEPR	TAXDEPR
	Depreciation	N/A	SCHMDEXP	SCHMDEXP	SCHMDEXP
	System Gross Plant	N/A	GPS	GPS	GPS
	Contribution in Aid of Construction	N/A	CIAC	CIAC	CIAC
	Cholla*	N/A	SSGCH	N/A	N/A
	Mining	N/A	SE	SE	SE

Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
283	Accumulated Deferred Income Taxes		Allocation Factor		
	Direct assigned - Jurisdiction	S	S	S	S
	Depreciation	DITBAL	DITBAL	DITBAL	DITBAL
	Hydro Pacific	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	Customer Related	CN	CN	CN	CN
	General	SO	SO	SO	SO
	Miscellaneous	SNP	SNP	SNP	SNP
	Trojan	TROJP	TROJD	TROJD	TROJD
	Production, Other	N/A	SGCT	SGCT	SGCT
	Property Tax	N/A	GPS	GPS	GPS
	Mining Plant	N/A	SE	SE	SE
255	Accumulated Investment Tax Credit				
	Direct assigned - Jurisdiction	S	S	S	S
	Investment Tax Credits	ITC84	ITC84	ITC84	ITC84
	Investment Tax Credits	ITC85	ITC85	ITC85	ITC85
	Investment Tax Credits	ITC86	ITC86	ITC86	ITC86
	Investment Tax Credits	ITC88	ITC88	ITC88	ITC88
	Investment Tax Credits	ITC89	ITC89	ITC89	ITC89
	Investment Tax Credits	ITC90	ITC90	ITC90	ITC90
	Investment Tax Credits	DGU	DGU	DGU	DGU
PRODUCTION PLANT ACCUM DEPRECIATION					
108SP	Steam Prod Plant Accumulated Depr				
	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
108NP	Nuclear Prod Plant Accumulated Depr				
	Nuclear Plant	SG	SG	SG	SG
108HP	Hydraulic Prod Plant Accum Depr				
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
108OP	Other Production Plant - Accum Depr				
	Other Production Plant	SG	SG	SG	SG
	Peaking Plants*	N/A	SSGCT	N/A	N/A
TRANS PLANT ACCUM DEPR					
108TP	Transmission Plant Accumulated Depr				
	Transmission Plant	SG	SG	SG	SG
DISTRIBUTION PLANT ACCUM DEPR					
108360 - 108373	Distribution Plant Accumulated Depr				
	Direct assigned - Jurisdiction	S	S	S	S
108D00	Unclassified Dist Plant - Acct 300				
	Direct assigned - Jurisdiction	S	S	S	S
108DS	Unclassified Dist Sub Plant - Acct 300				
	Direct assigned - Jurisdiction	S	S	S	S
108DP	Unclassified Dist Sub Plant - Acct 300				
	Direct assigned - Jurisdiction	S	S	S	S

**Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol**

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
		Allocation Factor			
GENERAL PLANT ACCUM DEPR					
108GP	General Plant Accumulated Depr				
	Distribution	S	S	S	S
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
	Production / Transmission	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
	Customer Related	CN	CN	CN	CN
	General SO	SO	SO	SO	SO
	Mining Plant	N/A	SE	SE	SE
108MP	Mining Plant Accumulated Depr.				
	Mining Plant	SE	SE	SE	SE
108MP	Less Centralia Situs Depreciation				
	Direct assigned - Jurisdiction	S	S	S	S
1081390	Accum Depr - Capital Lease				
	General	SO	SO	SO	SO
1081399	Accum Depr - Capital Lease				
	Direct assigned - Jurisdiction	S	S	S	S
ACCUM PROVISION FOR AMORTIZATION					
111SP	Accum Prov for Amort-Steam				
	Steam Plants	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
111GP	Accum Prov for Amort-General				
	Distribution	S	S	S	S
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG
	Production / Transmission	SG	SG	SG	SG
	Peaking Plants*	SSGCT	SSGCT	N/A	N/A
	Cholla*	SSGCH	SSGCH	N/A	N/A
	Customer Related	CN	CN	CN	CN
	General SO	SO	SO	SO	SO
111HP	Accum Prov for Amort-Hydro				
	Pacific Hydro	SG	SG	SG	SG
	East Hydro	SG	SG	SG	SG

Exhibit A to the Agreement
Allocation Factors Used in the Revised Protocol and 2010 Protocol

Comparison of Allocation Factors in Appendix B to the Revised Protocol and 2010 Protocol

FERC ACCT	DESCRIPTION	Original	Current Definition		
		Revised Protocol	Revised Protocol	2010 Protocol	Rolled In
111IP	Accum Prov for Amort-Intangible Plant		<u>Allocation Factor</u>		
	Distribution	S	S	S	S
	Pacific Hydro	SG	SG	SG	SG
	Production, Transmission	SG	SG	SG	SG
	General	SO	SO	SO	SO
	Mining	SE	SE	SE	SE
	Customer Related	CN	CN	CN	CN
	Cholla*	SSGCH	SSGCH	N/A	N/A
111IP	Less Non-Utility Plant				
	Direct assigned - Jurisdiction	S	S	S	S
111399	Accum Prov for Amort-Mining				
	Mining Plant	SE	SE	SE	SE

Notes:

* Peaking plants and Cholla are no longer allocated on seasonal factors in the 2010 Protocol -- they are included in Steam Plants, Other Production Plant, and Production / Transmission categories.

** Rather than allocated to jurisdictions using the Income Before Tax factors, state income taxes are calculated by applying the blended statutory state and local tax rate to taxable income by jurisdiction.

EXHIBIT B

**TO THE AGREEMENT PERTAINING TO PACIFICORP'S SEPTEMBER 15, 2010
APPLICATION FOR APPROVAL OF AMENDMENTS TO REVISED PROTOCOL
ALLOCATION METHODOLOGY**

2010 Protocol - Appendix C
Allocation Factors
Algebraic Derivations

September 15, 2010

Allocation Factors

PacifiCorp serves eight jurisdictions. Jurisdictions are represented by the index i = California, Idaho, Oregon, Utah, Washington, Eastern Wyoming, Western Wyoming, & FERC.

The following assumptions are made in the factor derivations:

It is assumed that the 12CP ($j=1$ to 12) method is used in defining the System Capacity (“SC”).

It is assumed that twelve months ($j=1$ to 12) method is used in defining the System Energy (“SE”).

In defining the System Generation (“SG”) factor, the weighting of 75 percent System Capacity, 25 percent System Energy is assumed to continue.

While it is agreed that the peak loads & input energy should be temperature adjusted, no decision has been made upon the methodology to do these adjustments.

System Capacity Factor (“SC”)

$$SC_i = \frac{\sum_{j=1}^{12} TAP_{ij}}{\sum_{i=1}^8 \sum_{j=1}^{12} TAP_{ij}}$$

where:

SC_i = **System Capacity Factor** for jurisdiction i .

TAP_{ij} = Temperature Adjusted Peak Load of jurisdiction i in month j at the time of the System Peak.

System Energy Factor (“SE”)

$$SE_i = \frac{\sum_{j=1}^{12} TAE_{ij}}{\sum_{i=1}^8 \sum_{j=1}^{12} TAE_{ij}}$$

where:

$$\begin{aligned} SE_i &= \text{System Energy Factor for jurisdiction i.} \\ TAE_{ij} &= \text{Temperature Adjusted Input Energy of jurisdiction i in month j.} \end{aligned}$$

System Generation Factor (“SG”)

$$SG_i = .75 * SC_i + .25 * SE_i$$

where:

$$\begin{aligned} SG_i &= \text{System Generation Factor for jurisdiction i.} \\ SC_i &= \text{System Capacity for jurisdiction i.} \\ SE_i &= \text{System Energy for jurisdiction i.} \end{aligned}$$

System Generation Cholla Transaction Factor (“SGCT”)

$$SGCT_i = \frac{SG_i^*}{\sum_{i=1}^{i=8} SG_i^*}$$

where:

$$\begin{aligned} SG_i^* &= SG_i \text{ if i is jurisdiction other than FERC, otherwise} \\ SG_i^* &= 0 . \end{aligned}$$

$$SG_i = \text{System Generation for jurisdiction I.}$$

Mid-C Factor (“MC”)

$$MC_i = \frac{WMCE_i}{\sum_{i=1}^{i=8} WMCE_i}$$

where:

MC_i = **Mid-C Factor** for jurisdiction i.

$$WMCE_i = E_{ipr}^* + (E_{rr} * SG_i) + (E_{wa} * WWA_i) + (E_w * SG_i) \quad \text{Weighted Mid-C Contracts annual energy generation}$$

where:

$$E_{ipr}^* = E_{ipr} \quad \text{If i is Oregon, otherwise}$$

$$E_{ipr}^* = 0$$

$$E_{ipr} = \text{Annual Energy generation of Priest Rapids.}$$

$$E_{rr} = \text{Annual Energy generation of Rocky Reach.}$$

$$E_{wa} = \text{Annual Energy generation of Wanapum.}$$

$$E_w = \text{Annual Energy generation of Wells.}$$

$$WWA_i = \frac{SG_i^*}{\sum_{i=1}^{i=8} SG_i^*} \quad \text{Weighted Wanapum Energy}$$

where:

$$SG_i^* = SG_i \quad \text{if i is Washington or Oregon jurisdiction, otherwise}$$

$$SG_i^* = 0.$$

$$SG_i = \text{System Generation for jurisdiction i.}$$

Division Generation - Pacific Factor (“DGP”)

$$DGP_i = \frac{SG_i^*}{\sum_{i=1}^{i=8} SG_i^*}$$

where:

DGP_i = **Division Generation - Pacific Factor** for jurisdiction i.

SG_i^* = SG_i if i is a Pacific jurisdiction, otherwise

$SG_i^* = 0$.

SG_i = System Generation for jurisdiction i.

Division Generation - Utah Factor (“DGU”)

$$DGU_i = \frac{SG_i^*}{\sum_{i=1}^{i=8} SG_i^*}$$

where:

DGU_i = **Division Generation - Utah Factor** for jurisdiction i.

SG_i^* = SG_i if i is a Utah jurisdiction, otherwise

$SG_i^* = 0$.

SG_i = System Generation for jurisdiction i.

System Net Plant - Distribution Factor (“SNPD”)

$$SNPD_i = \frac{PD_i - ADPD_i}{(PD - ADPD)}$$

where:

- $SNPD_i$ = **System Net Plant - Distribution Factor** for jurisdiction i.
- PD_i = Distribution Plant - for jurisdiction i.
- $ADPD_i$ = Accumulated Depreciation Distribution Plant - for jurisdiction i.
- PD = Distribution Plant.
- $ADPD$ = Accumulated Depreciation Distribution Plant.

System Gross Plant - System Factor (“GPS”)

$$GPS_i = \frac{PP_i + PT_i + PD_i + PG_i + PI_i}{\sum_{i=1}^{i=8} (PP_i + PT_i + PD_i + PG_i + PI_i)}$$

- $GP-S_i$ = **Gross Plant - System Factor** for jurisdiction i.
- PP_i = Production Plant for jurisdiction i.
- PT_i = Transmission Plant for jurisdiction i.
- PD_i = Distribution Plant for jurisdiction i.
- PG_i = General Plant for jurisdiction i.
- PI_i = Intangible Plant for jurisdiction i.

System Net Plant Factor (“SNP”)

$$SNP_i = \frac{PP_i + PT_i + PD_i + PG_i + PI_i - ADPP_i - ADPT_i - ADPD_i - ADPG_i - ADPI_i}{\sum_{i=1}^{i=8} (PP_i + PT_i + PD_i + PG_i + PI_i - ADPP_i - ADPT_i - ADPD_i - ADPG_i - ADPI_i)}$$

- SNP_i = **System Net Plant Factor** for jurisdiction i.
 PP_i = Production Plant for jurisdiction i.
 PT_i = Transmission Plant for jurisdiction i.
 PD_i = Distribution Plant for jurisdiction i.
 PG_i = General Plant for jurisdiction i.
 PI_i = Intangible Plant for jurisdiction i.
 $ADPP_i$ = Accumulated Depreciation Production Plant for jurisdiction i.
 $ADPT_i$ = Accumulated Depreciation Transmission Plant for jurisdiction i.
 $ADPD_i$ = Accumulated Depreciation Distribution Plant for jurisdiction i.
 $ADPG_i$ = Accumulated Depreciation General Plant for jurisdiction i.
 $ADPI_i$ = Accumulated Depreciation Intangible Plant for jurisdiction i.

System Overhead - Gross Factor (“SO”)

$$SOG_i = \frac{PP_i + PT_i + PD_i + PG_i + PI_i - PP_{oi} - PT_{oi} - PD_{oi} - PG_{oi} - PI_{oi}}{\sum_{i=1}^{i=8} (PP_i + PT_i + PD_i + PG_i + PP_i - PP_{oi} - PI_{oi} - PD_{oi} - PG_{oi} - PI_{oi})}$$

- SOG_i = **System Overhead - Gross Factor** for jurisdiction i.
 PP_i = Gross Production Plant for jurisdiction i.
 PT_i = Gross Transmission Plant for jurisdiction i.
 PD_i = Gross Distribution Plant for jurisdiction i.
 PG_i = Gross General Plant for jurisdiction i.
 PI_i = Gross Intangible Plant for jurisdiction i.
 PP_{oi} = Gross Production Plant for jurisdiction i allocated on a SO factor.
 PT_{oi} = Gross Transmission Plant for jurisdiction i allocated on a SO factor
 PD_{oi} = Gross Distribution Plant for jurisdiction i allocated on a SO factor
 PG_{oi} = Gross General Plant for jurisdiction i allocated on a SO factor
 PI_{oi} = Gross Intangible Plant for jurisdiction i allocated on a SO factor

Bad Debt Expense Factor (“BADDEBT”)

$$BADDEBT_i = \frac{ACCT904_i}{\sum_{i=1}^{i=8} ACCT904_i}$$

- $BADDEBT_i$ = **Bad Debt Expense Factor** for jurisdiction i.
 $ACCT904_i$ = Balance in Account 904 for jurisdiction i.

Customer Number Factor (“CN”)

$$CN_i = \frac{CUST_i}{\sum_{i=1}^{i=8} CUST_i}$$

where:

CN_i = **Customer Number Factor** for jurisdiction i.
 $CUST_i$ = Total Electric Customers for jurisdiction i.

Contributions in Aid of Construction (“CIAC”)

$$CIAC_i = \frac{CIACNA_i}{\sum_{i=1}^{i=8} CIACNA_i}$$

where:

$CIAC_i$ = **Contributions in Aid of Construction Factor** for jurisdiction i.
 $CIACNA_i$ = Contributions in Aid of Construction – Net additions for jurisdiction i.

Schedule M - Deductions (“SCHMDEXP”)

$$SCHMDEXP_i = \frac{DEPRC_i}{\sum_{i=1}^{i=8} DEPRC_i}$$

where:

$SCHMDEXP_i$ = **Schedule M - Deductions (SCHMDEXP) Factor** for jurisdiction i.
 $DEPRC_i$ = Depreciation in Accounts 403.1 - 403.9 for jurisdiction i.

Trojan Plant (“TROJP”)

$$TROJP_i = \frac{ACCT18222_i}{\sum_{i=1}^{i=8} ACCT18222_i}$$

where:

$TROJP_i$ = **Trojan Plant (TROJP) Factor** for jurisdiction i.
 $ACCT18222_i$ = Allocated Adjusted Balance in Account 182.22 for jurisdiction i.

Trojan Decommissioning (“TROJD”)

$$TROJD_i = \frac{ACCT22842_i}{\sum_{i=1}^{i=8} ACCT22842_i}$$

where:

$TROJD_i$ = **Trojan Decommissioning (TROJD) Factor** for jurisdiction i.
 $ACCT22842_i$ = Allocated Adjusted Balance in Account 228.42 for jurisdiction i.

Tax Depreciation (“TAXDEPR”)

$$TAXDEPR_i = \frac{TAXDEPRA_i}{\sum_{i=1}^{i=8} TAXDEPRA_i}$$

where:

- $TAXDEPR_i$ = **Tax Depreciation (TAXDEPR) Factor** for jurisdiction i.
- $TAXDEPRA_i$ = Tax Depreciation allocated to jurisdiction i.

(Tax Depreciation is allocated based on functional pre merger and post merger splits of plant using Divisional and System allocations from above. Each jurisdiction’s total allocated portion of Tax depreciation is determined by its total allocated ratio of these functional pre and post merger splits to the total Company Tax Depreciation.)

Deferred Tax Expense (“DITEXP”)

$$DITEXP_i = \frac{DITEXPA_i}{\sum_{i=1}^{i=8} DITEXPA_i}$$

where:

- $DITEXP_i$ = **Deferred Tax Expense (DITEXP) Factor** for jurisdiction i.
- $DITEXPA_i$ = Deferred Tax Expense allocated to jurisdiction i.

(Deferred Tax Expense is allocated by a run of PowerTax based upon the above factors. PowerTax is a computer software package used to track Deferred Tax Expense & Deferred Tax Balances. PowerTax allocates Deferred Tax Expense and Deferred Tax Balances to the states based upon a computer run which uses as inputs the preceding factors. If the preceding factors change, the factors generated by PowerTax change.)

Deferred Tax Balance (“DITBAL”)

$$DITBAL_i = \frac{DITBALA_i}{\sum_{i=1}^{i=8} DITBALA_i}$$

where:

- $DITBAL_i$ = **Deferred Tax Balance (DITBAL) Factor** for jurisdiction i.
- $DITBALA_i$ = Deferred Tax Balance allocated to jurisdiction i.

(Deferred Tax Balance is allocated by a run of PowerTax based upon the above factors. PowerTax is a computer software package used to track Deferred Tax Expense & Deferred Tax Balances. PowerTax allocates Deferred Tax Expense and Deferred Tax Balances to the states based upon a computer run which uses as inputs the preceding factors. If the preceding factors change, the factors generated by PowerTax change.)