

PacifiCorp
2018 Annual Update
Material Changes Summary

Section I.3(c) of Attachment H-2 of PacifiCorp's Open Access Transmission Tariff, the Formula Rate Implementation Protocols ("Protocols") calls for PacifiCorp, as part of each Annual Update, to identify and explain each material change ("Material Change"). A Material Change is:

- (i) *any change in the Transmission Provider's accounting policies, practices or procedures (including changes resulting from revisions to FERC's Uniform System of Accounts and/or FERC Form No. 1 reporting requirements and inter-company cost allocation methodologies) from those in effect during the calendar year upon which the most recent actual ATRR was based and that, in the Transmission Provider's reasonable judgment, could impact the Formula Rate, including impact to the ATRR or load divisor; and*
- (ii) *any change in the classification of any transmission facility that has been directly assigned and the dollar value of the change that the Transmission Provider has made in the applicable Projection or True-Up.*

For the 2017 Annual Update, PacifiCorp provides the following:

- (i) On page 106b (Information on Formula rates – Formula Rate Variances) of its 2017 FERC Form No. 1, PacifiCorp has included references to line items where values used as formula rate inputs differ from amounts reported in Form No. 1 schedules. Footnotes to each item listed provide the value used in the formula and an explanation for adjustments along with references to specific FERC proceedings, where applicable.

As a result of the FERC audit process in FERC Docket No. FA16-04-000, the amortization for the following regulatory assets has changed:

- **Liquidated plant damage regulatory assets** – PacifiCorp agreed with the FERC's recommendation that amortization of liquidated damage regulatory assets did not meet the definition of Account 930.2, Miscellaneous General Expenses. Beginning with calendar year 2017, PacifiCorp now amortizes these regulatory assets to Account 557, Other Expenses, a production account not included in the formula and thus eliminating the need to identify and exclude these items on Attachment 5.
- **Pension and benefits regulatory assets** – The FERC audit found that PacifiCorp's accounting for the amortization of prepaid pension and

postretirement regulatory assets in Account 920, Administrative and General Salaries, was inconsistent with Commission accounting regulations. The FERC stated the amortization of pensions and postretirement benefit costs should be recorded in Account 926, Employee Pensions and Benefits, under the Commission accounting regulations. Beginning with calendar year 2017, PacifiCorp now amortizes prepaid pension and postretirement benefit costs to Account 926 and excludes these from the formula rate through the use of page 106b in the FERC Form No. 1. This process eliminates the need to identify and exclude these items on Attachment 5.

- **Environmental damage regulatory assets** – The FERC audit identified PacifiCorp's accounting for the amortization of environmental damage regulatory asset in Account 925, Injuries and Damages, as inconsistent with Commission accounting regulations. The FERC found that Account 925 should include the cost of insurance or reserve accruals to protect the utility against injuries and damage claims of employees or others, or losses of such character not covered by insurance. The FERC required PacifiCorp to amortize the amounts of the environmental damages related regulatory assets recovered in its retail rates to appropriate functional production or distribution operating and maintenance expense accounts. Should there be any environmental damage regulatory assets associated with transmission property, PacifiCorp will exclude these from the formula rate through the use of page 106b of its FERC Form No. 1.

- (ii) A review of the PacifiCorp's records has not identified any Material Change related to the classification of any transmission facility that has been directly assigned.