

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP d.b.a. PACIFIC POWER,

Respondent.

DOCKET UE- 10 _____

APPLICATION

1 Pursuant to RCW 80.28.050, RCW 80.28.060 and in accordance with WAC 480-07-510, PacifiCorp d.b.a. Pacific Power (Company), files a general rate increase to revise its tariff schedules to adjust prices for its Washington electric customers.

2 The Company is an electric company and public service company in the State of Washington within the meaning of RCW 80.04.010, and is subject to the Washington Utilities and Transportation Commission's (Commission) jurisdiction with respect to its prices and terms of electric service to retail customers in Washington. The Company provides electric service to approximately 131,000 retail customers in the State of Washington and approximately 1.7 million total retail customers in Washington, California, Idaho, Oregon, Utah and Wyoming.

3 Communications regarding this filing should be addressed to:

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Communications regarding discovery matters, including data requests issued to the Company should be addressed to:

Data Request Response Center
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4 At current rate levels, the Company will earn an overall return on equity (ROE) of approximately 1.9 percent in Washington during the test period. Company witness Samuel C. Hadaway has recommended an ROE of 10.60 percent. For an opportunity to achieve this ROE and maintain the financial integrity of the Company, a rate increase of \$56.7 million, or 20.88 percent overall, is necessary. The revised tariff schedules submitted with this filing reflect an increase in this amount.

5 The proposed rate increase is based upon normalized Results of Operations for Washington for the test period, a historic twelve-month period ended December 31, 2009,

adjusted for limited known and measurable changes. Consistent with Commission precedent, the Company's net power costs are based on a forecast for the twelve-months ending March 31, 2012, aligned with the rate effective period.

6 The tariff sheets reflect a proposed effective date of June 3, 2010, which allows for the required thirty (30) days under RCW 80.28.060 following the submittal of a tariff filing. The Company waives its right to have this filing considered at an open meeting of the Commission and consents to the Commission's prompt entry of an order suspending the filing and commencing an investigation, pursuant to RCW 80.04.130(1). The Company agrees that upon suspension of its tariff filing, it will provide notice pursuant to WAC 480-100-197. Accordingly, the notice provisions of WAC 480-100-194 are not required for this filing.

7 The Company's need for this rate increase is primarily driven by cost increases in the following key areas:

Increases in net power costs. This increase is largely caused by the expiration and replacement of several below-market legacy contracts, including contracts for gas supply, wholesale purchase power contracts associated with the Mid-Columbia hydroelectric projects and the Bonneville Power Administration, and third-party wheeling expenses. The increase is partially mitigated by a reduction in net power costs associated with a lower load forecast, lower market prices, and extended operation of the Condit Dam.

Investment in the system. The Company continues to make ongoing investments in transmission, distribution and hydroelectric generation facilities.

The filing also captures a full year of costs for investments brought into service in the last case.

Under-recovery of historic costs. In the 2009 Rate Case, the Company settled for a lower base rate increase than originally requested. This settlement achieved, among other benefits, recovery of a deferral associated with the recently acquired Chehalis generating resource. In this case, the foregone base rate increase from the last rate case is carried forward as a revenue deficiency into the historic test period.

The rate increase is mitigated by the Company's effective control of costs in operations and maintenance and administrative and general and by its conservative approach in making pro forma known and measurable adjustments in this case.

8 Based upon the results of the cost of service study, the Company proposes to spread the proposed revenue increase across customer classes with an increase of 21.0 percent for all classes, except public street lighting customers, for which the Company proposes an increase of 5.0 percent.

9 In Docket UE-061546 , Order No. 08, issued June 21, 2007, the Commission approved the West Control Area allocation methodology for a trial period of five years. The Company's filing uses the West Control Area allocation methodology consistent with the approved five-year trial period.

10 On the issue of income tax accounting, the Company's filing explains a change in accounting method known as the "repairs deduction." The Company proposes to treat the temporary book-tax difference created by the repairs deduction on a normalized basis, so

that customers receive the full benefit of this accelerated tax deduction. In conjunction with this proposal, the Company seeks authority to establish a regulatory asset or liability for interest that might ultimately be paid to or received from the Internal Revenue Service. The Company also requests Commission authorization to move to full normalization of all temporary book-tax differences, with the exception of equity AFUDC. The Company makes these requests pursuant to RCW 80.01.040(3), which authorizes the Commission to regulate in the public interest the rates, services, facilities, and practices of electric companies; RCW 80.040.090, which authorizes the Commission to prescribe the forms of accounts to be kept by public service companies; and WAC 480-100-203, pertaining to the accounting requirements applicable to electric utilities in the state of Washington.

11 The Company's direct case consists of the testimony and exhibits of nine witnesses:

(a) **Richard Patrick "Pat" Reiten**, President, Pacific Power, provides an overview of the Company's request for an increase in its base electric rates and the major factors driving the need for the rate increase. Additionally, he provides an introduction of the other witnesses providing testimony on behalf of the Company.

(b) **Samuel C. Hadaway**, Principal, FINANCO, Inc., testifies concerning the Company's cost of equity. He presents support for the requested authorized return on equity of 10.60 percent to account for the risks and operating challenges that the Company faces.

(c) **Bruce N. Williams**, Vice President and Treasurer, describes the calculation of PacifiCorp's capital structure, cost of debt and preferred stock. He also discusses PacifiCorp's compliance with the Company's and MidAmerican Energy Holding Company's commitment from Docket UE-051090 (Commitment 37) and requests that the Commission enter an order at the conclusion of the case confirming that this commitment has been fully satisfied.

(d) **Gregory N. Duvall**, Director, Long-Range Planning and Net Power Costs, describes the Company's net power costs. He also explains the Company's production cost model.

(e) **R. Bryce Dalley**, Manager, Revenue Requirement, presents the Company's overall revenue requirement based on the historic twelve-month period ended December 31, 2009. He also presents the normalizing and pro forma known and measurable adjustments to historic results related to revenue, operations and maintenance expense, net power costs, depreciation and amortization, taxes and rate base.

(f) **Ryan Fuller**, Assistant Tax Director, presents the Company's calculation of the income tax portion of the Washington-allocated revenue requirement. He also discusses the repairs deduction and the Company's proposal to move to full normalization of all temporary book-tax differences, with the exception of equity AFUDC.

(g) **Erich D. Wilson**, Director, Human Resources, presents an overview of the Company's compensation plans and supports the costs related to this area in the test period.

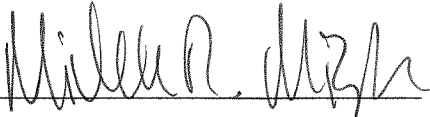
(h) **C. Craig Paice**, Regulatory Consultant, Cost of Service and Pricing, presents the Company's cost of service study.

(i) **William R. Griffith**, Director, Pricing, Cost of Service and Regulatory Operations, presents the Company's proposed rate spread and changes in rate design for the affected rate schedules. He also describes the changes proposed by the Company to the low-income bill assistance program.

12 Pursuant to WAC 480-07-510(4), attached as Exhibit A is the Summary Document setting forth the information required to be filed in connection with applications for general rate increases.

DATED: May 4, 2010.

Respectfully Submitted,

By 
Michelle R. Mishoe
Pacific Power

PACIFICORP

Exhibit A

Summary of Requested Electric General Rate Increase

Washington Jurisdiction

Filed May 4, 2010

- 1) **The date and amount of the latest prior general rate increase authorized by the Commission, and the revenue realized from that authorized increase in the test period, based on the company's test period units of revenue.**

Date:	January 1, 2010
Amount:	\$13,500,000
Amount Realized in the test period:	\$0

- 2) **Total revenues at present rates and at requested rates.**

Present Rates	\$271,765,000
Requested Rates	\$328,512,000

- 3) **Requested revenue change in percentage, in total and by major customer class**

Residential	21.0%
Commercial & Industrial	21.0%
Public Street Lighting	5.0%
Total	20.9%

- 4) **Requested revenue change in dollars, in total and by major customer class**

Residential	\$24,902,000
Commercial & Industrial	\$31,757,000
Public Street Lighting	\$ 88,000
Total	\$56,747,000

- 5) **Requested rate change in dollars per month, per average residential customer.**

Monthly impact at average usage of 1,300 kWh per month - \$19.75

6) Most current customer count by major customer class.

Residential	103,542
Commercial & Industrial	24,464
Public Street Lighting	3,073
Total	131,079

Twelve months ended December 31, 2009.

7) Current authorized overall rate of return and authorized rate of return on common equity.

Overall rate of return (UE-061546)	8.06%
Rate of return on common equity (UE-061546)	10.20%

The settlement stipulation from the Company's last general rate case, Docket UE-090205, specified an agreed-upon overall rate of return of 8.06%. Parties did not agree on the appropriate capital ratios or the cost of any capital structure component. The rate of return on common equity provided here is from the Company's last fully litigated case in Docket UE-061546.

8) Requested overall rate of return and requested rate of return on common equity, and the method or methods used to calculate rate of return on common equity.

Overall rate of return	8.34%
Rate of return on common equity	10.60%

Method(s) of calculation: The discounted cash flow and risk premium analysis methodologies were used to determine a reasonable range of return on equity. Based on these quantitative results and further review of other economic data, a point estimate of 10.60 percent is recommended.

9) Requested capital structure.

Long-term Debt	47.6%
Preferred stock	0.3%
Common Equity	52.1%

10) Requested total net operating income.

Net operating income:	\$64,614,000
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11) Requested total rate base and method of calculation, or equivalent.

Rate base: \$774,753,000

Method of calculation: Average of Monthly Averages (“AMA”).

12) Requested revenue effect of attrition allowance, if any requested.

Attrition allowance requested: None.