

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP d.b.a. PACIFIC POWER,

Respondent.

DOCKET UE- 09_____

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 130,000 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 The Company is currently earning a normalized return on equity (“ROE”) of approximately 4.5 percent in Washington. Company witness Dr. Samuel C. Hadaway has recommended an ROE of 11.00 percent. In order to achieve this ROE and maintain the financial integrity of the Company, an increase of \$38.5 million, or 15.1 percent, is necessary. The revised tariff schedules submitted with this filing reflect an increase in this amount.

5 The tariff sheets reflect a proposed effective date of March 11, 2009, which allows the required thirty (30) days notice 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 as set forth in RCW 80.04.130(1) and consents to the Commission's prompt entry of an order suspending the filing and commencing an investigation.

6 The proposed rate increase is based upon normalized Results of Operations for Washington for the test period, a historical twelve-month period ending June 30, 2008, adjusted for known and measurable changes. The Company's need for this rate increase is primarily driven by cost increases in the following key areas:

Investment in new generation. The Company continues to make significant investments to serve its customers and comply with Washington's statutory mandates on renewable resources and greenhouse gas emissions. These investments include the prudently acquired Chehalis natural gas plant ("Chehalis Plant") and the Marengo II wind resource. This case also includes a full year of the Goodnoe Hills and the Marengo wind resources in rates.

Increases in net power costs. The increase in net power costs is driven by a variety of factors, including the expiration of long-term firm purchase power contracts, increased firm wheeling expenses, the addition of nature gas pipeline reservation fees and startup fuel costs, lower hydro generation at Company-owned facilities, and increases in coal costs. The increase is mitigated by the addition of near-zero variable-cost wind resources.

7 Based upon the results of the cost of service study, the Company proposes to allocate the proposed revenue increase across customer classes as follows: For Residential, Schedule 36 Large General Service, and Schedule 40 Agricultural Pumping

Service, the Company proposes an increase of 15.2 percent. For Schedule 48T Large General Service, the Company proposes an increase of 19.9 percent. For Schedule 24 Small General Service, the Company proposes an increase of 9.9 percent. For public street lighting customers, the Company proposes no change.

8 In Docket UE-061546 (“2006 Rate Case”), 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 proposes to continue using the West Control Area allocation methodology consistent with the approved five-year trial period.

9 The Company seeks to begin the amortization of certain prudently incurred costs related to the Chehalis Plant. On December 18, 2008, in Docket UE-082252, the Company notified the Commission of its intent to defer certain costs related to the Chehalis Plant. The Company is proposing to recover these costs by consolidating the deferral with current rate Schedule 96, the Hydro Deferral Surcharge. The Company proposes to rename Schedule 96 as the Deferral Amortization Surcharge and retain the current collection rate under the schedule. As such, no rate change is currently proposed for the present Schedule 96 rates.

10 The Company’s direct case consists of the testimony and exhibits of eleven 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. He briefly discusses the Company’s request to begin amortizing deferred costs associated with the Chehalis Plant and changes the Company proposes to the low-income bill

assistance program. Additionally, he provides an introduction of the other witnesses providing testimony on behalf of the Company.

(b) **Dr. Samuel C. Hadaway**, Principal, FINANCO, Inc. testifies concerning the Company's cost of equity. He will present support for the requested authorized return on equity of 11.00 percent to account for the risks and operating challenges that the Company faces.

(c) **Bruce N. Williams**, Treasurer, describes the calculation of PacifiCorp's capital structure, cost of debt and preferred stock. He also presents studies that demonstrate PacifiCorp's compliance with the Company's and MEHC's commitment from Docket UE-051090 (Commitment 37).

(d) **Dr. Hui Shu**, Manager, Net Power Costs, describes the Company's net power costs. She will also explain the Company's production cost model.

(e) **Dr. Romita Biswas**, Director, Load and Revenue Forecasting, presents the temperature normalization and load forecasting methodologies used in this case. She also describes the refinements to the Company's forecasting methodology developed through the Integrated Resource Planning process.

(f) **Mark R. Tallman**, Vice President, Renewable Resource Development, describes the Company's acquisition of the new Marengo II wind resource.

(g) **Stefan A. Bird**, Vice President, Commercial and Trading, for PacifiCorp Energy, demonstrates the prudence of the acquisition of the Chehalis Plant and shows that it is in the best interest of Washington customers. He also discusses the Washington greenhouse gas emissions performance standard ("EPS") and the Company's recent submission to the Energy Facility Site Evaluation Council

requesting a certification that the Chehalis plant complies with the EPS.

(h) Gregory N. Duvall, Director, Long Range Planning and Net Power Costs, presents the evidence that supports PacifiCorp's decision to acquire the Chehalis Plant and demonstrates that the Chehalis Plant is used and useful for service to Washington customers.

(i) R. Bryce Dalley, Manager, Revenue Requirement, presents the Company's overall revenue requirement based on the test period (a historical twelve-month period ending June 30, 2008, adjusted for known and measurable changes). He also presents the restating and pro forma adjustments to historic results related to revenue, operations and maintenance expense, net power costs, depreciation and amortization, taxes and rate base. Finally, he describes the costs the Company is currently deferring related to the Chehalis plant, as filed in a notice submitted to the Commission in UE-082252, and the Company's proposal to recover these costs.

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

(k) 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: February 9, 2009.

Respectfully Submitted,

By _____

Michelle R. Mishoe

Pacific Power

PACIFICORP

Exhibit A
Summary of Requested Electric General Rate Increase
Washington Jurisdiction
Filed February 9, 2009

- 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: | October 15, 2008 |
| Amount: | \$18,400,000 |
| Amount Realized in the test period: | \$18,213,000 |

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

| | |
|-----------------|---------------|
| Present Rates | \$254,947,000 |
| Requested Rates | \$293,461,000 |

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

| | |
|-------------------------|-------|
| Residential | 15.2% |
| Commercial & Industrial | 15.2% |
| Public Street Lighting | 0.0% |
| Total | 15.1% |

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

| | |
|-------------------------|--------------|
| Residential | \$17,010,000 |
| Commercial & Industrial | \$21,505,000 |
| Public Street Lighting | \$ 0,000 |
| Total | \$38,515,000 |

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

Monthly impact at average usage of 1,300 kWh per month - \$13.77

6) Most current customer count by major customer class.

| | |
|-------------------------|---------|
| Residential | 102,466 |
| Commercial & Industrial | 24,033 |
| Public Street Lighting | 3,265 |
| Total | 129,764 |

Twelve months ended June 2008.

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% |

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 | 8.513% |
| Rate of return on common equity | 11.00% |

9) Requested capital structure.

| | |
|-----------------|-------|
| Long-term Debt | 49.1% |
| Preferred stock | 0.4% |
| Common Equity | 50.1% |
| Short-term Debt | 0.4% |

10) Requested total net operating income.

| | |
|-----------------------|---------------|
| Net operating income: | \$ 62,814,000 |
|-----------------------|---------------|

11) Requested total rate base and method of calculation, or equivalent.

| | |
|------------|---------------|
| Rate base: | \$737,858,000 |
|------------|---------------|

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

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

Attrition allowance requested: None.