Exhibit No.___(KEI-7)
Docket No. UE-061546/UE-060817
Witness: Kathryn E. Iverson

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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<tr><td>WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,
Complainant,

v.

PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY,

Respondent.</td><td>)
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)</td><td>**Docket No. UE-061546**</td></tr>
<tr><td>In the Matter of the Petition of

PACIFIC POWER & LIGHT COMPANY

For an Accounting Order Approving Deferral of Certain Costs Related to the MidAmerican Energy Holdings Company Transition.</td><td>)
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EXHIBIT NO.___(KEI-7)

OPUC STAFF PROPOSED CONDITIONS REGARDING

PACIFICORP TRANSITION COST REQUEST (UM 1263)

February 14, 2007

PacifiCorp Transition Cost request UM 1263
OPUC Staff Proposal (12/19/06)

1. Staff would recommend that the Commission approve the request for an accounting order provided the company agreed to the following conditions:
   a. The transition costs are all severance costs booked between March 21, 2006 and March 31, 2007 for employees severed as a result of the MEHC transition. No computer upgrades or other non-severance related costs are to be included.
   b. The capitalized expenditures will not accrue interest or carrying charges or earn a return until the unamortized balance is recognized in rates.
   c. Amortization will start beginning April 1, 2007 and the costs will be amortized over a period of five years.
   d. PacifiCorp will provide a Cost/ Benefit study at the time the company seeks ratemaking treatment in the next rate case. The study should demonstrate, to the Commission's satisfaction, that the sum of (i.) total company test year labor expenses including management fees and adjusted to eliminate workforce changes due to resource acquisitions, expansions or sales occurring since March 20, 2006, and (ii.) the total unamortized balance of the actual transition costs is less than (iii.) the annualized labor cost and management fees of the company as of March 20, 2006 (including the salaries and benefits of employees severed from March 21, 2006 until March 31, 2007 and whose severance benefits are included in the transition costs) adjusted for inflation utilizing the ratio of Global Insight's Utility Cost Information Service's Total Operating and Maintenance Index for the appropriate account divided by the 2006 index value.
   e. This accounting order for transition cost recovery will be a separately identified issue in the next rate case.

2. We will ask the company to recommend language explaining PacifiCorp's agreement, as a condition of approval, that the transition costs are recoverable only to the extent that Oregon portion of the $6 million total company A&G acquisition benefit has first been fully realized in savings to customers. In other words, total company A&G savings will be at least $6 million per year even after considering the ratemaking treatment of the transition costs.